

2011 Responsibility Report

With financial reports



Systembolaget's 2011 Responsibility Report

Responsible selling is at the heart of Systembolaget's mandate. This Responsibility Report integrates our annual accounts and our Corporate Governance Report with our Sustainability Report and discusses the issues we have identified as being of importance for our operations and our stakeholders in 2011. For more detailed information on our sustainability work, please see the GRI appendix on Systembolaget's website, systembolaget.se.

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About the Responsibility Report

The Report comprises the Parent Company, Systembolaget AB, the wholly-owned subsidiaries, IQ-initiativet AB, AB K14 Näckströmsgatan and Gamla Distribution i Jordbro AB. Level B+ Global Reporting Initiatives (GRI) guidelines are applied in the report. The GRI reporting is certified by Ernst & Young. A full list of contents for GRI is presented on pages 84–85.



This is Systembolaget

Our important mandate Systembolaget's operations are based on a clearly defined social responsibility. This responsibility constitutes an important difference between Systembolaget and other companies, whose goals are often to maximise their profits. Our mandate is to help improve public health by limiting the harmful effects of alcohol. One of the starting points for our work is the sole right we have been given by the Swedish parliament on retail sales of strong beer, wine and spirits in Sweden. Our vision is of a society in which alcoholic drinks can be enjoyed with due regard to health considerations so that no one is harmed.



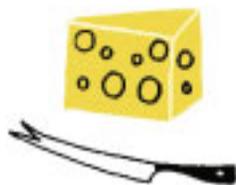
Our meeting places. A total of 117 million customer visits to our stores were recorded in 2011, and our website reported over 17 million visits. Our Customer Service Department can answer pretty much any question you put to them and Systembolaget's online ordering service offers the full selection of products that make up our range. We have a Facebook presence and have also launched an app to make life easier for you, the customer. Our tasting sessions are popular. And through the IQ-initiative, we are conducting a dialogue on a smarter approach to alcohol.

We have strong popular support. Ultimately, it is Swedes' view of the way in which we offer service and expertise and the way in which we live up to our social responsibility mandate that will determine how successful we are. Everyone should see the benefits of Systembolaget. We are delighted that popular support for Systembolaget is currently at its highest ever levels, with two out of every three Swedes keen to see our sole right on the retail sales of alcoholic drinks retained.





Our customer promise. Systembolaget is there for everyone. And we make a difference. We have summarised these truths in our customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly. This customer promise summarises every single one of Systembolaget's duties. Everyone in our country should be able to feel confident that we will sell responsibly, that we welcome them, and that we offer expertise.



Our responsibility makes a difference. Reducing the availability of alcohol by limiting the number of retail outlets and their opening hours is one effective means of reducing consumption. Systembolaget has an important part to play in achieving this goal. We do not sell to anyone under the age of 20 or who is noticeably intoxicated, or where there are grounds for suspecting illegal resale.



Systembolaget in brief

- Alcohol shall be sold with no intent to maximise profits or promote additional sales.
- We do not sell alcohol to those under the age of 20 or who is notably intoxicated, or where there are grounds for suspecting illegal resale.
- Our customer promise: you should always feel welcome, you should always feel that you can learn something from us and you should always be able to rely on us to sell responsibly.
- Net sales: SEK 24.4 billion
- 4,834 employees
- 418 stores and 548 agents
- Active suppliers: 474
- Just over 11,900 items
 - Approx. 2,300 in the fixed range
 - Approx. 9,600 in the available for order range
- Just over 117 million customer visits



Strategic key performance indicators

Stakeholders	Strategic orientation		Result 2011	Goal 2011	Goal 2012
Society 	We shall actively contribute to the realisation of a public health-orientated alcohol policy and achieve strong popular support.	OPI, %	68%	66%	68%
		Proof of age checks, %	94%	94%	94%
Customers 	We shall develop, through participation, a cutting edge offering and shall invite participation in a dialogue on alcohol and health.	CSI	79	79	80
Employees 	We shall have skilled and committed employees and managers who carry out and communicate our mandate.	ESI	75	75	*
		Short sick leave, %	2.4%	2.3%	2.3%
Suppliers 	We shall be professional and transparent and, in dialogue with our suppliers, live up to our customers' expectations.	LI	64	67	*
Owners 	We shall be sustainable and cost-effective in every process and decision.	Trading margin, %	21.7%	22.5%	22.5%
		Return on shareholders' equity, %	7.6%	6.6%	8.5%

For definitions of the OPI, CSI, ESI and LI indices see Definitions on page 90.

* The key ratio is under review.

We play an important part

Systembolaget's operations are based on a clearly defined social responsibility. This responsibility constitutes an important difference to other companies, whose goals are often to maximise their profits. We are not just there for the people who visit our stores. We are there for everyone in Sweden.

The majority of us who appreciate beer, wine and spirits, drink in moderation. But we must, at the same time, be aware that alcohol is one of our biggest public health problems. The goal of the Swedish alcohol policy is consequently to reduce the total consumption of alcohol in society.

Restrictions are effective

The two most effective ways of restricting alcohol consumption are a high price and limited availability. Prices are regulated through taxes set by our politicians. Availability can be limited by restricting the number of retail outlets and the opening hours. Systembolaget plays an important role in achieving this goal. We also work actively to live up to the Swedish Alcohol Act's rules on sales – we do not sell to those under the age of 20, or to anyone who is noticeably intoxicated, and we work to counteract illegal resale. Our role also includes informing people about the risks associated with alcohol.

A clear mandate

Systembolaget's mandate is to improve public health by helping to limit the harmful effects of alcohol. One of the starting points for our work is the sole right we have been given by the Swedish parliament on retail sales of alcoholic drinks in Sweden. This mandate, coupled with the fact that alcohol must be sold with no attempt to maximise our profits, means that we do not promote additional sales. We may not tempt customers to buy more than they had intended. Our ban on the use of discount prices, volume discounts or product display to increase sales is another important method of limiting sales and reducing alcohol-related problems.

A far-reaching vision

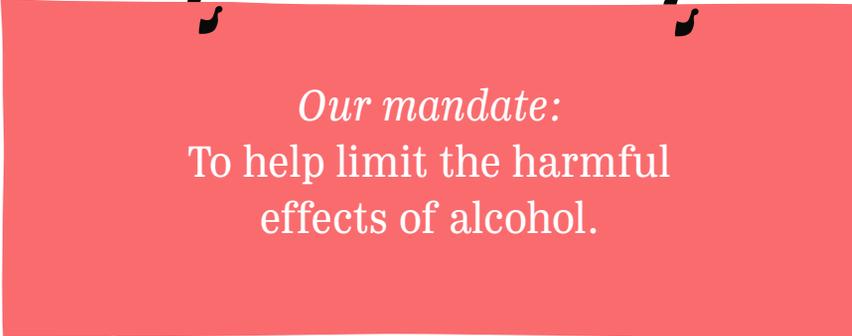
Our vision is of a society in which everyone can enjoy alcoholic drinks with due regard to health considerations and without harming either themselves or other people. This is, in practice, a zero tolerance vision that might seem both bold and utopian. But the point is that it clearly expresses our aim. Our vision entails a far-reaching responsibility. And it includes everyone in Sweden.

A different business concept

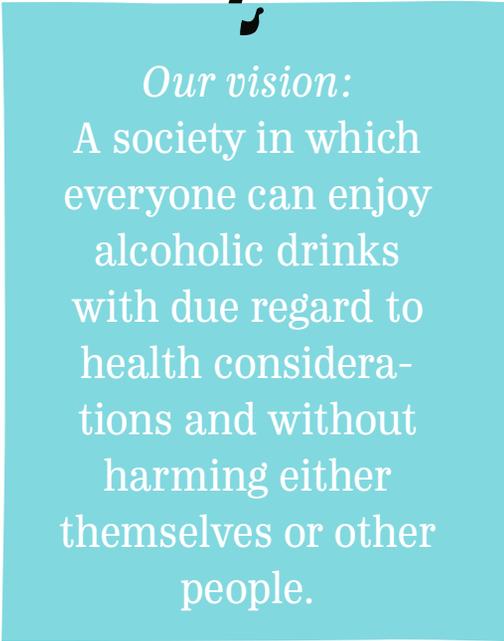
Systembolaget's business concept is based on solidarity with people who are at risk from suffering from alcohol consumption. We must, by actively providing information and engaging in dialogues, help establish a more sensible approach to alcohol, wherever it is purchased and whomsoever drinks it. Our care doesn't stop with our customers, either: it also extends to teenagers and the children of those who drink, for example.

We make a difference

Systembolaget's ability to carry out its mandate relies on the fact that the majority of Swedes have confidence in the way we conduct our operations. If you shop at Systembolaget, your perception should be that we are proactive and that we share our expertise with you, both when it comes to food and drink, and with regard to establishing a healthier relationship with alcohol. Even if you don't shop at our stores, you should feel that we make an important difference for public health. According to the international group of researchers behind the Holder report, Swedes' alcohol consumption would increase by almost 40 per cent if alcoholic drinks were sold in food shops. Which means our role is important to everyone in Sweden.



Our mandate:
To help limit the harmful
effects of alcohol.



Our vision:
A society in which
everyone can enjoy
alcoholic drinks
with due regard to
health considera-
tions and without
harming either
themselves or other
people.



Our business concept:
To sell alcoholic
beverages responsibly
while offering a first
class standard of
service and sharing
our knowledge of
alcohol and health.

We're here for everyone

Systembolaget's role is to handle all retail sales of strong beer, wine and spirits in a responsible way. Our operational objective is to limit the harm that alcohol causes in society. At the same time, we must provide a high standard of service, without, thereby, increasing alcohol consumption. We want to live up to – and preferably exceed – your expectations as a customer.

Systembolaget is here for everyone in Sweden – not just the people who visit our stores. Our role and our mandate make a difference to a great many people, not just our customers. Researchers have calculated that alcohol consumption levels in Sweden would increase by almost 40 per cent if alcohol were to be sold in food shops. And increased alcohol consumption would not just affect those who drink, because it is closely linked to a wide range of injuries, diseases and accidents in our society.

Increased focus on customers

People's expectations of Systembolaget are high, and rightly so. We are constantly working to improve the interaction with our customers, whether that may be in one of our stores, via our digital channels, or via our Customer Service department. All of our employees must be able to live up to the promise we make to you, as a customer: you should always feel welcome, always feel that you can learn something from us, and always be able to rely on us selling responsibly.

Keeping up to date

People expect to be able to shop for products online nowadays and over the course of the coming year, we will be making it easier for people all over Sweden to buy locally produced drinks and those that are popular in their region. Customers will be able to order these drinks online via our website in a variety of ways, including placing an order directly with the manufacturer for delivery to the customer's preferred Systembolaget store. New services on our website and mobile apps will also improve customers' ability to obtain advice on food, drink and health. For some time now, we have been offering an online service that enables customers to order

almost 10,000 articles for collection in store. This service is now being expanded and we will be trialling a home delivery model. The selling rules laid down in the Swedish Alcohol Act will, of course, apply in the same way as in our stores.

The question of so-called farm shop sales is currently being examined by the Swedish Cabinet Office, but heavyweight legal authorities have rejected the current proposal, citing factors such as the tangible risk of the retail monopoly being called into question from the perspective of EU law.

A world-class product range

Systembolaget has one of the widest ranges of alcoholic drinks in the world, and customers can access this range wherever they live in Sweden. In 2012, we will be testing a new model that will give our stores a product range that corresponds even more closely to the wishes of local customers. 2012 will see us concentrating more on organic products, for example, and on eco-friendly packaging, such as PET bottles.

Interest in our non-alcoholic range continues to grow and sales increased by 25.5 per cent during the year. We are keen to promote development in this area and to encourage innovation on the part of our suppliers.

Our CSR work

Systembolaget accepts responsibility in areas such as conditions of employment, human rights, the environment, and anti-corruption. The long-term goal of our CSR work is to ensure that our products are manufactured under conditions that are good for both people and the environment. We have continued working with other Nordic alcohol monopolies and our suppliers on the Code of Conduct which

now forms part of our purchasing agreements. We have also built up a structure designed to monitor compliance with the Code of Conduct and conducted a pilot audit.

We have introduced a new ethical policy that, needless to say, means we make the same demands of ourselves as those we make of our suppliers. The past year also saw us adopt our environmental plan that will be implemented in the years ahead. The challenge now lies in initiating the internal elements of the work so that we can subsequently promote environmental work with our suppliers.

The arbitration ruling on the dispute with V&S Vin & Sprit AB (now Pernod Ricard) has resulted in Systembolaget being obliged to pay damages. The dispute relates to the so-called corruption scandal, when it emerged that certain suppliers had bribed store managers in order to gain a competitive advantage. The dispute concerned whether Systembolaget was entitled to terminate certain of V&S Vin & Sprit AB's purchasing agreements on the grounds of a significant breach of contract. We chose to act because Systembolaget has a zero tolerance of corruption. Bribes are intended to buy advantages not shared by the competition and Systembolaget will continue, at all times, to act vigorously to counter attempts at corruption.

Balancing responsibility and service

One of the biggest challenges we face involves balancing our duty to be responsible with offering the highest possible standard of service. The support we enjoy from the Swedish people is strong and growing, and in 2011, the Opinion Index and Customer Satisfaction Index surveys returned figures of 68 and 79, respectively. But at the same time, we have noticed that few people are aware of the full benefit of Systembolaget. We must improve the way in which we explain why we act as we do. We do not want to sell as much as possible – that's why we don't use discount prices, volume discounts, or aggressive marketing, or offer our staff bonuses for selling more. Our vision is of a society in which people can enjoy alcoholic drinks with due regard for



health and in a way that ensures no one is harmed.

We have seen how online alcohol retail sales have increased sharply, and we share the view expressed by several authorities that not all of the players in this field conduct their operations in a way that complies with legislative requirements. We also share concerns about the risks that increasing levels of private online retail may entail. When a “for profit” interest replaces social responsibility, it comes with an increase in the risk of aggressive marketing, increased consumption and deficient age verification checking.

We will now continue to develop our operations within the context of a dialogue with the outside world. We have taken a number of important steps over the past year, but this process of change is a never-ending one. We are driven, at all times, by our ambition to improve. To the benefit of everyone in Sweden.

A handwritten signature in dark ink, appearing to read 'Magdalena Gerger'. The signature is fluid and cursive.

Magdalena Gerger, *President*

“Our primary challenge in both the short- and the long-term is to reduce alcohol consumption and, at the same time, increase the level of service we offer our customers.”

Multidimensional responsibility

Systembolaget's mandate entails, by definition, extensive responsibility in the context of an important social issue. There are also substantial expectations that we take a clearly defined responsibility for working conditions, human rights, the environment, and anti-corruption measures.

Systembolaget's explicitly defined role is to help limit the harmful effects of alcohol. We do this primarily by being a monopoly that focuses on public health, and this is why we never have promotional offer prices or volume discounts, and why we never advertise our products. This responsibility permeates every aspect of our day-to-day operations. We also take responsibility for working conditions, human rights, the environment, and anti-corruption measures. Our responsibility in these dimensions includes not only our own operations but those of our suppliers. The most commonly used collective term for this responsibility is CSR (Corporate Social Responsibility). Systembolaget uses the CSR term in this established sense, even though the basis of our entire range of operations is social responsibility.

Potential risks

The risk of encountering corruption in the course of our operations is relatively substantial, as is the risk of human rights and working conditions violations occurring somewhere in our world-wide supply chain. When it comes to environmental issues, there is a particular focus within the drinks industry on water concerns, the effect on the climate of production and transports, and the development of more eco-friendly packaging. These factors together explain Systembolaget's focus on CSR-related issues and are the reason why we rank them as the most important risk factors in our company-wide risk mapping process. See page 52 for further details of our risk analysis work.

A programme of CSR work can also have financial consequences. The implementation of a Code of Conduct throughout the supply chain

can, for example, result in increased production costs. It is difficult to predict the way in which these consequences will impact Systembolaget in the longer term as a government-owned, not-for-profit company. A more eco-friendly approach to production may lead to increased production costs, but may also result in savings in production and transport expenses if energy consumption is reduced. Predicting the economic consequences if climate change results in an increased average temperature and in changes to water resources is equally difficult, because it depends on the climate at individual cultivation sites and whether production there can be adapted in line with the new conditions.

Charting process drives the CSR work

Systembolaget charted its most important sustainability-related areas in 2009. The Board and company management then decided on the focus for Systembolaget's CSR work during the period from 2010 to 2013, based on these findings. The focus areas correspond well to the areas of Systembolaget's CSR work assigned the greatest importance in 2010 by our stakeholders: working conditions, human rights, anti-corruption, environment/climate, integrated sustainability management, skill development in the CSR sector, transparent communication and sustainable purchases.

The prioritisation of our focus areas depends on the individual and specific situation. The question of whether working conditions should be high on the producer's agenda may, for example, depend on precisely where, globally speaking, the production takes place. In our stores, we have prioritised focusing on compli-

ance with our ethical guidelines and ensuring good working conditions for our staff.

A number of activities have been carried out during the year. Our Code of Conduct has, for example, been incorporated into our purchasing agreements with all of our drinks suppliers, and we have completed an environmental mapping process and adopted a long-term environmental plan on the basis thereof. All employees have also attended a team meeting designed to boost their skills in the field of CSR.

A clear plan

The challenge that Systembolaget faces over the next three years is to achieve a more integrated control of its CSR work and to ensure that it permeates the entire operation, with clear goals set for the various levels. One important task we face is continuing to work with our Nordic partners and drinks suppliers on ensuring that Systembolaget's range is produced in a socially, environmentally and ethically sustainable way. Another challenge we face in 2012 involves

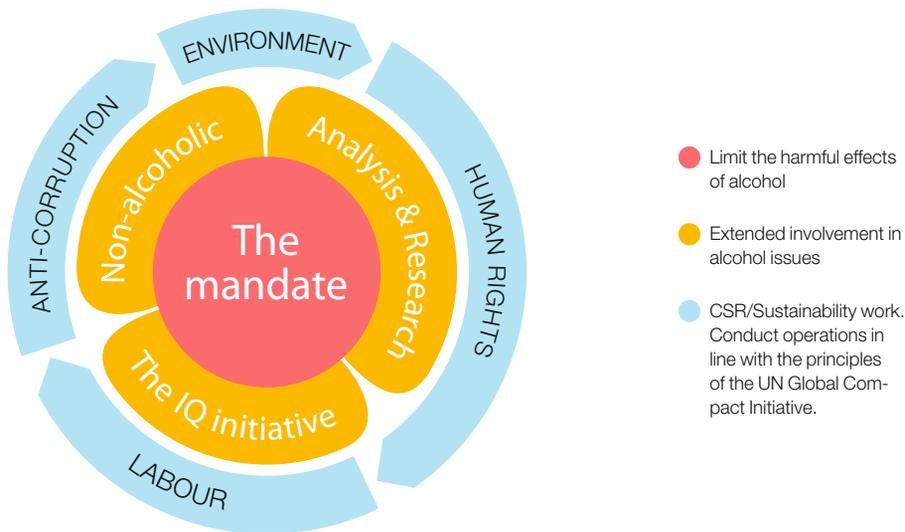
starting implementation of the long-term environmental plan that we drew up in 2011.

The CSR work affects us all

The Board of Directors and the company management are ultimately responsible for the CSR work within Systembolaget. They are helped in this work by an interdisciplinary CSR group tasked with strategic planning, following up, coordination and preparation of issues for decisions by company management. Environmental work is coordinated by the environmental group which is an interdisciplinary operating group that reports to the CSR Council. The goal is for the CSR work to follow the company's existing control, planning, reporting and follow-up procedures.

Reporting in accordance with GRI

We report in accordance with level B+ of the Global Reporting Initiative (GRI). Find out more in the list of contents for GRI in pages 102-103 and in the GRI appendix at systembolaget.se.



We divide our social responsibility into three working areas: our alcohol policy mandate, our commitment to the alcohol issue and our CSR work. Our alcohol policy mandate lies at the heart of our business operations.

Open dialogue with stakeholders

Systembolaget's stakeholders make individual demands on our operations and we maintain an open dialogue with them in order to ensure we are up to date with their expectations, preferences and demands on us.

This dialogue is an ongoing one and takes the form of meetings and seminars. We employ surveys, external world monitoring and analyses concerning OPI, ESI, CSI and SI. We are also keen to build and strengthen a mutual, long-term and transparent relationship with all of our stakeholders.

Widespread interest in CSR issues

We are seeing an increasing interest on the part of the media, students and researchers in the way in which Systembolaget is working to ensure a sustainable drinks supplier chain.

In the spring of 2011, a number of journalism students decided to follow up on a case dating back to 2010 when a South African vineyard that supplied products to Systembolaget was found to have sub-standard living conditions for its workers. The students discovered a further example of poor working and living conditions and on the basis of the new information received, we carried out an audit (with the aid of a third party) and instituted a remedial action programme at the vineyard.

The "Fair Wine Trade" is working up Systembolaget to promote the issue of better conditions for vineyard employees more actively. The campaign has stated that our Code of Conduct does not go far enough, but we regard the sustainable drinks supply chain as a long-term project, and the Code of Conduct as a first step only towards that goal.

Society's demands

Systembolaget's operations shall be conducted in a socially, ethically and environmentally sustainable way. We also have an extended responsibility for our alcohol policy mandate in the form of alcohol-prevention collaborations

and the dissemination of clear information on the harmful effects of alcohol.

Customer experience

Systembolaget shall be perceived by its customers as a leading retail chain with regard to product range, expertise, service and responsibility. We work actively with issues such as organically produced products, non-alcoholic drinks, and eco-friendly transport solutions and waste management. Levels of confidence in our employees are high.

Skilled personnel

Highly trained and committed employees are vital to responsible selling and satisfied customers. Systembolaget works proactively with diversity, equal opportunities, working conditions, and the work environment.

Responsible suppliers

Systembolaget is a major purchasing player, which entails a special responsibility when it comes to the requirement for neutrality in our choice of products. It also offers a unique opportunity to influence the drinks industry towards a sustainable approach.

Governed by the owner's mandate

The alcohol policy-based mandate is the foundation of our very existence. We shall help limit the harmful effects of alcohol by selling alcoholic drinks responsibly. Systembolaget shall, furthermore, work continuously to increase its operational efficiency and thereby generate scope for development and renewal. Responsibility issues shall be integrated into our corporate culture and the way we manage our operations.





The downsides of alcohol

For the majority of consumers, alcohol is mainly associated with the positive sides of life – socialising, parties and meals. But alcohol also gives rise to abuse, violence, disease and death – and the cost to society is huge.

Alcohol increases incidences of cancer, heart problems, liver damage, mental problems, accidents and absences from work due to sickness. Mortality from alcohol-related liver disease has risen sharply in Sweden since acceding to the EU, rising by 65 per cent for men and 83 per cent for women between 1997 and 2007.

According to the Swedish Council for Information on Alcohol and Other Drugs (CAN), over 26,000 patients received in-patient care for an alcohol-related diagnosis in Sweden in 2011. The scale of deaths and injuries caused by drunk driving is difficult to assess. Almost one third of the car drivers killed on the roads are, according to CAN, under the influence of alcohol. And all of the passengers and fellow road-users who are not covered by available statistics must be added to this number.

According to the Swedish National Institute of Public Health, appr. 400,000 children in Sweden currently have a father or mother who drinks to excess. Aggressiveness, abuse, youth violence and social problems are common consequences of alcohol consumption.

A high cost to society

Calculating the precise costs of alcohol to society is difficult. The opinions of different stakeholders have clearly diverged, particularly when it comes to which methodology to use. The Government's Special Commissioner, Gerhard Larsson, estimates that society's bill for alcohol use in Sweden is SEK 66 billion every year. Which means that the costs exceed the income in the form of alcohol taxes and other State revenues by a wide margin.

Clear link

Researchers worldwide are agreed: there is a clear link between a population's average alco-

hol consumption and the scale of alcohol-related injuries and disease. The risk of a given individual suffering problems is, of course, lower if they consume less alcohol, but even low level consumption can result in disease and injuries. The majority of the problems caused by alcohol are related to the large group of low- and mid-level consumers, and hence many of the combined problems for the population as a whole occur within these groups. This is a very important reason why we must endeavour to reduce consumption by all groups within society, not just the heavy consumers.

Implementing measures that reduce total consumption also influence the heavy consumers to reduce their own consumption. They also reduce the risk of more people becoming heavy consumers, and thereby reduce, in addition, the disease and injury caused.

New European action plan

In September, WHO/Europe (the World Health Organisation's European section) approved a new action plan aimed at reducing alcohol-related harm and which will run from 2012 to 2020. The measures described as important in the action plan include limiting the availability of alcohol and the retention of alcohol retail monopolies by those countries that already have them. Restrictions on alcohol advertising are also mentioned, including alcohol-related sports sponsorship and new forms of marketing, e.g. in social media. The importance of raising prices through taxation is also mentioned, and with regard to cross-border trade, the proposal states that lowering taxes usually leads to increased harm, rather than solving cross-border trade problems.



400,000
Children have parents
who drink to excess

26,000
people in in-patient
care for alcohol-
related diagnoses

100
DUI (driving under
the influence) drivers
killed in traffic
accidents every year

66
billion in costs to society



Widespread support for Systembolaget



“I meet people online and in our new clinic who have alcohol problems and who have never sought help before. They often tell me that they have recognised themselves in Systembolaget’s and IQ’s information campaigns. It’s not uncommon for them to have begun to see their own alcohol habits in a new light. There’s a growing awareness amongst both young people and older ones. Many are choosing to drink in moderation or to be completely teetotal, and they appreciate the investment in expanding the range of high quality, non-alcoholic drinks.”

Magnus Johansson, alkoholphjälpen.se and Riddargatan 1 – alcohol and health clinic, Stockholm

Ultimately, it is Swedes’ perceptions of the way in which we offer service and expertise and accept our social responsibility that determines how successful we are. It was clear, in 2011, that public support levels continued to be high.

The strong support is proof that we are working along the right lines, and the next few years will see us focusing on taking even clearer responsibility in the fields of drink and health. The starting point for this work is our customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly. The customer promise unites all of our duties under a single banner. We are not just here for those of you who visit our stores. We are here for everyone in Sweden.

Our ability to deliver on our customer promise is vital if Swedes are to continue to support the idea behind Systembolaget: to limit the availability of alcohol – and hence its harmful effects – through a sole right to retail sales of strong beer, wine and spirits.

Two out of three want to keep Systembolaget’s sole right

The Opinion Index (OPI) is one of Systembola-

get’s strategic key performance indicators and the survey is conducted on a monthly basis. A representative sample of the Swedish public are asked to respond to the following question: “Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you like strong beer, wine and spirits to be sold in other stores?”

Levels of support for Systembolaget and the monopoly have never been higher, and in 2011, the Opinion Index increased to 68 per cent. The main reason for the strong support is that many people believe it is important that there are controls on sales, that alcohol is sold responsibly, and that our young people are protected. These surveys have been carried out by SIFO since 2001, when support levels were at 49 per cent. We have, in other words, gone from every other Swede supporting us to two out of every three doing so, in just ten years. It is notable that support is slightly higher amongst women than men and that it is also higher





amongst both the younger age group (aged 15-29) and the older one (aged 65+), and in northern parts of the country.

The main reasons given by the 29 per cent of people who believe that the monopoly should be abolished were that they dislike monopolies on principle, and that they believe availability and opening hours would improve in the absence of a monopoly.

Control and product range are positive factors

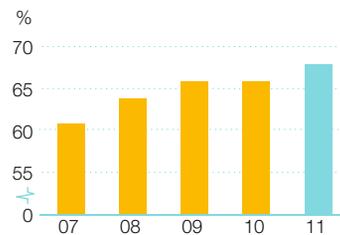
According to the OPI survey, there are two main reasons given by those in favour of retaining Systembolaget's monopoly: firstly, that sales must be controlled (42 per cent), and secondly, that the monopoly promotes public health (27 per cent). Other reasons mentioned are that Systembolaget's monopoly protects young people (24 per cent) and that we offer a good product range (24 per cent).

Making parents think

A new film aimed at countering illegal resale, "Sanningen" [The Truth], was produced in 2011 and shown on TV and in cinemas in the run-up to the celebrations in connection with Walpur-

gis Night, the end of the school year and Midsummer's Eve. The film targeted parents with teenage children and the message was "Don't supply your teenager with alcohol." An unusual narrative approach was used to make parents consider the issues and think about young people and alcohol. The film ends with a message encouraging parents to visit systembolaget.se for advice and help. The anti-bootlegging film was well-received and surveys showed that it had a significant impact. The campaign also included banner advertisements on Facebook, etc.

The Opinion Index 2007 – 2011



The Opinion Index measures the percentage of Sweden's population who wish to retain Systembolaget and the alcohol retail monopoly.





A far-reaching commitment

Systembolaget's responsibility extends far beyond our stores. We don't just care about the people who shop in our stores: we care about everyone in Sweden. We must be a force for good which, by providing information and engaging in an ongoing dialogue, helps establish a healthier approach to alcohol.

Systembolaget is engaged in a number of activities and partnerships designed to strengthen the way in which we shoulder our social responsibility in line with our mandate. A total of SEK 29.7 million was invested in these projects in 2011, including the IQ subsidiary company.

Local cooperation with the police

Systembolaget and the police have been working together at a local level for many years now. The aim is to restrict the ability to buy alcoholic drinks via illegal resale, and thereby reduce drunkenness amongst young people and the risk of them being the victims of or committing crimes or violent acts.

Support for alcohol research

Systembolaget's independent Alcohol Research Council supports socio-scientific and medical alcohol research. The long-term aim is to promote interdisciplinary perspectives and the priority is on work aimed at preventing alcohol-induced injuries and diseases. The Council has nine members, six of whom are leading figures in the field of alcohol research and three of whom represent general societal interests. The Council works independently, and in 2011, awarded SEK 3 million in research grants. 42 applications for grants were received, 20 of which were approved.

An alcohol research conference at Systembolaget's Learning Centre was held in June 2011. Almost 70 researchers, representatives of various authorities, and other interested parties gathered over the course of two days to share and discuss research findings, guidelines and recommendations, and the relevance of alcohol research in society.

IQ – a smarter approach to alcohol

IQ-initiativet AB is an independent, wholly-owned subsidiary of Systembolaget that works to build a smarter approach to alcohol by establishing moderation as an important value in society. IQ informs, inspires, challenges and acts as a platform for good examples of alcohol-prevention activities. Cooperation with other players is important.

More than 1,000 IQ projects

IQ is a modern type of popular movement in which people and organisations get involved and become proactive. Their involvement takes the form of, amongst other things, the IQ projects – a diverse range of activities that help prevent alcohol-related problems and inspire more people to do more. In 2011, the 1,000 project mark was passed. Every single project is a good example of what different players can do.

IQ Stars for alcohol-free youth sport

Many of this year's new IQ projects involve young people's sports teams from all over the country. They have joined IQ Stars – a long-term venture for teams and groups of 13-17 year olds in any type of sporting activity. 21 of these teams met up in May in a popular tournament called the IQ Stars Challenge. IQ Stars is run in cooperation with the Swedish Sports Confederation.

Young adults

Young adults – those aged between 18 and 25 – consume more alcohol than any other group in society. There is also a social pressure on young people to drink, as shown by a survey carried out by IQ in 2011. There are, in other words,



good reasons why young adults are one of IQ's highest priority target groups. IQ endeavours, through campaigns in a variety of channels, to make young alcohol consumers think about what they are doing. A new IQ film, "Smoothness", with the tagline, "Take care of yourself", was shown on several TV channels in November and December. The "Drunk's Camera", a mobile phone app launched in August, enables the sober you to get to know the drunken you – and maybe, as a result, start thinking about what you are doing.

IQ Alcohol Index

IQ's Alcohol Index is an annual survey that produces an overall calibration of Swedes' attitude towards alcohol. Nine questions are put to people, asking what they think is right or wrong about alcohol in a variety of situations. The higher the index, the more moderate people's attitudes are. When the survey was carried out for the second time in May 2011, the results showed that Swedes' degree of moderation has increased slightly, from an

index of 61.7 to one of 62.3. Generally speaking, women have a more moderate attitude than men, and older people are more moderate than younger ones. The next survey will be carried out in May 2012.

No lecturing

IQ's style of communicating – not lecturing – in order to make people think again is attracting attention and is increasingly in demand in a number of contexts.

IQ received a number of awards in 2011, including the Information Award, Society category. The award is handed out by the Swedish Public Relations Association and the jury's motivation read as follows, "IQ has, by means of an innovative approach, turned a boring lecture into a dazzling party trick. The breakthrough of the taboo, slippery subject of alcohol consumption has been impressive. An important issue has attracted the attention it deserves, thanks to a series of excellent insights into the target group and a large helping of innovative thinking."

21 youth teams from all over the country took part in the 2011 IQ Stars Challenge at Bosön. This is the team from Västergötland, Svenljunga IBK P-84.





Expanding customer interaction

Systembolaget does not aim to maximise its sales and works actively with age control and anti-bootlegging measures. We base everything we do on our customers' requirements. Everyone should be able to rely on us to sell responsibly at all times. And to make an important difference.



"I like Systembolaget. I get top quality service, the products are guaranteed to be of a good quality, and I also know that the staff sell with consideration and take their mandate seriously. One area where that could be improved is the e-ordering service, which I would very much like to see include your full range of products."

*Aimo Liukku,
Gällivare*

Systembolaget is conducting a massive internal programme between 2010 and 2013 with the aim of expanding and enhancing our customer interaction skills. The work is based on our customer promise: as a Systembolaget customer, you should always feel welcome, you should always be able to learn something from us, and you should always be able to rely on us to sell responsibly. The customer promise combines all of our duties.

We shall share our expertise on both food and drink and on adopting a healthier approach to alcohol on the basis of the customers' needs and questions. It's about providing enhanced service without tempting people to buy more. But our customer promise is not just something we make to everyone who visits our stores or website. We are also there for everyone who, for whatever reason, does not encounter us, contact us or shop with us. Everyone should be able to rely on us to sell responsibly at all times.

You should always feel welcome

We conduct a number of surveys each year to determine how our customers perceive us. The most comprehensive of these is our Customer Satisfaction Index (CSI), which is carried out every quarter. Over 40,000 customers are asked to rate Systembolaget on everything from the store's accessibility and layout, to the product range, the way in which staff treat customers, and Systembolaget's social responsibility.

Customer satisfaction levels are higher than ever before, with an index of 79. Our employees are the highest rated sector in these surveys, with an index of 85. We are seen as knowledgeable in the areas of food and drink, and as providing high standards of service while simulta-

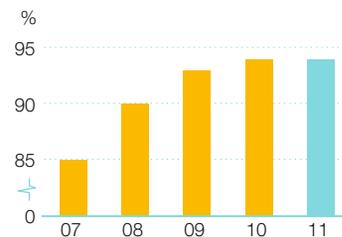
neously being socially responsible. The lowest rating is awarded to "value for money". The same survey also asks customers to compare their Systembolaget store with the grocery store in which they buy their foodstuffs. 2011 saw Systembolaget confirm its position as one of the country's best retail companies.

We also carry out a separate "customer interaction survey" as a complement to the CSI measurements which takes a more in-depth look at this particular aspect of our operations. An independent survey company visits all of our stores in order to gain an overall view of how customers perceive individual stores. The results are fed back to the stores in question. We have developed the survey in 2011 to gain a better view of customers' experiences and thereby enable the individual stores to use the results as a tool for further improvements.

You should always be able to learn something from us

As a customer, you should always feel that you can come to us with questions about different

Age verification 2007 – 2011



Age verification checks are one of our most important tasks. Test purchases show that we request ID in 94 per cent of cases.



drinks or about how to adopt a healthier approach to alcohol. We are brand neutral and we do not promote additional sales, so you can rely on the advice you receive being impartial and being of a high standard. For us, it's about providing a service without tempting you to buy more.

We communicate our expertise on how to combine food and drink continuously, both in personal interactions with customer and via other channels. It's a popular service with our customers and we endeavour to meet their demand by means of ongoing staff training in this field. One important market trend right now – and one of Systembolaget's prioritised areas – is the development of a product range that provides the inspiration for an enhanced food and drink experience while focusing on health and the environment. The non-alcoholic range has an important part to play in this context. We must offer non-alcoholic drinks of equivalent quality to our alcoholic ones for those customers who either cannot or will not drink alcohol. Non-alcoholic drinks convey the care and consideration that we want to show our customers. They are an important tool in achieving our vision. We define non-alcoholic as a drink with an alcohol by volume figure of between 0 and 0.5 per cent. This quantity is regarded as negligible for someone who intends to drive, for example.

You should be able to rely on us to sell responsibly at all times

People's confidence in Systembolaget is largely based on us living up to the rules laid down in the Swedish Alcohol Act with regard to sales. When the customers are asked to assess us, they see our age verification checks and our responsibility as important components of the service we provide. We must never sell to anyone who is under the age of 20, to anyone who is noticeably intoxicated, or to anyone who we suspect may sell the products on. We never try



to persuade you to buy more than you had intended. We always ask for ID from anyone whom we believe is under 25 years of age and we refuse to sell to them if they cannot prove their age. An independent company carries out approximately 5,600 test purchases in Systembolaget stores every year in order to determine how well we are doing in this respect. The survey showed that in 2011, proof of age was requested in 94 per cent of the purchases made in our stores by customers between the ages of 20 and 24. Our age verification checking has never been better. The survey also included 600 control purchases from our agents. The corresponding figure for agents' age verification checking in 2011 was 87 per cent.



Systembolaget's various contact points

We want to develop our contact points and make life easier for our customers - however they contact us and whether they want to talk to us or manage on their own. We encourage people to make more informed choices and we pass on our expertise when it comes to health and alcohol.

Our guiding light is our customer promise, which we must keep in every customer interaction, whatever the sales channel. As a customer, you should always perceive our contact points as being characterised by Systembolaget's service, expertise and responsibility.

117 million store visits

Just over 117 million separate customer visits were made to our stores in 2011. This is the highest number ever and corresponds to an increase of 1.6 million on the figures for the previous year. The form these visits take has fundamentally changed over the last ten years. The refitting of our stores as self-service outlets, rather than over the counter ones, has generated the ability for the in-store personnel to focus on better meeting customer needs and become more proactive in these relationships. Customers' ability to overview and choose from our extensive product range has also improved. The trend shows that customers are visiting our stores more frequently, but that the amount they buy has not increased overall.

Popular website

Systembolaget's website - systembolaget.se - is an increasingly important contact point. The site enables customers to prepare their purchase by searching the product range, seeing what is in stock in a particular store, and receiving help on combining food and drink. The site also offers a single port of call for information on a healthier relationship with alcohol. The website had over 17 million visits in 2011, corresponding to an increase of 2.1 million from the previous year. The most popular features were our "Search drinks" and "Stores and

agents" search functions. Our recipe pages, complete with suggested drinks to accompany them, were also very popular.

Systembolaget also has a web service that enables customers to order products for collection at any Systembolaget store. The range currently available for order comprises products held in stock by Swedish importers and producers, but the range will eventually be expanded to include products quality-tested by Systembolaget. The service has become extremely popular and an average of 12-13,000 orders are placed this way every month.

Information via your mobile

A new app making information about Systembolaget available to everyone who has a smart phone was launched at the beginning of the year. The app was downloaded a total of approximately 26,000 times during the first month after launch.

Lots of people "like us" on Facebook

Systembolaget also has a Facebook page. It is open to enable a broader dialogue with customers and other stakeholders. It is commonly used to suggest ways in which we could improve our service. By the end of the year, 27,000 people had "liked us" on our Facebook page.

Knowledgeable Customer

Service Department

Systembolaget's Customer Service Department conducts dialogues with customers, stores and agents and offers a high quality service, sharing their extensive knowledge of food, drink and health. Most of the questions that come into the Department relate to the product range





and to ways of combining food and drink. The new systembolaget.se website was launched in the spring, emphasising Customer Service as a channel and source of support for e-launches. Skill development programmes focusing on both drinks knowhow and service skills are held on an ongoing basis to ensure that we maintain a high quality of service. External surveys show that our Customer Service Department is very popular.

Inspiring increased knowledge

Systembolaget actively contributes to the development of a healthy drinking culture in a variety of different ways. One concrete example takes the form of the “in-store drinks tasting” service which is provided for our customers by our personnel in 30 or so stores, once the store

has closed. Around 10,000 interested customers visit us every year to take part in a drinks tasting session. Wine tastings are the most popular type of session, with tastings involving food and drink combinations a close second.

Drinks auction – now also online

Systembolaget organises drinks auctions several times every year in partnership with the Stockholms Auktionsverk auction house. Systembolaget uses the drinks auctions to make valuable collectors’ items available to an interested group of consumers and, at the same time, offers those who own valuable products the chance to sell them. The big drinks auctions offer larger valuable items, while the small ones are conducted as online auctions, selling smaller lots.





In every municipality. Bar one.

Store availability is an important element of customers' confidence in Systembolaget. There are now a total of 414 stores, and they are located in all of Sweden's local municipalities, bar one. From Kiruna in the north to Trelleborg in the south. The service is complemented by over 540 agents.

Systembolaget's Board of Directors has laid down guidelines for opening stores, based on our contract with the Government. Systembolaget's alcohol policy mandate and the standard of service we offer our customers are the most important factor when establishing a store. Every municipality can request a store, if they wish, and the goal of a store in every municipality will be achieved once we have identified suitable premises in the Knivsta municipality.

We can also, on the basis of an area's popu-

lation base, choose to establish several stores in that area. The first store is usually located centrally in a town, while any additional stores are located in the areas with the highest consumer retail outlet density, with the emphasis on food retail outlets. We can also take other factors into account, in addition to the customer base, such as "confirmed large-scale tourism" and "customer expectations of a Systembolaget presence at an established retail centre with a high percentage of grocery retail outlets."



The Food Hall store is designed to stress the link between food and drink and to make Systembolaget's offering available in a limited space with a high customer footfall.



Massive scope

Systembolaget's store network is structured on the basis of a service and availability perspective, rather than from a profitability viewpoint. The stores are developed to offer customers one of the world's widest range of drinks and to meet the demands this imposes on guidance, methodology and communication. Sales are still made on an over the counter basis in 10 stores, but these outlets are gradually being refitted as self-service stores.

The biggest of Systembolaget's stores has net sales of almost SEK 300 million and just over 700,000 customers on a yearly basis. The smallest has net sales of approximately SEK 6 million and is visited by approximately 30,000 customers a year. It is obviously more difficult for a smaller store to cover its costs than for a larger one, and in 2011, 85 stores reported a loss – 21 stores more than in 2010. The main cause of the losses was increased depreciation costs as a consequence of the refitting of the store network.

Systembolaget's 540 or so agents are located in smaller communities where there is an insufficient customer base for the establishment of a Systembolaget store. Customers who buy via an agent have access to the full range of products, thanks to deliveries from Systembolaget's two product depots in Örebro and Sundsvall. The agents account for approximately 1 per cent of Systembolaget's net sales. They do not keep any products in stock – delivering, instead, to order.

The right store for different requirements

Systembolaget decides centrally on the layout of every store, the products it will offer, and the messages communicated in store. The stores are divided into different formats, based on local conditions, in order to optimise the way in which we meet customers' expectations.

The small store carries approximately 490 items in stock plus 75 in the temporary range.

The format is designed to be cost-effective for operation in smaller communities. There are 70 stores in this format.

The medium-sized store is designed for small and medium-sized communities. The focus is on a good offering in relation to size. The store carries approximately 900 items plus 155 in the temporary range. There were 101 stores in this format in 2011.

The large store is the most common store format and in 2011, there were 185 such stores. This store type carries just over 1,400 items in stock plus 320 in the temporary range, depending on size and location. These stores maintain a balance between a wide offering, cost-effective operations, and a good customer experience.

The very biggest store has sections where gaining an overview is easy, making it easier for the customer to find what they want. This is designed to lead to more informed choice and planned purchases. The range comprises just over 1,800 items plus 530 in the temporary range. This type of store is increasingly being introduced in more and more locations, and by the end of 2011, there were 34 such stores of this format.

Wine Cellar and Food Hall stores

There are a further two types of store, in addition to the four standard-type ones described above. One is the so-called Wine Cellar store which, in addition to the normal range, also carries all of our wines priced at over SEK 100 and all types of spirits. More exclusive items are also launched here in smaller quantities. There are currently three such stores, one each in Stockholm, Gothenburg and Malmö.

The other special format is the Food Hall stores, which make a clear link between food and drink and where the Systembolaget store is a natural part of the Food Hall's offering. This format will be upgraded in 2012 and will include a new, specially developed décor. There are currently two such stores, both in Stockholm.



"The age verification checking is very important. If you're not of age, you shouldn't be buying alcohol because you're not grown up yet. It's clear as day. The fact that our local store got a 100 per cent result for age verification checks is proof of how well the checks are being handled."

*Tommy Stackeryd,
Örebro*



A highly regarded product range

Systembolaget has a total of just over 2,300 items in its fixed range. Added to this are all of the temporary items and the approximately 9,600 items that are available via the for order range. Last year 2,120 products were launched.



“The online store, coupled with the breadth of the available for order range, has expanded and enhanced an already excellent selection with a high average quality at a single stroke. The standard of service is both good and ambitious, and additional improvements are in the pipeline. The basic range, however, suffers from a stylistic sameness – something that will hopefully be corrected in the new model currently under development.”

*Håkan Larsson, wine journalist
“Allt om mat” magazine, di.se, and the SVT “Gomorra Sverige”, programme*

The range is primarily designed to offer you, the customer, the widest possible selection, not to maximise our operating profits. And indeed, the annual Customer Satisfaction survey shows that the customers rate Systembolaget’s range highly. This is one of the quality areas that is most important in terms of customer satisfaction.

Continuity and renewal

Systembolaget’s range comprises a fixed and a temporary range. The fixed range is designed to meet customer requirements for a long-term approach and for continuity. The fixed range is changed twice yearly. The temporary range represents renewal and seasonable variations. The launches are linked to the season in question – spring, summer, autumn and winter. This enables us to establish a clearer link between seasonal food and the drinks that go with it.

Systembolaget launched a total of 2,120 new items within the range in 2011. The majority of these – 1,157 – are bought in small quantities in the higher price brands. These products are launched in the three Wine Cellar stores and can also be ordered in any of our stores.

Demand decides

Systembolaget decides centrally which components of its range to distribute to the individual stores on the basis of demand. In simple terms, the greater the number of customers who buy a particular product, the more stores to which the product is distributed. Every store can, moreover, choose up to 50 items solely on the basis of local customer demand.

The product not held in stock in the local store can be ordered from Systembolaget’s product

depots in Örebro and Sundsvall and delivered to the store within two days. There is also a dedicated range available to order which is, when ordered by the customer, distributed from the supplier’s warehouses. Approximately 3,600 new items were added to this range and any product at all can, furthermore, be ordered from anywhere in the world, via Systembolaget’s private import service. A total of 9,769 requests were made in 2011.

Increased sales

Systembolaget’s total sales in 2011 increased by 0.9 per cent, measured in litres. Sales of wine, beer and non-alcoholic products increased, while sales of other product groups fell slightly.

191,0 million litres of wine were sold in 2011, corresponding to an increase of 1.7 per cent in comparison with the previous year. Wines from South Africa, Germany and Australia accounted for the biggest percentage of sales of white wine. Italy, South Africa, and Spain were the biggest sellers in the red wine category. Wine accounted for 41.7 per cent of sales by volume. Almost 56 per cent of all wine was bought in the bag-in-box format, corresponding to a small increase in comparison with 2010.

Sales of beer totaled 227.1 million litres, corresponding to a decrease of 0.6 per cent since 2010. Sales of spirits fell by 3.2 per cent to 19.4 million litres.

Growth in organic products

14.8 million litres of organically produced products were sold in 2011, corresponding to an increase of 23.1 per cent. Almost 2.2 million litres of the products sold in 2011 were Fair Trade-labelled, corresponding to an increase of 9.6 per cent.



Continued focus on non-alcoholic products

The non-alcoholic range has grown by 25.5 per cent. The continued strength of the health trend, coupled with the fact that the products have not only become more readily available, but are now of a higher quality than before, has helped boost this very positive trend. There are now a total of 33 non-alcoholic products in the fixed range, corresponding to an increase of 38 per cent in comparison with 2010. Systembolaget has launched a new display concept for its non-alcoholic range. The concept's introduction into the stores started in the autumn of 2011 and will continue throughout 2012. The range now has a clearer and larger place in the stores and our goal is to make it easier for the customers to find and choose non-alcoholic drinks. We are keen to promote product development in the non-alcoholic sector and to encourage innovation in the field.

Strict labelling rules

Systembolaget's General Purchasing Terms & Conditions state that our suppliers are responsible for ensuring that packaging complies with both Swedish and EU regulations. The packaging may not contain product samples, gifts, invitations, competition offers, etc.

The EU's rules governing manufacturing specify, amongst other things, which grapes may be used, which substances may be added, permitted process aids and treatments, the terms under which wine may be blended, and the ways in which the wine shall and may be labelled. The labelling may contain information on sugar levels for sparkling wines, on the bottling company, the actual alcohol content by volume expressed as a percentage, or whether the product is an organic one.

Systembolaget requests a labelling sample prior to every launch, new vintage, or change in design. The aim of the controls is to ensure that products and packaging comply with the rules governing labelling and marketing.

Locally produced/in demand locally

Locally produced products that form part of Systembolaget's available for order range have previously been stockpiled in up to three stores located closest to the place in which they are produced. The store may be located a maximum of 100 km by car from the production site. In the spring of 2012, we will be successively improving the service we provide with regard to locally produced drinks. We will be making it easier to find and order these products not only via the website, but in-store and at the place where they are made. These articles are kept in stock in at least one store so the customer can order the products for delivery to the store of their choice nationwide at no extra cost to either the customer or the manufacturer. The improved service will also apply to products that are in particular demand in a specific area, whatever their origin.



A new display for the non-alcoholic range makes it easier to find and choose non-alcoholic drinks.



Active environmental work

Systembolaget’s stakeholders, not least our customers, demand a great deal of our environmental work and it is consequently an area in which we are working actively to make improvements. In 2011, a long-term environmental plan was adopted as a steering tool for our ongoing work in the environmental sphere.

An environmental audit examining not only Systembolaget’s own operations but the environmental impact from the entire supplier chain – i.e. the cultivation, manufacture and transport of all of our products – was completed in 2011. The survey shows that several parts of our operations have a very substantial environmental impact – mainly the cultivation stage, which has an impact on biological diversity – and that there is considerable potential for reducing the environmental impact of our packaging.

Long-term environmental plan adopted

We have adopted a long-term environmental plan, based on the audit’s findings. The plan includes measures aimed at reducing our climate impact and pesticide use, and sets clear goals for the percentage of organic products we shall carry. In areas where we have direct influence, we will be launching a number of activities immediately. This applies primarily to our own operations within Sweden, the way the stores work and the products and packaging we offer. In the areas where we have no direct influence, we will be looking at alternative means of achieving our long-term goals.

Increased percentage organic products

By offering our customers organically cultivated products, we make it easier for them to make informed choices when they shop with us. This was on the wish list that emerged from the stakeholder dialogue held last year. Our goal for 2011 was to have at least 130 organic products in the fixed range and we achieved it: by the end of the year, we had 131 items in the fixed range. Our customers continue to buy more organic products, sales have increased and now account for 3.2 per cent of total sales.

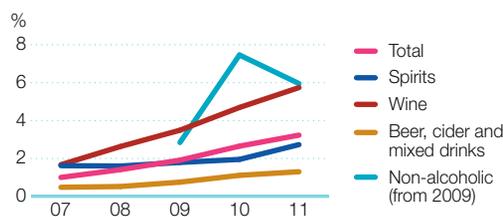
One of the wishes expressed by our stakeholders was that we display our organic products more clearly than at present and they would also like to see us provide more information about them in our stores. We have found it difficult to comply with these wishes, however, in that we are required to treat all products equally and in a brand-neutral way, which is why, for example, we do not have a special section for organic products in our stores and use “eco” shelf labels, instead, where the products are positioned by country of origin and price band.

Focus on waste management

The best alternative from an environmental viewpoint is to reuse and recycle waste, while the worst is to send it to landfill.

Our store personnel are generally very good when it comes to sorting at source but there is still room for improvement. The theme meeting held during the year showed that the level of commitment to environmental issues is high throughout the organisation and a number of suggestions were made that will now be successfully introduced in all stores. One example is that unwanted customer receipts will be collec-

Organic products as a percentage of sales, volume





ted directly at the checkout and then sent for paper recycling. The store operations are a priority area of our long-term environmental plan.

We have also begun working with the Return-pack company during the past year with the aim of increasing the percentage of our packaging that is recycled.

Packaging a priority environmental area

Our environmental audit showed that the climate impact of packaging accounts for approximately one third of the product's total climate impact. We also know, as a result of various investigations, that different types of packaging have different environmental impacts. The results of a lifecycle analysis of the environmental impact of various types of wine packaging that Systembolaget took part in in 2010 showed that boxes, bags and liquid packaging board generally have a lower environmental impact than glass bottles. PET bottles come between glass bottles and other types of packaging. The biggest impact for all types of packaging comes in the manufacturing stage and the survey shows that the weight of the packaging is also very significant. There is also room for improvement, however, in the distribution and recycling phase.

Packaging is a priority area in our long-term environmental plan. We will be focusing on the breakdown of packaging types and actively seeking lightweight glass bottles, and will be working to promote increased recycling of all packaging types.

Efforts to save energy

The use of information technology in our stores and offices has continuously increased, resulting in a corresponding increase in our energy consumption. At the end of the year, we installed software in all of our stores and offices that, based on the opening hours and usage patterns, sets the equipment to a deep resting state that minimises energy usage during the times when

it is not in use. The software was not introduced early enough in 2011 to achieve energy savings, but the potential saving on the energy requirement for computers and monitors corresponds to 1 million kWh, or 5 tonnes of carbon dioxide per year.

The refitting of our over the counter service stores as self-service outlets has entailed an increased need for lighting and climate control fittings, and we are consequently reviewing ways of reducing our energy consumption. The electricity we buy carries a "Good Environmental Choice" eco-label and is produced from solar, wind, water and biofuel sources. We continued, in 2011, with the work we began in 2009 on installing energy-saving LED fittings on a trial basis in stores. LED fittings are 100 per cent recyclable and would more than halve the energy requirement for our shelf-lighting. By the end of the year, 41 stores had installed LED fittings on their shelves, resulting in an annual saving of almost 5 tonnes of carbon dioxide emissions.

Eco-friendly construction materials

Our goal is, as far as possible, to use construction materials that are recommended from an environmental viewpoint. Only 10 or so of the total of 200 materials used do not currently have this recommendation.





Our customer promise is our compass

Our vision is of a society in which alcoholic drinks can be enjoyed with due regard for health, so that no one is harmed. During the past year, we have adopted a customer promise that is based on this vision and on our keywords: knowledge, consideration and inspiration. It generates the potential and the scope for our employees to commit more to their interaction with you, the customer.



“Our managers are vital if Good Customer Interaction is to succeed. We need to make it something that is really close to our hearts and really commit to its success. As soon as people have decided to go for it, they become interested in the results. We become creative and come up with solutions. It’s then that we are prepared to do whatever is necessary to achieve our desired result. From an employee’s perspective, Good Customer Interaction is the most enjoyable focus area we have ever had at Systembolaget.”

*Nermin Pandzic,
Area Manager
Stockholm, north-west*

We have adopted a strategy in the employee sphere, based on our customer promise, as part of which we shall:

- generate the preconditions for employees and managers with the appropriate skills to take responsibility for Systembolaget’s mandate and the interaction with customers;
- build a sustainable workplace in which employees and managers have the necessary preconditions to perform well and feel good in both the short and the long term.

Our keywords – knowledge, consideration and inspiration – will guide us in our work. They provide the compass for all us who work for Systembolaget in our day-to-day activities.

“Good customer interaction” project

We are constantly endeavouring to improve the customer’s experience of Systembolaget and as part of these efforts, are conducting a developmental project known as “Good customer interaction”. The basis for the project is that we must improve the way in which we pick up on our customers’ needs and expectations, and preferably exceed them. In short, we must live up to our

customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly.

The first stage of the project was carried out in the spring of 2010 after preparatory work in the form of planning and gaining support for ideas. A training programme for all of our managers was then launched in the summer of 2010 with the aim of teaching the managers to lead the development of our customer interaction within Systembolaget. In the summer of 2011, it was the turn of the employees. A number of activities have been carried out with the aim of mobilising staff energies towards increased customer orientation and a better customer experience. The project will be completed in 2012 when we will continue to improve the way in which we live up to our mandate in the course of our day-to-day activities.

Satisfied and motivated employees

The long-term positive trend in Systembolaget’s Employee Satisfaction Index (ESI) continued and remains at the target level we have set of 75. This

Breakdown of employment positions, 2011*

	No. employees	Type of employment, %		Working hours, %	
		Permanent	Fixed period	Full time	Part time
Systembolaget	4,834	85	15	26	74
Sales personnel	3,986	83	17	12	88
Store Managers	434	99	1	98	2
Caretakers	39	90	10	0	100
HQ personnel	375	95	5	95	5
IQ	4	75	25	100	0
Group, total	4,838	85	15	26	74

* Refers to permanent employees as of 31st December.



index figure has risen by 7 points since 2002 and is a good result in comparison with other Swedish companies, including those in the Swedish retail sector.

The clarity that employees perceive with regard to our goals and vision and the strategies designed to lead us to these goals is an important driving force behind the positive result. The consistent communication on these issues enables the organisation to feel a sense of participation and that everyone is working towards the same goals. The investments made in recent years in skill development, professional roles and methodologies are also continuing to have a positive knock-on effect in the form of improved index figure results in the areas of importance to our employees, such as opportunities for development and duties. Another reason for Systembolaget's high ESI is that the employees feel that the quality of

annual performance reviews has improved and that they now view these reviews in a positive light.

The strategic work is, in other words, yielding good results and our task now is to continue upon the road that we have begun to walk. Locally, we will be focusing on individual units and stores where there is scope for improvement in such areas as working hours and information.

Staff turnover

Systembolaget had a total of 4,054 permanent employees at the beginning of 2011. 680 (588) members of staff left the company during the year, yielding a staff turnover figure of 17 per cent (15%). The biggest turnover is amongst retail sales personnel under the age of 30.

All Systembolaget employees are covered by a collective agreement.



Investing in skills

Systembolaget operates in a changing world. Working long-term with skill development is a prerequisite of our ability to live up to our customer promise. Today and tomorrow. Every employee is offered support and a wide range of learning activities.



“We are working intensively to improve the way in which we treat our customers and to fulfil our mandate in the course of our day-to-day work. It might be anything from a friendly word at the checkout to tipping people that they can return products if they produce a receipt. Positive commitment and consideration are the tools that will enable us to convey to our customers that we sell responsibly.”

*Emma Gertsson,
Sales staff in Älmhult*

Systembolaget has a structured method of working with skill development. The goal is for every employee to be covered by a shared methodology, from the moment they are recruited until the moment they leave the company.

KORUS is our toolbox

We call the toolbox we use to support our employees in their skill development, KORUS (Competence & Role Development System). The system comprises several tools, including role profiles for every role within the organisation, interview questions linked to the role for use in conjunction with recruitment interviews, a skills library that describes the skills individual employees should possess, and training activities linked to the development of the various skills. The individual employee is personally responsible for their learning. The role of the managers is to lead and coach in such a way that the employees achieve their maximum possible competence in relation to their role.

Focusing on performance reviews

The annual performance reviews follow up and evaluate individual goals and the skills associated with the individual's role. Ambitions for the future are discussed and a new development plan is drawn up for the impending two-year period. The Skill Portal is the IT tool that provides support in the skill development process and is where performance review documentation, inventories of skill requirements and individual development plans are stored. The Skill Portal is also used to book training courses. In 2011, 81 per cent (74%) of the employees had performance reviews with their managers.

Introducing new recruits

New recruits are introduced using a systematic approach based on assignments and role profiles. The introduction programme for the two main roles – those of sales staff and store managers – runs over 12 months. During this period, the employee undergoes a wide-ranging basic training programme. The employee and the manager then decide jointly which specific training is required in order to best equip the employee to “do the job”. By the end of the year, every employee should be able to meet the demands of their role profile.

Managerial skill supply

We need managers with curiosity and desire if we are to succeed in our efforts to become the best in Sweden with regard to interacting with our customers. Systembolaget's management shall be characterised by passion and personal responsibility in every dimension, from customers, employees and colleagues, to operations, the environment and results. It was to this end that we launched a managerial development programme called “Good Management”. The first phase of the programme was launched during the year, starting at company management level and with Area and Unit Managers. The programme is based on action learning and the participants have, in addition to expanding their knowhow, worked on a number of strategic improvement areas and proposed methods by which we, as a company, could take them on board. The skill development work focused on management, knowledge of the outside world, and personal leadership. The skills of managers at unit and area level were mapped as a basis for establishing



and developing the starting points of our fifty most senior managers. The next stage will involve conducting a development programme for our store and group managers, and during the year, the company management drew up a succession planning system at unit and area manager level.

Staff development

All employees have completed a “Good Customer Interaction” development programme during the year. The programme is based on Systembolaget’s established goals for service and customer interaction and the way in which

these goals shall be achieved. Every employee has conducted a self-assessment in conjunction with this process. Answering 50 or so questions gave the employee an idea of the sort of things he or she needed to work on in order to be able to contribute to us achieving our good customer interaction goals. This self-assessment forms the basis for a development plan and acts as the manager’s support tool in dialogue with the individuals. The employees’ development programmes are based on learning using a variety of tools – everything from interactive training to private study and dialogue meetings with colleagues within the unit.





Focus on work environment and health

Systembolaget has been working single-mindedly during the year towards its goal of reducing short-term absence due to sickness – a move that requires a more proactive approach. The focus has been on promoting health and reducing the risks of ill health.

After several years of goal-orientated work aimed at reducing long-term absence due to sickness, the focus in 2011 was on reducing short-term absence due to sickness from 2.6 per cent to 2.3 per cent. The figure for 2011 was 2.4 per cent (2.6% and 2.1%, respectively, for women and men).

Ongoing work in important areas

The 22 ergonomics guides trained in 2010 began their work in 2011. All workplaces have undergone an ergonomics review with the goal of ensuring that more employees are working in a more ergonomic way and of improving usage of the work aids provided.

The tobacco use cessation pilot group held between August 2010 and January 2011 resulted in nine of the ten tobacco users being tobacco-free by the end of the programme. A follow-up is scheduled for 12 months after the end of the

programme, and the positive results of the pilot programme resulted in a decision to offer more employees the chance to quit tobacco. A new group has begun during the year and will be followed by additional groups in 2012.

The web portal solution for fitness services has been used by 50.4 per cent of our employees. The goal is for more people to benefit from fitness opportunities. Systembolaget decided that as of January 2012, all employees will receive the same level of fitness subsidy, irrespective of the length of their employment contract.

A new rehabilitation process was implemented with the aim of ensuring that Systembolaget acts at an early stage for all rehabilitation cases. The new process includes tools for managers to use in the rehabilitation work, including templates for documentation and action plans, and checklists for any discussions that need to be held. The process acts as a direct





Guided by high ethical standards

The combination of our mandate and our monopoly on retail sales of strong beer, wine and spirits demands a great deal of us in terms both of the way we conduct ourselves on a day-to-day basis and of our ethics. And it is just as much of a given that our responsibility covers everyone in our country as it is that all suppliers should be treated equally.

In 2011, the CSR Council drew up a policy that clarifies our responsibilities with regard to business ethics. It describes the areas that are of the greatest importance to us if we are to act responsibly and clarifies what we stand for and how we wish to be perceived by our stakeholders, both as a company and as individuals. The policy reflects the Code of Conduct of the CSR organisation, BSCI, and means that making the same demands of ourselves as we make of our suppliers must be a given for us.

Ethical issues are included in the annual performance review discussions between managers and employees. Ethics and values are, moreover, important issues raised as a matter of course during internal training and new recruitment. In 2011, all of Systembolaget's managers – from store managers to the company management – met up within their respective management groups to discuss ethical issues and managers. All management groups are obliged to conduct these kinds of ethics dialogues twice a year, and a total of 52 (71) ethics dialogues were held in 2011.

Ethics Advisor

Systembolaget has had an Ethics Advisor for a number of years now. The role is held by an experienced Store Manager who enjoys widespread confidence amongst employees. The Ethics Advisor is tasked with providing employees with advice on ethical issues and acting as someone to whom employees can turn with information on any deviations from the company's guidelines. The Ethics Advisor handled eight (7) cases in 2011, all of which were of an ethical nature.

Warning signs of alcohol abuse

Systembolaget's store personnel sometimes encounter an ethical dilemma: what to do about customers who obviously have a problem with alcohol? Or how to deal with people who ask for help with regard to relatives who misuse alcohol? Our zero tolerance vision states that no one shall be harmed by alcohol, and this entails a far-reaching social responsibility. At the same time, the scope for action is limited by the formal frameworks that steer our work. Questions of this kind are, therefore, sometimes channelled to the Ethics Advisor.

One of the prerequisites of a credible customer interaction is that we, ourselves, set a good example. We must work both preventatively and supportively when it comes to alcohol abuse amongst our own employees. This imposes a huge responsibility on our managers to react and act to early signals that everything may not be as it should.

Area Managers and Head Office managers have, as part of this work, undergone a repetition of the training activity provided for all managers and health and safety representatives in 2008. A one-day course on the subject of early warning signs and discussion methodology, with links to our alcohol policy, was held in 2011. Store Managers will also receive further training and opportunities to review and deepen their existing training.

Clear rules for preventing corruption

Contacts with suppliers of alcoholic drinks are primarily made by personnel from Systembolaget's Purchasing Business Area. The store personnel's contacts are limited to study visits to



stores by suppliers, or visits to producers for training purposes. The visits are closely regulated. Contact by suppliers with store personnel in an attempt to influence them to favour individual products in any way is not permitted.

All new recruits to Systembolaget receive information on the rules governing external contacts and must sign a statement that they have been familiarised with the rules. Managers must confirm, in writing, that they have familiarised themselves with the rules governing external contacts in conjunction with their performance reviews every year. All employees are asked systematic questions about the rules governing external contacts in

conjunction with these reviews. In brief, the rules mean that no drinks supplier shall be given an advantage over any other supplier. The rules also include regulations governing accepting gifts.

The sales organisation, which largely comprises our 418 stores throughout Sweden, has an established routine for maintaining employees' and managers' knowledge of ethical issues. Every manager is responsible for conducting dialogues on ethical issues and the regulations concerning external contacts twice every year. The issues addressed include setting limits on improper pressure from suppliers. All managers work with a common body of material.





Responsibility throughout the chain

The drinks that we sell must live up to our customers' demands in terms of quality, product range and value for money and that they are produced under conditions of responsibility for both people and the environment.

We have been conducting an ongoing dialogue with our drinks suppliers since 2008 with the aim of increasing their commitment and responsibility, and of identifying formats that ensure a sustainable drinks supplier chain. We work closely on this issue with the alcoholic retail monopolies in Norway, Finland, Iceland and the Faeroes.

Membership of BSCI

As part of this process, Systembolaget applied for membership of the international CSR organisation, the Business Social Compliance Initiative (BSCI) in March 2011, and was accepted shortly thereafter. The aim of BSCI's work is to enable already developed tools and databases to be used to follow up efficiently on our CSR work.

Working according to plan

In January 2011, the five Nordic alcohol retail monopolies adopted a shared Code of Conduct. The Code has been implemented into all of our purchasing agreements during the year, both existing ones and new ones, and came into force on 1st January 2012. The Code was drawn up by

BSCI and is based on the ILO conventions, the UN General Declaration of Human Rights, the UN conventions on the rights of the child and the abolition of all forms of discrimination against women, the UN's Global Compact, the OECD guidelines for multinational companies, and other internationally recognised agreements.

Close dialogue

Systembolaget has held regular meetings during the year with a reference group made up of representatives from the industry organisations, Swedish Spirits & Wine Suppliers Association and the Brewers of Sweden Association, and a number of independent suppliers, amongst others. The aim was to engage in a dialogue on how the Code of Conduct would be implemented and followed up within the supplier stage of the chain. Approximately 90 suppliers took part in a workshop on the subject of changes in the purchasing agreement in conjunction with the adoption of the Code, and additional workshops were held at the end of 2011 with the aim of providing clear information about what the incorporation of the Code will mean.





Monitoring Code of Conduct compliance

Audits of selected production facilities, chosen from a risk perspective, are amongst the measures used to monitor suppliers' compliance with the Code of Conduct. These audits are carried out by a third party and if they show deviations from the Code, an action plan is drawn up and compliance therewith is monitored.

An audit was carried out in Chile in December with the aim of learning about the methodology and the use of the tools to which we have gained access through our membership of BSCI. The audit was carried out by a third party together with representatives of Systembolaget who took part in order to increase their know-how and understanding. The main deviation by the producer noted in conjunction with the audit was that during the harvesting season, the hours worked by the employees exceeded the permitted number.

Additional dialogue trip

A joint Nordic CSR study trip was held for the third year in succession, this time to Argentina and Chile. The aim was partly to learn more about the situation in these countries, which represent substantial sales volumes in the Nordic market, and partly to tell suppliers there about the Nordic partnership on CSR issues and about our joint Code of Conduct. Meetings were arranged with a number of stakeholder associations, such as certification bodies, trade unions, industry associations, research institutions, embassies and wine producers. The response was generally positive and the initiative was welcomed. One challenge that both countries face is improving the working conditions of seasonal employees.

It was apparent from the feedback received from stakeholders in the countries visited that the Nordic alcohol retail monopolies' field trips provide an important incentive for the drinks industry to act in a socially, environmentally and ethically sustainable way.

Sustainable procurement – not just drinks

Systembolaget's procurement work includes everything from gift wraps to tools of the trade, construction contracts and external services. From a CSR perspective, the most risky procurement areas are: refitting work, maintenance, décor fitting and work environment tools, workwear, consumables and electronics, transport, energy and travel. We have begun working on conducting CSR dialogues and appending CSR requirements in conjunction with our procurement work. This has been done in conjunction with the procurement of new in-store workwear. From 2012, our Code of Conduct is appended to all relevant agreements.

Increased clarity on sustainability labelling

Two new sustainability labels, "Ethical" and "Environmental" have been produced in order to make it easier for customers to make informed choices. They complement the existing "Eco" label, which is added to the product information on organic products and products made from organically grown raw materials. In order to meet the requirements for an "Ethical" label, the working conditions for those involved in all links in the product's manufacturing chain must be fair. The basic prerequisites for the "Environmental" label are, correspondingly, that the manufacturer works in an active and focused way with the environmental problems that can be linked nowadays to the drinks industry. This includes climate impact, biological diversity and water consumption. Suppliers must apply for permission to use any and all of the three labels on their products. Approval is contingent upon, amongst other things, the existence of regulations accessible to all, the product being third party-certified, and the certification being for a fixed period of time.

A labelling system that focuses on further highlighting different types of packaging is also being introduced. PET bottles are the first packaging type to receive one of these shelf labels.



"The cooperation between SVL and Systembolaget has developed very well over the last few years. It's clear that Systembolaget is keen to engage in a dialogue with the suppliers. Both parties must, of course, respect each other's roles and responsibilities, but our partnership is facilitated by a clearer focus on a shared goal: a satisfied customer. We sometimes see things in a different light, of course, but I believe that we have learned to be patient and to purposely continue with our discussions."

*Erika Nylander,
President, Swedish
Spirits & Wine Suppliers
Association (SVL)*



Yearly plan launches

A product range strategy that forms the basis of Systembolaget's launch plan is drawn up every year. The plan provides advance notice of the launches planned for the coming year in both the fixed and temporary ranges and thereby ensures transparency for the suppliers.

The product range strategy drawn up every year sets the overall goals. These goals are broken down into launches, details of which are then made available to all of our suppliers through the launch plan. The launches are described in greater detail in a request for tender that is also sent out to all of our suppliers. The selection is then made through a sensorial blind tasting. We work with a yearly plan in order to create transparency in the procurement process. This yearly plan clarifies and specifies when we want comments from our suppliers at a strategic level, when we want comments on the launch plan's orientation, and when the focus is on the formulation of the requests for tender.

Several ways in

There are two other ways into the fixed product range, in addition to purchasing after requests for tender. One is purchasing after a decision by an independent panel of consumers. Systembolaget buys 20 per cent of the launches in the fixed product range in response to decisions by this panel. Another way into the range involves qualification via the available for order range, whereby products that achieve high levels of customer demand and sales figures as part of the available for order range can qualify for sale as part of the fixed range.

From available for order range to fixed range

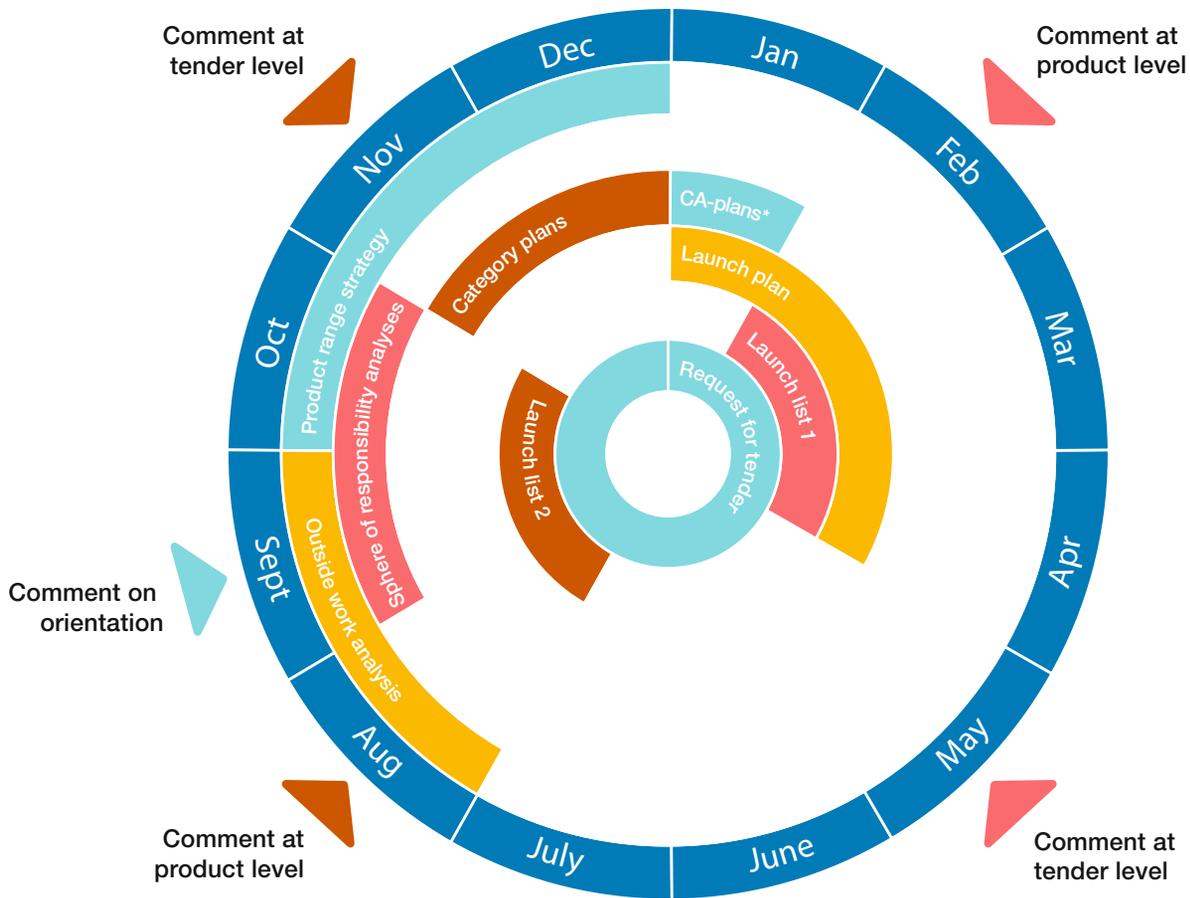
Normal customer demand determines whether a product is moved from Systembolaget's available for order range to its fixed range. The evaluation of whether to move a product to the fixed range is based on the product's sales during a fixed evaluation period.

Certain other requirements must also be met: the price of the product must, amongst other things, not have changed in the last three months and sales must have been spread over at least four municipalities. Volume purchases are also discounted as they are not regarded as normal customer demand. We work actively to monitor and analyse volume purchases in order to ensure that the opportunity to sell a product as part of the fixed range is given in response to genuine demand and not as the result of so-called supporting purchases.

Non-discriminatory operations

Under EU law, we must act in a non-discriminatory way in relation to our suppliers. Our compliance with this requirement has been monitored continuously since 1995 by the Swedish Competition Authority. At no time since 1995 has the Authority found that Systembolaget has operated in a discriminatory way.

Drinks suppliers can appeal our decisions to reject a tender or to de-list a product from our range. Three (6) decisions were appealed during the year, but none of the appeals were granted.



*CA-plans = Category action plans

As of 2012, the launch list will be published on a biennial basis, but both lists will retain the 12-month perspective. The change is being made to enable Systembolaget to buy drinks when availability is at its greatest and to sell when customer demand peaks. The launch lists are the result of, amongst other things, analyses of the outside work and spheres of responsibility.



Quality is critical

The Swedish alcohol market is open to all suppliers and producers. It is not their size or their financial muscle that determines whether they are accepted. The yardstick we use is the quality of their products.



“These are very important issues that require us to work together across boundaries. Carlsberg Sweden is extremely pleased that Systembolaget has now made the importance of social responsibility throughout the drinks chain so clear. This is very much in line with our own work in this respect. Conducting this work on a broad front does, however, pose a challenge for Systembolaget in that the areas where there is scope for improvement vary widely, depending on the category, and also within the various categories and countries of origin.”

*Anna-Karin Fondberg,
Systembolaget Sales
Director
Carlsberg Sverige*

Systembolaget has a well-developed model for launching products. It is based on comprehensive analyses and customer surveys and is designed to ensure that we offer a world-class product range.

Numerous tenders received

Requests for tender for the fixed and temporary ranges are sent out to Systembolaget’s drinks suppliers via the Delivery Portal. All 822 registered suppliers receive the request for tender and are invited to submit their tenders. 474 suppliers were active in 2011. The request for tender specifies the launches listed in the launch plan with regard to, amongst other things, the type of product, country of origin, pricing band and taste profile. A number of products are selected from the correctly submitted tenders and samples requested. Systembolaget received 17,759 tenders and sampled 9,567 products in 2011.

Blind testing decides

The product samples for each request for tender are tasted by a tasting panel. The tasting process is blind, providing no information on brand, supplier or producer. The panel assesses the product’s sensoric quality with regard to the taste description and other specifications provided in the request for tender. The product with the highest rating is brought in.

The way in which the tasting personnel will group the product samples for each request for tender is announced in conjunction with the issue of the requests for tender, in order to increase transparency and predictability. It has also been possible, since 2009, to monitor our tasting of the products samples on TV screens outside the tasting room.

Once the purchasing decision has been taken, the product is tasted by a complementary tasting group that specialises in describing the products. The taste descriptions customers see on the stores’ shelf labels and on the website are based on this group’s assessments.

Quality monitoring

The products that won the request for tender process are followed up systematically to ensure that their style and quality are consistent in both the short and the long term. The controls are conducted both sensorially and chemically during several stages in the process, both before and after launch. In 2011, we began implementing a more thorough system for following up on our biggest launches, that starts with a risk assessment based on the formulation of the request for tender. The main checks carried out before every launch involve the sensorial qualities of the products supplied. These are backed up by chemical checks carried out in Systembolaget’s laboratory. This is also when the products’ compatibility with applicable legislation is checked, along with the contents’ compliance with the information shown on the label. The laboratory was accredited during the year for “single day variation”, making it easier to compare results from different samples made one after the other.

Cooperation with suppliers and producers

Close cooperation with the drinks suppliers is a prerequisite of Systembolaget’s ability to provide and develop a product range that meets our customers’ expectations. Meetings with suppliers are, therefore, an important part of the day-to-day work of Systembolaget’s purchasing staff and category managers. These



meetings take place both at Systembolaget's Head Office and at the suppliers' offices, at trade fairs, and through visits to producers all over the world. The purchasing staff and category managers carried out over 60 trips during 2011.

The suppliers are invited, every spring and autumn, to attend information and dialogue meetings. These meetings are spread over five separate dates.

A number of dialogues and exchanges of knowledge with both industry associations and independent suppliers have also taken place during the year. The discussions have primarily addressed CSR and the quality process, but logistics and contractual issues were also on the agenda. The dialogues have been constructive and important in the development of new routines. Four introductory meetings have been held for new suppliers.

Long-term issues

In the spring of 2011, all Systembolaget suppliers were also invited to workshops at which issues of a more strategic and long-term nature were discussed. These included a new product range model, CSR, distribution and cooperation with suppliers. We received valuable input directly from the suppliers on these occasions – input that will be useful during the upcoming development work.





Transshipment-based logistics

Systembolaget's purchases from suppliers include delivery of the products to the stores, and all suppliers must, therefore, have a nationwide delivery system. In 2011, 12 major distributors delivered approximately 99 per cent of the total number of goods ordered.

All of Systembolaget's stores receive an automatic order proposal every day from the product supply system, listing the stock-controlled items that should be ordered. The order proposal is based on historic and anticipated sales statistics unique to the items and to the store, the current stock situation, and the distribution schedule per store and distributor. The store can edit the order proposal and central monitoring is carried out continuously to ensure that a high standard of service is provided and that the customers encounter well-filled shelves.

Transshipment offers environmental benefits

Systembolaget has no distribution system of its own: products are delivered by independent haulage companies. The trend that is increasingly seeing the larger distributors using shared transports is continuing, resulting in fewer – but considerably larger – deliveries, generating the preconditions for more rational in-store processing of goods. Fewer deliveries are also good from an environmental viewpoint. The majority of the deliveries to our stores are now made via two major transshipment distributors, and since 2006, transshipment has yielded a saving of over 3,900 tonnes in carbon dioxide emissions.

Focusing of a reduced environmental impact

Systembolaget will be taking an holistic approach to environmental impact within the supplier chain between 2010 and 2013 within the framework of our CSR work. Our environmental audit was completed during the year and on the basis of its findings, we have adopted a long-term environmental plan. Climate impact is one of the plan's focus areas and transportation is an important element within that overall area. The means of transport chosen for our products, all the way from cultivation and manufacture to delivery to our stores, is of considerable importance in determining the climate impact to which transport gives rise.

The distribution that Systembolaget carries





out in-house and which comprises transports from its product depots in Örebro and Sundsvall to stores, and between stores, gave rise to 1,433 tonnes of carbon dioxide emissions during the year. The corresponding figure for 2010 was 1,112 tonnes, and the figure for 2011 hence corresponds to a 29 per cent increase. The increase was primarily due to the increased number of bottles delivered, both internally and to agents.

Stock handling systems in the product depots

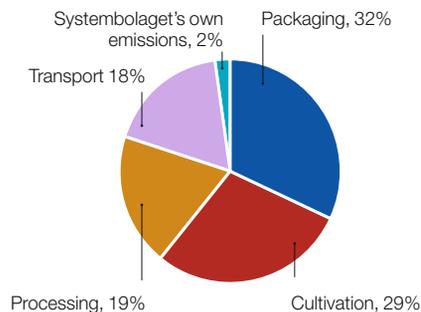
The product depots have implemented a new stock handling system in order to boost the quality of the customer order deliveries to stores and to our agents. The new system has seen us move away from picking in accordance with paper lists to a fully automatic voice-controlled picking system. The system has not only improved the depots' picking quality, it has also increased their capacity, which will enable our product depots to handle increased volumes in the future.

Simplified product handling

Delivery notification is via an electronic messaging system that replaces paper delivery notes. The notification simplifies the collaboration with our suppliers by reducing the amount of data registered manually. Delivery notification is also a vital platform for future solutions, such as good arrival control via handheld computers. The number of distributors using delivery notification had increased to ten of twelve in 2011.

Systembolaget's total climate impact

360,000 tonnes CO₂



Total emissions of greenhouse gas emissions recalculated as carbon dioxide equivalents. This includes not only Systembolaget's own operations within Sweden, it also includes the impact of cultivation, manufacturing (processing) and the transport of our products, together with the impact caused by all forms of packaging.

Greenhouse gas emissions

CO ₂ , tonnes	2011	2010
Indirect greenhouse gas emissions (personnel transportation)*	918	915
Indirect greenhouse gas emissions (Systembolaget, depot-store, depot-agent, store-store)*	1,433	1,112
Total indirect emissions	2,351	2,027

* The increase in 2011 was primarily due to the increase in the number of bottles transported, both internally and to agents.



Our mandate: responsibility and service

Systembolaget exists for one reason and one reason only: alcohol-related problems are reduced if alcohol is sold without endeavouring to maximise profits or promote additional sales. Systembolaget’s mandate is to help limit the harmful effects of alcohol.

Our mandate is governed by the Swedish Alcohol Act, Systembolaget’s contract with the government, and by the directives issued by the government in its capacity as Systembolaget’s owner. These documents describe a number of central principles. The customers shall receive a high standard of service, the product selection shall be made objectively and neutrally, and the operations shall be conducted in a rational way and shall not seek to maximise profits. These requirements and expectations on the part of the owner provide strict guidelines for the way in which Systembolaget is run and its operations are monitored.

Customer service and responsibility

Systembolaget’s contract with the government states that Systembolaget shall provide good service and we accordingly endeavour to be perceived as a leading retail chain with regard to product range, expertise, service and respon-

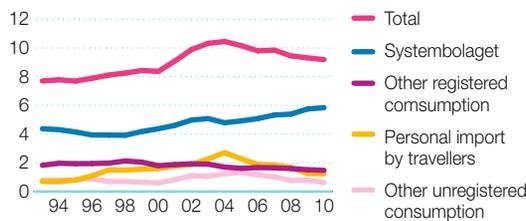
sibility. We regularly monitor customers’ appreciation of Systembolaget and the service we provide in the form of our Customer Satisfaction Index (CSI). Four measurements were carried out in 2011, yielding an average index of 78 – which was the target figure and an increase, in comparison with 2010, of one unit.

The right product range and responsibility

Systembolaget’s product range and its social responsibility are the most important parameters when it comes to our customers’ overall opinion of Systembolaget. Our owner requires us to choose our products without favouring domestic products, with the choice based solely on the product’s quality, with due regard given to harmful effects, customer demand and other commercial considerations. Systembolaget focuses on ensuring that its purchasing process is as reliable and transparent as possible. From the customer’s perspective, this results in only

Alcohol consumption, 1994–2010

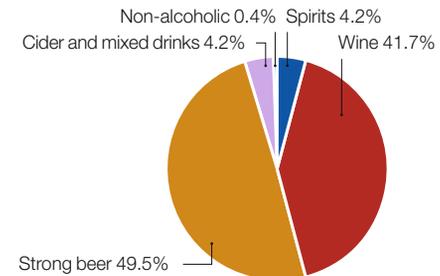
(litres of 100 per cent alcohol per head of population aged 15 and above)



Source: SoRAD

Total alcohol consumption in Sweden has fallen slightly in recent years. SoRAD (the Centre for Social Research on Alcohol and Drugs) has not published consumption figures for 2011 yet, but everything suggests that this trend has continued.

Sales by product group, volume, 2011



Sales of wine, beer and non-alcoholic drinks increased, while sales of the other product groups fell slightly.



the best products in every category and price range band making it onto our shelves, while from the suppliers' perspective, it results in predictability and fairness.

Strong support for Systembolaget

We monitor public support for Systembolaget on an ongoing basis. The Opinion Index (OPI), which is measured each month by the survey company SIFO, is one of our strategic key performance indicators. The public are asked whether they wish to retain Systembolaget and its sole right or would like sales of strong beer, wine and spirits to be made in other stores. These measurements have been carried out continuously since 2001, since when support has

increased from 49 per cent to 68 per cent, which was the average value in 2010. Levels of support for Systembolaget and our sole right amongst the Swedish public are now high.

Additional communication required

Whilst many people appreciate Systembolaget, there are relatively few who know that we exist in order to help reduce alcohol-related harm. When we communicate improvements in our service, we need to make it even clearer that all service development work is based on our mandate. Service, sharing our expertise, and responsible selling are equally important components of all work on developing our offering.





Important issues for the future

The Internet is changing the way we search for information and shop. As more people gain access to this channel, expectations that these services will be instantly available also increase. Systembolaget must be sensitive to this trend and be characterised by responsibility whatever the channel.



“As a politician specialising in social affairs at both local and national level, I have seen enough to have developed a healthy respect for alcohol. We must improve our preventative work aimed at reducing alcohol consumption, particularly amongst young people. For me, a restrictive alcohol policy, with pricing instruments and Systembolaget’s sole right, are extremely important. Systembolaget manages to provide good service and, at the same time, to limit the harmful effects of alcohol through age verification checks, strict selling rules, information campaigns, and various other measures. Systembolaget is going on the offensive. Good! Keep going!”

*Kenneth Johansson,
Member of Parliament
and Chairperson of
the Social Affairs
Committee (Centre
Party).*

As members of society and customers we have become used to being able to obtain services around the clock via our computer or mobile phone. Official bodies and companies are enabling the public to find information, services and product ranges online.

Systembolaget is investing in e-service

Systembolaget is therefore developing an alternative form of e-service. It must live up to consumers’ changing requirements and, at the same time, live up to the alcohol policy goals and Systembolaget’s mandate. The objective of our e-service is that it will provide Sweden’s most extensive expertise in the field of food and drink combinations and on how drinks affect our health. Systembolaget’s know-how in these fields shall be accessible, wherever and however a consumer chooses to contact us.

The first step has already been taken

Our entire for order range, which contains on the order of 10,000 items, is already available for order via Systembolaget’s website for delivery to the customer’s preferred store. We will now expand our customer information regarding the availability of this service as a complement to the stores, e.g. by making order statuses, together with details of how to collect, complain about and return items ordered, clearer, both on the website and in-store.

Expansion of the ordering service

We are currently working on expanding the ordering service in order to provide access to a broader product range and to offer customers the option of delivery to a choice of location – a store, an agent, or the customers’ home. Relia-

bility, security and responsibility shall characterise Systembolaget, irrespective both of whether a purchase is made in a store, via an agent or online, and of how the products are delivered. Our selling rules will be complied with and enforced to the same high standard, whatever the selling channel. We are planning to test an e-service model with home delivery in a few limited areas during the autumn of 2012. The products will be priced identically whatever the channel but the customer will also pay delivery costs if they choose to have the product delivered to their home. We hope to be able, once we have evaluated the results of the test, to introduce this service nationwide.

Smartphone app

The first version of a new smartphone app was launched at the turn of this year. As a user of this app, you can search for nearby stores and agents, search for products in the product range, and obtain information about them in the same way as in stores and on our website.

Aggressive marketing increasingly common

We have noticed a marked increase in the number of for-profit players selling alcohol online, from 45 companies in March 2010 to 68 in December 2011, along with an unknown number of players whose business concept entails selling alcohol cheaply by transferring responsibility for payment of alcohol tax to the customer. Many people have noted and questioned the sharp increase in the online selling of alcohol in ways that commonly contravene legislative requirements, particularly, according to the authorities, with regard to taxation and marketing. In November, the Swedish temperance movement



reported several of these companies to the police; a move that resulted in a debate on aggressive marketing and illegal selling. The Swedish Alcohol Suppliers' Scrutineer (AGM) also concluded, in November, that one wine club and two importers were guilty of breaches of the Swedish Alcohol Act and/or breaches of the Swedish Marketing Practices Act.

Private persons are entitled to import alcohol from other countries, but this right does not entitle companies to operate alongside Systembolaget, acting as agents for or selling alcoholic drinks to private persons in Sweden. Systembolaget is, therefore, pleased to see that the supervisory authority has reacted and that the debate has been intensified, in that this should increase the awareness of suppliers and the public with regard to the laws and rules with which they must comply. There is otherwise a risk that Systembolaget's sole right on retail sales of alcohol could be called into question. The retail monopoly is one of the more important methods of limiting the development of alcohol-related harm and is particularly important with regard to the protection of young people.

Farm-shop sales are a hot topic

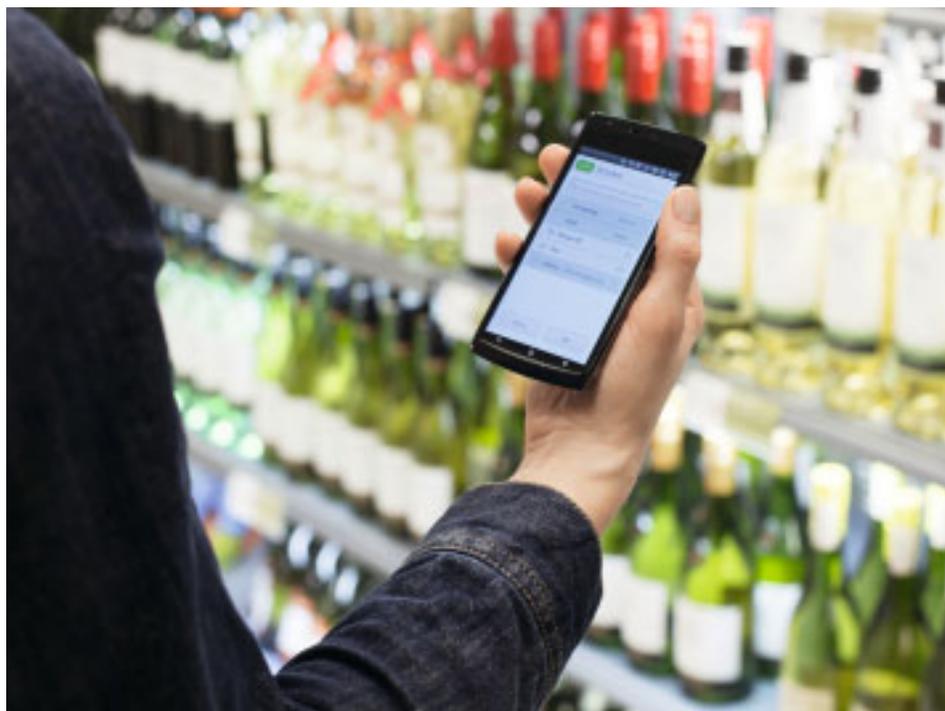
The Farm-shop Sales Committee submitted its report to the Government in December 2010. The report was also circulated for comment during the first six months of 2011 and just over 150 organisations responded. The Office of the Chancellor of Justice and the courts that responded stated that there was a risk of the Committee's proposals contravening EU law.

There is a considerable risk, if the matter was taken to court, that the European Court would find that the alcohol policy-based regulation of sales can no longer be deemed justifiable for reasons of public health in that the legislation is no longer specifically intended, in a consistent and systematic way, to protect public health.

A number of referral bodies and local authorities view the "concept" of farm-shop sales in a

positive light, but reject the Committee's proposals, referring, amongst other things, to the fact that it is proposed that foreign manufacturers also be granted the right to establish retail outlets and that they could be sited in both urban and rural areas and not be linked to on-site manufacturing.

We will continue, within the framework of our mandate and against a background of high customer demand, to develop our local products service. In the spring of 2012, the service offering products that are produced or in demand locally will be improved by enabling customers to order local products for delivery to the store of their choice throughout Sweden. It will also be easier to order these products from their place of manufacture via systembolaget.se. The service will also be expanded in the form of extra training for store employees and by providing clearer information in stores and on our website. Locally produced products can already be sold in up to three stores located closest to the local manufacturing site.





Key performance indicator management

Systembolaget's operations shall generate sufficient economic scope to cover the company's costs. These include investments in the company's development and renewal. This is vital in enabling Systembolaget to fulfil its mandate in a changing world.

The Owner's Directive states that the long-term profit shall correspond to a return on shareholders' equity of 4 percentage points above the ten-year government bond interest rate. For 2011, this corresponds to a required return of 6.6 per cent.

Weak increase in sales

Systembolaget posted a profit before tax of SEK 222 million for the Group in 2011. This exceeded the required return, but is a lower profit than that reported in 2010. The decrease was primarily due to the outcome of the arbitration proceedings between Systembolaget and V&S Vin & Sprit (now Pernod Ricard), the capital gain from the sale of Lagena in 2010, and to increased selling costs.

Sales increased by 4.0 million litres to a total of 458.3 million litres, corresponding to an increase of 0.9 per cent in comparison with 2010. The volume of wine sales increased by 1.7 per cent, while sales of non-alcoholic drinks increased by 25.5 per cent. Sales of spirituous drinks, and of cider and mixed drinks, fell slightly in comparison with 2010. Recalculated as pure alcohol, sales increased by a total of 0.3 per cent.

Strategic key performance indicators

Systembolaget's strategic and operational planning is based on a model that uses a balanced scorecard. The management is based on five different perspectives – society, customers, personnel, suppliers and owners (financial).

Balanced management

Systembolaget endeavours to ensure that its management is as balanced as possible and the

aim is for the number of key performance indicators and the frequency with which they are measured shall be relatively evenly balanced between the different perspectives.

Continuous measurements

Measurements in the social perspective category, for example, include test purchases aimed at testing age verification checking and which are made daily in a number of stores. The Opinion Index is measured once a month. Both of these key performance indicators are critical for Systembolaget in relation to our mandate.

Customer benefit is another important dimension for Systembolaget. Customer Satisfaction Index measurements are taken on a quarterly basis. Customer interaction surveys are also carried out continuously throughout the year in our stores as a complement to the information provided by the CSI.

An annual survey of suppliers measures the Supplier Satisfaction Index, which reveals suppliers' views on Systembolaget and their partnership with us.

Employee Satisfaction Index measurements are taken once a year as part of the employee perspective, and are also broken down into subordinate organisational units, yielding a good indication of the areas that individual managers need to work on during the coming year.

Systembolaget also measures absence due to sickness, both as total absence due to sickness and as short periods thereof (less than 14 days). The stores primarily focus on working with short periods of absence due to sickness, as this is easier to influence than long periods.

A review of the Customer Satisfaction Index and Employee Satisfaction Index key perfor-



mance indicators began in 2011. These key performance indicators will be revised in 2012, or replaced by new ones.

Cost control

We work continuously to enhance operational efficiency, in accordance with the Owner's Directive. Financial efficiency has also increased in recent years, both in the stores and at Head Office. The increased efficiency in the stores is largely driven by the refitting to self-service stores. Work productivity is a key performance indicator that measures efficiency in the stores. The ratio refers to the number of units handled per day's work and is measured daily in every store. The value for 2011 was 836, corresponding to a 4.0 per cent increase on 2010. Other financial key performance indicators monitored in-store include cost productivity and wastage. Cost productivity is a reflection of the number of units sold over the costs that the store can influence. Wastage in SEK over

sales in SEK constitutes the key performance indicator for wastage. Cost productivity improved in comparison with 2010, while wastage increased.

Sales costs increased overall by 7.5 per cent to SEK 2,545 million. These costs include the outcome of the arbitration proceedings between Systembolaget and V&S Vin & Sprit (now Pernod Ricard), increased staff overheads in conjunction with the investment in Good Customer Interaction, write-downs of intangible fixed assets, and increased depreciation as a result of the refitting of several stores.

The administrative costs for 2011 totalled SEK 383 million, corresponding to a decrease of 1.5 per cent in comparison with 2010. The improved financial efficiency in Systembolaget is also confirmed by the fall, over the year, in the company's gross margin, which has fallen from 23.1 per cent in 2007 to 21.7 per cent in 2011.

Key performance indicators 2011

	2011	Target level 2011	2010	2009	2008	2007
Opinion index	68	66	66	66	64	61
Age verification checks, %	94	94	94	93	90	85
Customer Satisfaction Index (CSI)	79	79	78	78	77	75
Employee Satisfaction Index (ESI)	75	75	75	75	74	72
Short-term absence due to sickness, %	2.4	2.3	2.6	2.6	2.5	***
Supplier Index (SI) *	64	67	65	59	**	70
Trading margin, ex. alcohol tax, %	21.7	22.5	21.8	22.2	22.6	23.1
Return on shareholders' equity, %	7.6	6.6	13.8	16.1	36.6	13.9
Work productivity	836	844	833	838	798	775
Cost productivity	0.37	0.39	0.38	0.40	0.46	0.47
Wastage, ‰	1.36	1.17	1.22	1.33	1.28	1.25
Absence due to sickness, %	4.6	****	4.9	5.1	5.9	6.2
Stock turnover rate	24.5	****	25.7	25.4	23.2	22.3

*) New method as of 2009.

**) No survey carried out.

***) No information available.

****) No goal set.

Annual Report



Directors' Report including Corporate Governance Report

The Board of Directors and the President of Systembolaget AB, corporate ID number 556059-9473, hereby present the annual accounts and the consolidated accounts, including the Corporate Governance Report, for the 2011 financial year.

THE OPERATIONS

The company's mandate

Systembolaget AB is a limited company wholly-owned by the Swedish State and which conducts retail sales of spirituous drinks, wine and strong beer in Sweden. Systembolaget's mandate is to help limit the harmful effects of alcohol. The most important role of Systembolaget's sole right on the retail sales in Sweden of strong beer, wines and spirits is to limit total alcohol consumption by restricting the availability of alcohol by means of control over the network of retail outlets and opening hours. The operations are not conducted with the aim of maximising profits and Systembolaget does not promote additional sales.

Organisation

The operations are conducted via 418 retail outlets in 289 of Sweden's 290 municipalities. There are also, in addition to the stores, 548 agents throughout Sweden from whom the customers can order goods for collection. The Group's operations are conducted through Systembolaget AB and the wholly-owned subsidiary companies, IQ-initiativet AB, AB K14 Näckströmsgatan and Gamla Distribution i Jordbro AB. IQ-initiativet works to provide information and shape public opinion in order to prevent and reduce alcohol-related harm. K14 Näckströmsgatan manages Systembolaget's operating properties. Gamla Distribution i Jordbro AB is currently dormant. Systembolaget AB is wholly-owned by the Swedish State and there are a total of 360,000 shares.

Significant events in 2011

Systembolaget has launched two new services on its website and for mobile phones during the year, both of which offer enhanced opportunities to obtain advice on food, drink and health. Systembolaget has also improved the

opportunities for customers to buy products that are in demand locally and that are produced locally throughout Sweden.

Systembolaget has presented plans, during the year, for trials of a home delivery model. The intention is for home deliveries to be made on weekdays during Systembolaget's normal opening hours, at an extra charge, and with a fixed number of days' lead time. Systembolaget's selling rules will, of course, remain unchanged in connection with home deliveries.

The Opinion Index, which is measured every month, yielded a value of 68 per cent for 2011, corresponding to a two percentage point increase on the value for 2010. It is also the highest yearly value recorded since measurements began in 2001. Systembolaget's fulfilment of its public health mandate is the most important reason why Swedes wish to retain Systembolaget.

Efforts to ensure that people under the age of 20 cannot buy alcohol continue to be successful. Age verification checking is monitored regularly by means of external control purchases, and during 2011, proof of age was requested in 94 per cent of the control purchases – the same figure as in 2010. This high and consistent annual level provides confirmation that Systembolaget's long-term efforts to ensure that people under the age of 20 are not allowed to buy alcohol are working well.

An arbitration ruling has been made in a dispute between V&S Vin & Sprit AB (now Pernod Ricard) and Systembolaget that has been in progress since 2007. Under the terms of the ruling, Systembolaget must pay damages totalling SEK 57 million, plus interest, to Pernod Ricard. The dispute goes back to the so-called corruption scandal when it emerged that certain suppliers had bribed store managers in order to gain competitive advantages and related to whether Systembolaget was entitled to terminate a number of purchasing agreements due to these bribery offences. Systembolaget implemented a number of measures that have proven to be effective. The arbitration ruling will be analysed in order to determine which further measures are required to enable us to combat corruption efficiently.

Customers

The number of customer visits increased in 2011 by 1.4 per cent to 117.4 million. The way in which one is treated as a customer in Systembolaget's stores has a substantial influence on one's perception of Systembolaget. The CSI (Customer Satisfaction Index), which is measured and reported quarterly, measures how satisfied customers are with Systembolaget's service, product range, and responsibility. The CSI value for 2011 was 79 on a scale where 100 is the maximum, and corresponds to the highest yearly value ever noted. Systembolaget endeavours at all times to improve its interaction with the customers, whether this interaction occurs in stores, via the digital channels, or via our Customer Service department. All employees must be able to live up to our customer promise: you should always feel welcome, you should always feel that you can learn something from us, and you should always be able to rely on us to sell responsibly.

Product range

Work on a new product range that will determine the form taken by the range at store level began during the year. The new model's objective is for the stores to carry a product range that better corresponds to local demand.

Interest in the non-alcoholic range continues to grow and sales increased during the year by 25.5 per cent. Systembolaget is keen to promote this trend and currently offers a range of 33 (24) non-alcoholic items as part of its fixed product range.

Sales of organic products continue to increase and now account for 3.2 per cent (2.6%) of total sales. There are now 131 (119) organic items in Systembolaget's fixed product range.

Sales

Systembolaget sold 458.3 million (454.3 m) litres of drinks in 2011, corresponding to an increase of 0.9 per cent in comparison with 2010. Sales of non-alcoholic drinks increased by 25.5 per cent to 1.7 million litres, while sales of wine increased by 1.7 per cent to 191.0 million litres, and sales of strong beer increased by 0.6 per cent to 227.1 million litres. Sales of spirituous drinks fell by 3.2 per cent to 19.4 million litres and sales of cider and mixed drinks fell by 1.0 per cent to 19.1 million litres. Recalculated as pure alcohol, total sales increased by 0.3 per cent.

SORAD has not published its assessment of the development of total alcohol consumption in Sweden in 2011 yet.

Operating profit

The Group's operating profit for 2011 totalled SEK 168 million (SEK 331 m), corresponding to a reduction of SEK 163 million. The gross profit increased by 2.1 per cent to SEK 3,115 million (SEK 3,051 m). The gross margin, including alcohol tax, totalled 12.8 per cent (12.7%). Selling costs increased to SEK 2,545 million (SEK 2,368 m) with the increase attributable primarily to the outcome of the arbitration ruling between Systembolaget and V&S Vin & Sprit, higher energy costs, write-downs of intangible assets, depreciation as a result of the refitting of stores, and the investment in a more personal customer interaction in Systembolaget's stores through an increased staff presence. Administrative costs fell to SEK 386 million (SEK 392 m). The operating margin fell to 0.7 per cent (1.4%).

Net financial items and pre-tax profit

The pre-tax profit totalled SEK 22 million (SEK 396 m). Net financial items totalled SEK 54 million (SEK 65 m). Net financial items from the interest portfolio and liquid assets totalled SEK 40 million (SEK 20 m) with the increase due primarily to falling market interest rates, which have increased the value of the financial investments. Net financial items in respect of pension management totalled SEK 14 million (SEK 8 m). The comparability from one year to another is affected by the sale of Systembolaget's subsidiary, Lagena Distribution AB, during the fourth quarter of 2010 and which had a positive effect on net financial items to the tune of SEK 37 million.

Cash flow

Cash flow from operating activities totalled SEK 498 million (SEK 506 m), while the cash flow from investment activities totalled SEK 43 million (SEK -173 m). Net investments in financial assets totalled SEK 271 million (SEK 39 m), while net investments in tangible and intangible fixed assets totalled SEK -228 million (SEK -277 m). The comparability from one year to another is affected by the sale of Lagena Distribution AB in 2010, which contributed SEK 65 million to the cash flow at that time.

Financial position

Shareholders' equity on 31st December 2011 totalled SEK 2,027 million, corresponding to a reduction of SEK 143 million from the total on 31st December 2010. The change corresponds to the profit for the period, less the dividend paid to the owner.

The equity/assets ratio was 35.3 per cent (36.9%) and the owner's goal is an equity/assets ratio of 35.0 per cent.

Return and gross margin

The return on shareholders' equity during the most recent twelve-month period was 7.6 per cent (13.8%).

The Owner's Directive states that the long-term profit shall correspond to a return on shareholders' equity of 4 percentage points above the average ten-year government bond interest rate. The required return for 2011, according to the Owner's Directive, totalled 6.6 per cent. Systembolaget does not, as a company, attempt to maximise its profit. If the long-term return exceeds the owners' requirement, it shall benefit the customers in the form of a reduced trading margin. The gross margin (excluding alcohol tax) has gradually fallen since 2000 and has never been as low as in 2011. The Board endeavours at all times to balance the gross margin such that resources required for the company's development are secured while, at the same time, ensuring that the customers benefit from the increases in efficiency.

Sustainability

Systembolaget has chosen to apply the ten principles of the UN Global Compacts initiative with regard to human rights, labour conditions, the environment and anticorruption as the framework for its CSR work. An environmental audit that comprised both Systembolaget's own operations and the entire supplier chain was carried out in 2011. The purpose of the audit was to identify the areas on which it was most important for Systembolaget to focus and a long-term environmental plan has been adopted on the basis of the audit's findings. The plan includes goals for a reduction in Systembolaget's climate impact and in the use of pesti-

cides, and also includes clear goals for the percentage of organic products offered. The environmental plan will be implemented over the next few years.

Sustainability work in the supplier chain

Systembolaget has been accepted as a member of the international CSR organisation, BSCI (Business Social Compliance Initiative) in 2011. The common Code of Conduct of Systembolaget and the other Nordic alcohol retail monopolies, which was drawn up by BSCI, has been incorporated into the purchasing agreement for drinks suppliers. The updated agreement came into force on 1st January 2012. The Code of Conduct is based on relevant UN and ILO conventions relating to human rights, labour conditions, anti-corruption and the environment.

Financial position

The operations in relation to the Owner's Directive and financial requirements for the operations

Per cent	2011	2010	2009	2008	2007
Return on shareholders' equity (the Group)	7.6	13.8	16.1	37.1	13.9
Goal, as per the Owner's Directive	6.6	6.9	7.2	7.9	8.2
Equity/assets ratio (the Group)	35	37	38	38	39
Goal, as per the Owner's Directive	35	35	35	35	35
Dividend as a % of the consolidated profit after tax	100	100	100	100	100
Goal, as per the Owner's Directive - minimum	50	50	50	50	50

RISKS AND UNCERTAINTY FACTORS

Systembolaget's risk work is based on an annual risk analysis carried out for the operations as a whole. Ten operating risks have, over and above financial risks, been identified and prioritised on the basis of significance and probability – the so-called key risks.

Financial risks

The financial risks, such as interest, credit and liquidity risks, are limited. Systembolaget is self-financing, thanks to a high rate of stock turnover that matches purchasing and payment terms. The Group has no interest-bearing liabilities. All sales are made for payments in cash or by credit card and Systembolaget hence has no significant amounts receivable. Systembolaget's product purchases are made in Swedish kronor and the drinks suppliers are responsible for the import of alcoholic drinks and reporting alcohol tax. The Group has very little exposure to currency and exchange rate risks. The financial risk management is steered by Systembolaget's financial policy.

For additional information on the management of financial risks, see Note 15, Financial instruments.

Operating risks

A general operating risks analysis is carried out every year within Systembolaget. Risk is defined as "an event or activity that prevents Systembolaget from achieving its goals". The risk analysis identifies risks in relation to Systembolaget's goals, the most important of which relates to our social responsibility. Systembolaget accepts a social, environmental and ethical responsibility in the course of its operations, and sustainability-related risks are, therefore, also included in the general operating risks analysis.

The 2011 risk analysis identified thirty or so significant risks that have been prioritised with regard to significance and probability. The term, significance, refers to the impact on the ability to achieve existing goals. Ten of the risks identified have been classified as key risks, which means that they have a relatively high significance level and are adjudged to be critical.

The ten key risks fall within four overall risk categories – external risks, operating risks, IT risks and reporting risks.

- External risks – risks that arise through changes in the world outside Systembolaget and over which Systembolaget has no control but to which it must adapt its behaviour and which it must manage.

Three of the key risks identified are external risks: a lack of clarity in supervisory bodies' bases for assessment, legislative and regulatory changes, and negative public opinion.

- Operating risks – risks in relation to Systembolaget's alcohol policy mandate, social, environmental and ethical responsibility, personnel, communication, purchasing and relationships with suppliers, and sales. Five of the key risks are operating risks: deficient monitoring of the outside world, i.e. the risk of Systembolaget failing to handle changes in market conditions, deficient CSR compliance on the part of the suppliers, deficient strategic planning and development, deficient compliance with selling rules, and the risk of suppliers' behaviour contravening existing agreements and regulations.
- IT-risks – risks that relate to permissions, security, system support and information availability. Two of the key risks are IT risks: deficient IT availability and deficient IT systems support.
- Reporting risks – risk that relate to errors and deficiencies in both internal and external financial reporting.

Risk management work

The control structure of the risk management work is based on the risk analysis. Overall responsibility for risk management has lain with the Controller unit since 2010. The risk management line has a clear responsibility for the ongoing control work. Risks are managed by employees in the course of their day-to-day work in the form, for example, of in-house control programmes for stores, returns depots, training centres, etc. The need for the programmes is evaluated on an ongoing basis. The Controller unit conducts a systematic and analytical review of the stores' risks every year. This review forms the basis for targeted reviews of stores and units and, where relevant, for other types of control, such as control inventories. Internal audits are carried out in order to review and evaluate Systembolaget's operations, including the way in which identified risks are managed.

CORPORATE GOVERNANCE REPORT

Systembolaget Aktiebolag is a company wholly-owned by the Swedish State. The ownership is administered by the Government through the Ministry of Health and Social Affairs and the responsibility for Systembolaget's management and control is shared between the owner, the Board of Directors and the President.

Corporate governance principles

Systembolaget's corporate governance is conducted principally on the basis of the Swedish Companies Act, other applicable Swedish legislation, the Swedish Corporate Governance Code (the Code), the State's ownership policy, the agreement between Systembolaget and the State, the State's ownership directive for Systembolaget (the Owner's Directive), the Articles of Association, the formal work plan for the Board of Directors, the instructions for the President, and internal steering documents. The Code can be viewed in Swedish on www.bolagsstyrning.se and in English on www.corporategovernanceboard.se. Details of the ownership policy can be found on the Government's website at regeringen.se. The agreement between Systembolaget and the State, the Owner's Directive and the Articles of Association can be found on Systembolaget's website, systembolaget.se.

Implementation of the Code

Systembolaget applies those sections of the Code that are relevant to the company in its capacity as a wholly State-owned company. Systembolaget has deviated from the following Code Regulations:

- Code Regulation 1.1 – publication of information on the shareholder's right of initiation. The aim of this regulation is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason to observe this regulation, in a wholly State-owned company.
- Code Regulation 2 – the establishment of a Nomination Committee to represent the company's shareholders in conjunction with the election of and determination of remuneration of the Board of Directors and Auditors of the company. The deviation occurred because the preparation of nomination issues in State-owned companies is carried out by the Government in the manner detailed in the State's ownership policy.
- Code Regulation 10.2 – requiring the reporting of the independence of Members of the Board in relation to major shareholders. Such reporting is not performed since the Code Regulation in question is primarily intended to protect minority shareholders in companies with diverse ownership, and hence is not relevant for a wholly State-owned company.

The owner

Systembolaget's agreement with the State and the Owner's Directive, in which the owner's requirements of the company are specified, constitute the starting point for the work and responsibilities of the Board of Directors. These two documents set out the company's social mandate, the requirement for financial efficiency and any other requirements with regard to the company's activities. The owner determines the objective of the company's operations through the Articles of Association. Systembolaget's mandate is to contribute to the reduction of the harmful effects of alcohol. Systembolaget holds a sole right on retail sales of spirits, wine, strong beer and other fermented alcoholic beverages in Sweden. Find out more about Systembolaget's mandate and the owner's objectives on pages 1–3, 10–11, 42–43 and 46–47.

Three meetings have been held this year between the owner, Systembolaget's Chairperson and the President. The Chairperson also holds, in addition to these meetings, ongoing dialogue meetings with the owner on the work of the Board of Directors. Areas addressed during this year's meetings include monitoring the work of the Board, monitoring strategic key performance indicators, the Annual General Meeting, the Responsibility Report, the CSR work, the operations of IQ-initiativet AB, the question of farm-shop sales, and the development of digital channels.

The owner also exercises its rights as a shareholder at the Annual General Meeting.

The Annual General Meeting

The Annual General Meeting shall, under the terms of the State's ownership policy, be held no later than 30th April every year. Members of Parliament are entitled, upon application, to attend the Annual General Meeting and the general public shall also be afforded the opportunity to attend. The Board of Directors is responsible for issuing a notice convening the Annual General Meeting to the shareholder no later than four weeks and no earlier than six weeks before the Meeting.

The 2011 Annual General Meeting

The 2011 Annual General Meeting was held on 24th March in Stockholm and was open to the public. The Annual General Meeting was broadcast live on Systembolaget’s website. The owner was represented by Assistant Undersecretary, Gunilla Malmberg, from the Ministry of Health and Social Affairs.

- Amendments to the Articles of Association
- Adoption of the Income Statement and the Balance Sheet
- Allocation of the company’s profits
- Granting of discharge of liability for the Board of Directors and the President.

The Minutes of the Annual General Meeting are available on Systembolaget’s website.

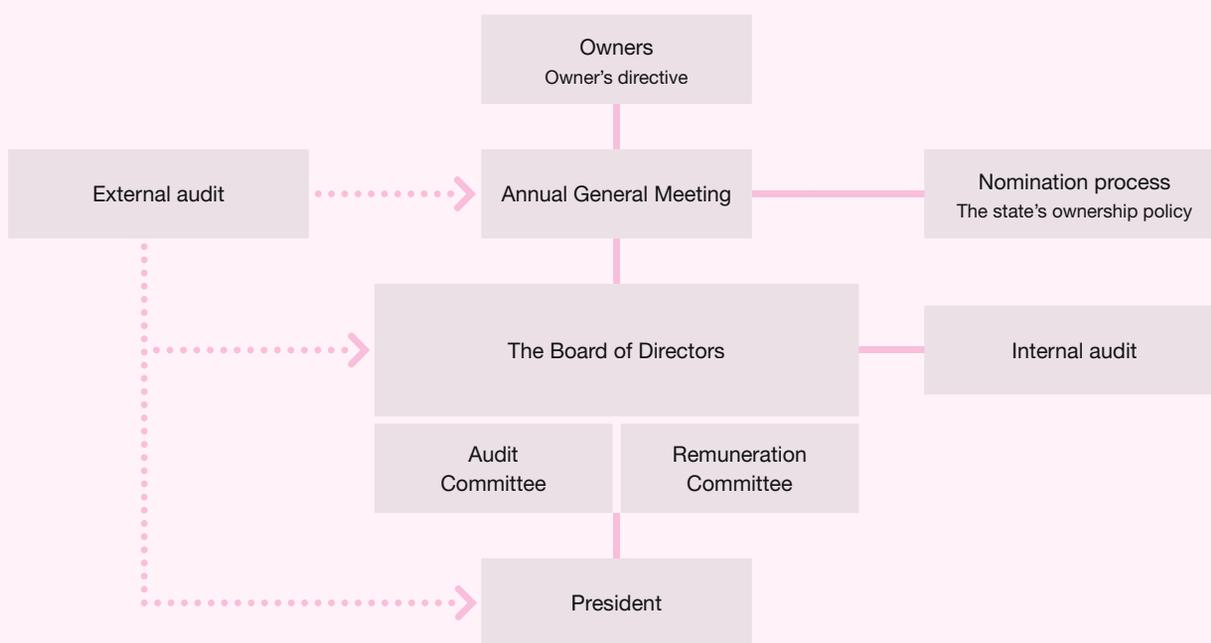
The resolutions taken by the shareholder at the Annual General Meeting included the following:

- Re-election of Cecilia Schelin Seidegård as Chairperson of the Board
- Re-election of the following Members of the Board: Gert Karnberger (Deputy Chairperson), Sven Andréasson, Johan Gernandt, Carl B Hamilton, Annika Nilsson and Kerstin Wigzell
- Election of Thord Andersson as a Member of the Board
- Directors’ fees payable and fees payable to members of the company’s Board-appointed committees
- Approval of the “Guidelines for terms of employment for senior executives of Systembolaget AB” proposed by the Board of Directors

The 2012 Annual General Meeting

The 2012 Annual General Meeting will be held on 19th April in Stockholm. Notices convening the Annual General Meeting will be issued in March of that year.

Responsibility for corporate governance within Systembolaget



The nomination process for the Board of Directors

The appointment of the Board complies with the nomination process described in the State's ownership policy. The nomination process is coordinated by the State Ownership unit of the Ministry of Finance. A working group analyses the skills requirement on the basis of the company's operations, situation and future challenges, and the existing composition of the Board. The selection is made from a broad recruitment base. To be considered for a seat on the Board, individuals must not only possess high-level competence in the relevant commercial sphere, expertise in commercial development, industry know-how, and extensive familiarity with financial issues or other relevant areas, they must also display a strong sense of integrity and the ability to work in the best interests of the company.

The Board of Directors

Systembolaget's Board of Directors is responsible, under the provisions of the Swedish Companies Act, for the organisation of the company and the administration of the company's affairs. According to the State's ownership policy, the Board of Directors in companies where the State has an ownership interest shall ensure that the companies are operated in a model way within the scope of the legislation, the company's Articles of Association, the owner's instructions and the ownership policy. The Board of Directors of State-owned companies shall also work to ensure that the company sets a good example on issues relating to sustainable development and social responsibility, such as the environment, ethics, working conditions, human rights, anti-corruption, and equal opportunities and diversity.

Composition of the Board

The Articles of Association prescribe that the Board of Directors shall comprise a minimum of six and a maximum of eight Members appointed by the General Meeting. The employee organisations are also entitled to appoint Members of the Board. The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses the industry know-how and expertise that is directly relevant to the company, including the know-how and expertise required when the company develops or the outside world changes. The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states

that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors has comprised eight Members elected by the General Meeting since the Annual General Meeting held in March 2011. Previously, i.e. up until the Meeting held in March 2011, the Board comprised seven Members elected by the General Meeting. The employee organisations have appointed two employee representatives and deputies to the Board. None of the Members of the Board are part of the company's management.

The President, Vice Presidents and CFO attend Board Meetings. The remaining members of the company's management also attend certain meetings as required. Systembolaget's Senior Legal Counsel, who is a member of the management, is the Secretary to the Board.

Systembolaget's Board of Directors has a broad composition with regard to industry know-how and insight into the external issues that influence the company's development. The gender breakdown of the Board until the Annual General Meeting in March was 43 per cent female and 57 per cent male. After the Annual General Meeting in March, the percentages were 38 per cent female and 62 per cent male.

The Chairperson of the Board

The Chairperson shall, pursuant to the provisions of the Swedish Companies Act, lead the work of the Board and ensure that the Board carries out its duties. The Code states that the Chairperson of the Board shall also be responsible for ensuring that the work of the Board is well organised and efficient, for contacts on ownership-related issues, for ensuring that the Board receives sufficient information and source data on which to base its decision-making work, for working with the President to set the agenda for the Board Meetings, for checking that the Board's decisions are implemented, and for ensuring that the work of the Board is evaluated annually.

The Chairperson consults with the President on strategic issues as they arise, and represents the company on issues relating to corporate governance. The Chairperson also has certain additional obligations which are specified in the rules of procedure for the Board of Directors.

The work of the Board

The Board has adopted a formal work plan which specifies how the work is to be divided between the Board, the owner, the committees and the President. The work plan is

reviewed annually and was adjusted and adopted in 2011 at the Meeting held by the newly formed Board in March. The work plan states that the Board, as a rule, shall hold at least five meetings per financial year in addition to the Board Meeting that is held following elections.

The Board should, in accordance with the work plan, coordinate its position with representatives of the owner with regard both to major strategic operational changes, major acquisitions, mergers or disposals, and to decisions that entail a significant change to the Balance Sheet or risk scenario for Systembolaget. There is no division of the Board's work between the Members of the Board, other than that of the committees listed in this Corporate Governance Report.

The Board is ultimately responsible for the administration of the company and draws up the strategic plan, the business plan, the budget, etc. The Board also adopts a number of company-wide policy documents based on, amongst other things, legislative and regulatory requirements and the Owner's Directive.

A collection of documents (Laws, steering documents etc., for Systembolaget AB) has been prepared to support the Board in its work, which includes certain legislative texts pertaining to the operations, documents issued by the EU, company-related documentation, owner-related documentation and agreements, investment regulations, the strategic plan, Systembolaget's ethical programme, other policies, and information on Systembolaget's subsidiaries.

All Members of Systembolaget's Board of Directors work actively with the issues that it is incumbent upon the Board to address and otherwise with the issues referred to it for consideration. The Board meets annually with the company's auditors. For further information on the contacts of the Board of Directors and the Chairperson of the Board with the company's auditors, see "The Board's description of internal control of financial reporting," pages 60-61. The structure of the Board's work is laid down in the Board's work plan, which is adopted annually. The work plan forms the basis for the Board's work and stipulates the point during the financial year when special areas of responsibility shall be addressed by the Board.

The Board establishes the long-term orientation of Systembolaget in a strategic plan. The strategic plan extends four years forward in time and is revised every third year. Wide-ranging work on a new strategic plan for Systembolaget began in the autumn of 2008 and continued into the spring of 2009. The plan, which is based on an analysis of

the outside world, was finally adopted at the Board Meeting in September 2009 and applies to the period from 2010 to 2013. Systembolaget's mandate, vision and business concept were also slightly reformulated in conjunction with this work.

The strategic plan also contains long-term goals which are based on the perspectives contained in Systembolaget's balanced scorecard, which forms an important basis for the management of Systembolaget. The scorecard's five perspectives are Society, Customers, Personnel, Suppliers and Owners (financial). A number of key performance indicators within each perspective constitute quantitative goals for the coming four year period and are also broken down by year in the business plan. The Board of Directors receives regular feedback on the strategic key performance indicators. The annual business plans are designed to provide a clear link to the strategic plan and to facilitate the management of various projects and activities on the basis of the strategic goals.

The work of the Board in 2011

The Board held a total of eleven Board Meetings in 2011, one of which was an Extraordinary Board Meeting. The usual follow-up work, both on the company's economic performance and on the social and environmental aspects that arose during the course of the operations has been carried out on an ongoing basis by the Board. This follow-up work has taken the form of, amongst other things, the reporting of a number of strategic key performance indicators, such as the Opinion Index (OPI), Age Verification Checks, the Customer Satisfaction Index (CSI), the Employee Satisfaction Index (ESI), and the gross margin, as well as Board memoranda on topical issues. In February, the Board met with the company's auditors, without the presence of the management, as prescribed by the Code. Collectively, this information has afforded the Board the opportunity to monitor the operations' results on an ongoing basis, as well as its results in the field of sustainable development.

Aside from the ongoing monitoring of strategic key performance indicators, the work of the Board primarily focussed on risk reporting and internal audits, as well as future investments. Other issues addressed by the Board included: the operations of IQ-initiativet AB, expansion issues, reports circulated for comment with regard to farm-shop sales, analyses of the outside world, matters relating to the development of digital channels, ongoing litigation, the non-alcoholic range, and CSR.

Present at Board Meetings in 2011

Name	Board function	Board meetings ¹	Audit Committee ²	Remuneration Committee ²
Cecilia Schelin Seidegård ³	Chairperson	11/11		4/4
Gert Karnberger ⁴	Deputy Chairperson	11/11	4/4	
Thord Andersson ⁵	Member	9/11		
Sven Andréasson	Member	11/11		
Johan Gernandt	Member	8/11		
Carl B Hamilton	Member	9/11		
Annika Nilsson ⁶	Member	8/11	4/4	
Kerstin Wigzell ⁷	Member	10/11	3/4	4/4
Erik Bergström ⁸	Employee representative	0/11		
Maj-Britt Eriksson ⁹	Employee representative	9/11		
Anna Holgersson	Employee representative	5/11		
Berit Morén ¹⁰	Employee representative	6/11		
Maria Åström	Employee representative	10/11		

¹ Ten ordinary and one extraordinary Board Meetings were held in 2011.

² Four meetings of the Audit committee and four meetings of the Remuneration Committee were held in 2011.

³ Chairperson of the Remuneration Committee.

⁴ Chairperson of the Audit Committee.

⁵ Became a Member in March 2011.

⁶ Member of the Audit Committee.

⁷ Member of the Audit Committee and the Remuneration Committee.

⁸ Became a Member in May 2011.

⁹ Became a Member in May 2011. Previously (i.e. up until May 2011), a Deputy Member.

¹⁰ Became a Deputy Member in May 2011.

Directors' fees and fees for work on the Board-appointed committees

Directors' fees and special fees for work in specially established committees are approved by the Annual General Meeting. The fees shall, under the terms of the State's ownership policy, be competitive but not market-leading.

Evaluation of the work of the Board

The Code and the formal work plan for the Board of Directors, the Board shall, by means of a systematic and structured process, carry out an annual evaluation of the work of the Board. It shall be incumbent upon the Chairperson of the Board to ensure that such evaluation work is carried out on an annual basis. The evaluation addresses both the processes employed in the Board's work and the performance of the Board itself with regard to a variety of issues, including the way in which the Board handles relevant themes and issues, such as financial, environmental and social issues. This year's evaluation took the form of questionnaires completed by the Board. The evaluation shows that the Board works very expediently, and that it possesses the expertise required to handle the issues that arise during the course of the operations, but also that there are a small number of developmental areas where work is required. In January 2012, the Chairperson of the Board

notified the Government Offices of Sweden of the results of the evaluation, in accordance with the State's ownership policy. In addition to the Board's own evaluation, evaluations of the Boards in State-owned companies are conducted on an ongoing basis as part of the Government Offices of Sweden's internal work on the nomination process.

Audit Committee

Composition

The Audit Committee comprises the Deputy Chairperson of the Board, Gert Karnberger, and Board Members, Kerstin Wigzell and Annika Nilsson. None of the members of the Audit Committee are part of the company's management. Systembolaget's President and CFO, however, participate in the Audit Committee's meetings and Systembolaget's Senior Legal Counsel, who is a member of the company management, is the Secretary to the Committee.

Responsibilities

The Audit Committee is a planning body for the Board and does not otherwise assume or influence the responsibilities and duties of the Board, nor does the work of the Committee reduce the requirement for communication by the Auditors to the Board as a whole.

The Audit Committee is responsible for preparing the work of the Board with regard to the quality control of Systembolaget's financial and operational reporting. The Audit Committee is, furthermore, tasked with monitoring the financial reporting and the effectiveness of Systembolaget's internal controls, internal auditing and risk management. The Audit Committee is also tasked with, amongst other things, familiarising itself with the auditing of the annual accounts and the consolidated accounts, and with reviewing and monitoring the impartiality and independence of the Auditors and with paying particular attention, in this context, to whether the Auditors perform any other services for the company, over and above auditing engagements.

The work of the Committee in 2011

The Audit Committee has held four meetings during the year. The Committee carried out ongoing follow-up work on the company's financial performance and a number of strategic key performance indicators of its operations. Systembolaget's auditors have also presented significant accounting and audit issues, as well as internal control and process issues. Issues in connection with such subjects as internal audits, risk analysis and the responsibility report have also been addressed by the Committee. The Committee's Chairperson provided the Board of Directors with regular information on the Committee's work.

Remuneration Committee

Composition

The Remuneration Committee consists of the Chairperson of the Board, Cecilia Schelin Seidegård, and Member of the Board, Kerstin Wigzell. None of the members of the Remuneration Committee are part of the company's management.

Responsibilities

The Remuneration Committee is tasked with preparing issues relating to remuneration and other terms of employment for senior executives. Decisions on remuneration and other terms of employment for the President and the two Vice Presidents are the preserve of the Board after preparation by the Remuneration Committee. Decisions on remuneration and other terms of employment for other senior executives are taken by the President after consultation with the Remuneration Committee.

The work of the Committee in 2011

The Remuneration Committee held four meetings during the year. The Committee has conducted an evaluation of current guidelines with regard to terms of employment for senior executives within Systembolaget and has confirmed in conjunction therewith that the guidelines are being followed. The Committee has also drawn up proposed Guidelines with regard to terms of employment for senior executives of Systembolaget AB and has, amongst other things, also addressed issues relating to salary review and terms of employment for new directors.

The President and senior executives

The President is responsible for the ongoing administration of the company's operations pursuant to the provisions of the Swedish Companies Act, other legislation and regulations, Government guidelines and the Owner's Directive, the Code, the Articles of Association and within the framework laid down by the Board of Directors, in particular in the instructions for the President. The President, in consultation with the Chairperson, prepares information and documentation to support the work by the Board and to enable the Board to take well-founded decisions. The President also reports to the Board on the company's performance.

President: Magdalena Gerger

Born: 1964

Magdalena Gerger took over as President of Systembolaget in May 2009. Her previous positions include those of Marketing Director at Arla Foods, Divisional Manager within Nestlé Ltd., and Marketing Director of ICI Paints Ltd.

Other directorships: Member of the Boards of Ingka Holding BV (IKEA), Husqvarna AB and Kungsträdgården Park & Evenemang AB.

Principal education: Graduate in Business Administration, MBA, Stockholm School of Economics, and leadership and management training.

Independence: Neither the President nor any persons closely associated with her has any significant shareholding in or ownership of companies with which Systembolaget has significant commercial links.

Systembolaget's management and steering structure

Systembolaget's management comprises, in addition to the President, nine persons appointed by the President in consultation with the Board of Directors. The membership of

the company management has, however, varied during the year between eight and nine persons due, inter alia, to ongoing recruitment processes. Three new Directors have been recruited during the year: an IT Director, a CFO and an HR Director. The company management has comprised nine persons since November 2011 as the Procurement Director also holds the position of Acting Communications Director. See the organisational chart on page 107. The company management meets regularly (approximately twice a month) and the work is headed up by the President who, in consultation with the management, takes decisions in relation to the operating activities.

The decisions by the President and the management are based on the guidelines and instructions adopted by the Board of Directors and it is on this basis that the President and management compile source data for the various managers within Systembolaget. These source data delimit the scope of the operating activities in the form of internal steering documents, such as guidelines, internal regulations, and process and information models, etc.

Systembolaget's strategic and operational management is based on the so-called balanced scorecard model described above. It is of the utmost importance within Systembolaget that the management is balanced between the balanced scorecard's perspective – Society, Customers, Personnel, Suppliers and Owners (financial).

The aim is to ensure that the number of key performance indicators and the frequency with which they are measured are relatively homogeneous between the various perspectives. Under the social perspective, for example, age verification checks are updated daily in all stores, while the Opinion Index is measured monthly. Both of these key performance indicators are critical in terms of Systembolaget's fulfilment of its mandate.

Guidelines for senior executives' terms of employment

Systembolaget follows the Government's guidelines on terms of employment for senior executives in State-owned companies. Systembolaget also complies with the normative provisions in the Code on remuneration for senior executives, which stipulate that the company shall have formalised and published processes for deciding on the remuneration payable to senior executives.

Assessment of the President

The Board shall, under the provisions of the Code, carry out a continual assessment of the President's performance. The

assessment of the President's performance took place in the autumn of 2011 under the leadership of the Chairperson of the Board and with the assistance of the consultancy firm, Novare. The assessment examined the following components of the President's performance - achievement of targets, media analysis, internal and external relationships with the President, as well as methodology and personal characteristics. The assessment revealed that the President works expediently and has also continued to grow into her role. It is also apparent that the Board of Directors has considerable confidence in the President and that the relationship between the President and the Chairperson works well. The results of the assessment were also good in terms of the achievement of targets and media analysis.

External audit

The auditor shall, under the provisions of the Swedish Companies Act, audit Systembolaget's annual accounts and bookkeeping, and the administration by the Board of Directors and the President. The auditor is engaged by and reports to the General Meeting and may not allow him- or herself to be guided by the management or the Board.

At the 2008 Annual General Meeting, the current firm of auditors – Ernst & Young – was appointed as the auditors of Systembolaget, with Public Authorised Accountant, Torsten Lyth, as the auditor in charge for the period up to and including the 2012 Annual General Meeting. No audit company election was, therefore, carried out at this year's Annual General Meeting.

It was, however, announced at the 2010 Annual General Meeting that the Swedish National Audit Office, in accordance with a resolution dated 19th March 2010, had appointed Authorised Public Accountants, Carin Rytöft Drangel and Agneta Bergman, to act as auditor and deputy auditor respectively for Systembolaget for the period up to and including the 2014 Annual General Meeting.

It was further announced at the Annual General Meeting that the Riksdag Board had, in accordance with a resolution dated 16th March 2011, appointed three Lay Auditors, namely Christina Oskarsson, Hans Backman and Maria Plass, and three Deputy Lay Auditors for Systembolaget for the period up to and including the next Annual General Meeting (all new elections).

A separate agreement at the 2011 Annual General Meeting approved the payment of auditors' fees to the current firm of auditors, Ernst & Young.

Internal control

The annual risk analysis forms the basis for the internal control. See page 52 for a complete description of the risk analysis. The risk analysis is the foundation on which both the proactive risk management work and the verification work rest.

Systembolaget has established formalised processes for internal and external reporting in order to achieve and maintain a high standard of internal control, with the aim, thereby, of enabling optimum monitoring of the operations. Systembolaget has produced manuals and descriptions of all important procedures to ensure that the administration is carried out to a high standard.

The Board and management monitor compliance with steering documents, process descriptions and guidelines, and the efficiency of the procedures for control. The internal risk management activities are followed up by means of an internal audit, which has been procured from outside the company. The internal audit reports directly to the Board.

A review programme, based on the risk analysis, is set up every year by the Board of Directors. The areas reviewed in 2011 were the purchasing process for alcoholic drinks, the store establishment, and the selling operations of agents. No serious deficiencies were identified. The results of the review are reported continuously to the company management and the Board of Directors and the observations are evaluated. Measures have been implemented or planned where necessary.

Description of the internal control of financial reporting

Systembolaget uses formalised processes for financial reporting and follow-up work. These processes are important in ensuring that the company develops in the right direction in relation to the goals and guidelines adopted by the Board of Directors and management.

The objective of the internal reporting is to ensure the existence of an appropriate, quick and correct system for follow-up and reporting of the way in which the operations have developed in relation to the agreed business plan and budget. Reports on the company's development are submitted regularly to a number of internal stakeholder groups.

Systembolaget's external reporting is designed to provide regular reports on the company's development for a number of external stakeholder groups. Systembolaget's

external reporting complies with applicable legislative requirements and the requirements imposed by the owner. Systembolaget applies the so-called COSO model to its internal control process.

The basis for internal control is the so-called control environment, which comprises the corporate culture communicated by the Board of Directors and the management and on which they base their activities. A good control environment generates the structure for the other components of the process, such as risk assessment, control activities, information and communication and monitoring.

Risk assessment

The assessment of the risk of errors in the financial reporting is carried out by the Board of Directors and the management, and as a part of day-to-day operations. The assessment of risk in connection with financial reporting is also influenced by the general control environment within Systembolaget, which is based on a healthy corporate culture with shared values.

A risk analysis with regard to the quality of the financial reporting was carried out at the end of 2009, in which the risk of errors in the Income Statement and Balance Sheet were analysed with regard to significance and probability. The risk analysis entailed the assessment of every single item in the Income Statement and Balance Sheet with regard to specific criteria: volatility, subjectivity, complexity, potential for fraud, history of fraud, significant process changes, lack of GAAP know-how, critical accounting principles and previous significant errors.

Four significant risk areas with regard to financial reporting

- Price adjustment and stocktaking – risks have been identified in relation both to stocktaking and the adjustment of prices for the item “Finished goods and goods for resale”.
- Personnel-related items – Balance Sheet and Income Statement items in connection with staff overheads and pensions entail a risk as the items are associated with both complex and subjective assessments.
- Changes in the value of financial assets – Balance Sheet and Income Statement items associated with financial assets entail risks related to the incorrect calculation and classification of changes in value. The Board of Directors has established a set of Investment Regulations in which permitted investments, risk management organisation, measurement of investment risks, approved counterpar-

ties, and procedures for monitoring risks are clearly specified. The regulations are reviewed annually.

- General risks – the reporting of supplementary information and cash flow analyses is subject to complex regulations that demand extensive expertise and experience in order to ensure correct reporting.

Control activities

The risks are managed via the company's control structures, which have been documented in process and internal control descriptions. One example of an important control structure is the strict application of the duality principle, whereby no one person alone shall administer the entire processing chain and two mutually independent institutions shall be used in conjunction with the valuation of financial assets.

Information and communication

Considerable emphasis has been placed on implementation and quality control of the internal communication process, with the aim of ensuring that information is disseminated in a structured way throughout the organisation. Information and communication channels have been established with the objective, amongst other things, of promoting completeness and accuracy in the financial reporting. Steering documents in the form of internal policies, guidelines, manuals and codes for financial reporting are known to the relevant personnel and are available on Systembolaget's intranet.

Monitoring

The Board receives ongoing reports on the way in which the operations have developed in relation to the business plan, budget and established targets. The Board regularly monitors the results of the established internal control programmes.

The accounts department continuously monitors the administrative processes within the organisation, including processes relating to VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations. Financial reporting is also monitored continuously.

The Chairperson of the Board meets with the auditors in conjunction with the closing audit and when otherwise necessary. The entire Board meets with the auditors at the Board Meeting that addresses the annual accounts and in conjunction with the Annual General Meeting.

Consolidated ten-year overview

	2011	2010	2009	2008	2007	2006	2005	2004*	2003**	2002**
Profit/loss (SEK m)										
Income	24,416	24,111	23,360	21,296	20,211	19,039	18,083	17,708	18,985	19,132
Gross profit/loss	3,115	3,051	2,961	2,699	2,567	2,525	2,461	2,371	2,499	2,562
Operating profit/loss	168	331	394	135	310	559	477	197	172	165
Net financial items	54	65	73	698	56	43	36	43	29	37
Profit before tax	222	396	467	833	366	602	513	240	202	202
Net profit/loss for the year	159	302	345	774	295	419	330	178	138	142
Financial position (SEK m)										
Fixed assets	2,406	2,623	3,063	2,998	2,720	2,605	1,943	2,101	1,502	1,345
Current assets	3,330	3,252	2,831	2,439	2,830	2,627	3,235	2,246	2,615	3,359
Shareholders' equity	2,027	2,170	2,213	2,069	2,163	2,071	1,989	1,749	1,348	1,409
Liabilities	3,709	3,705	3,681	3,368	3,387	3,161	3,196	2,598	2,768	3,295
Balance Sheet total	5,736	5,875	5,894	5,437	5,550	5,232	5,185	4,347	4,116	4,704
Cash Flow Statement (SEK m)										
Cash flow from operating activities	408	506	778	576	706	363	1,039	198	170	1,508
Cash flow from investment activities	43	-173	18	54	-426	-637	-318	-190	-342	-174
Cash flow from financial activities	-302	-345	-201	-868	-210	-330	-90	-80	-302	-216
Cash flow for the year	149	-12	595	-238	70	-604	631	-72	-474	1,119
Key performance indicators										
Trading margin, incl. alcohol tax, %	12.8	12.7	12.7	12.7	12.7	13.3	13.7	13.4	13.2	13.2
Trading margin, excl. alcohol tax, %	21.7	21.8	22.2	22.6	23.1	24.3	25.5	25.2	25.1	25.5
Operating margin, %	0.7	1.4	1.7	0.6	1.5	2.9	2.6	1.1	0.9	0.9
Return on shareholders' equity, %	7.6	13.8	16.1	36.6	13.9	20.6	17.7	11.5	10.0	10.3
Return on capital employed, %	13.7	21.6	24.2	42.2	19.7	31.9	29.7	15.6	15.3	15.1
Equity/assets ratio, %	35.3	36.9	37.5	38.1	39.0	39.6	38.4	40.2	32.7	30.0
Earnings per share before and after dilution, SEK	442	839	958	2,151	821	1,164	917	494	384	393
Equity per share, SEK	5,631	6,028	6,147	5,747	6,008	5,753	5,525	4,858	3,744	3,915
Cash flow per share, SEK	1,133	1,406	2,161	1,600	1,961	1,008	2,886	550	472	4,189
Dividend per share, SEK ***	442	839	958	2,151	821	583	917	250	556	222
Work productivity	836	833	838	798	775	766	743	708	701	662
Rate of stock turnover, multiple	24.5	25.7	25.4	23.2	22.3	21.3	20.5	19.9	21.9	24.7
Product wastage, SEK m	26.3	22.1	24.8	22.8	19.2	16.0	18.4	18.2	22.0	21.3
Wastage, ‰	1.36	1.22	1.33	1.28	1.25	1.13	1.40	1.05	1.15	1.16
Opinion Index, %	68	66	66	64	61	57	55	53	55	50
Age verification checks, %	94	94	93	90	85	88	89	84	83	79
Average no. employees	3,196	3,255	3,219	3,232	3,049	3,026	2,960	3,127	3,334	3,350

* According to IFRS, but not adjusted for IAS 39 Financial instruments.

** Not according to IFRS.

*** 2011 dividend per share, as proposed by the Board of Directors.

Consolidated Comprehensive Income Statement

SEK m	2011	2010
Income	24,416	24,111
Cost of goods sold	-21,301	-21,060
Gross profit/loss	3,115	3,051
Other income	23	303
Selling expenses	-2,545	-2,368
Administrative expenses	-386	-392
Other expenses	-39	-263
Operating profit/loss	168	331
Financial income	119	143
Financial expenses	-65	-78
Profit/loss before tax	222	396
Tax	-63	-94
Net profit/loss for the year	159	302
Other comprehensive income	-	-
Comprehensive profit/loss for the year	159	302
There are no minority interests, and hence 100% of the net profit/loss accrues to the Parent Company's shareholders.		
Earnings per share before and after dilution, SEK*	442	839
No. shares at the period end	360,000	360,000
Average no. shares during the period	360,000	360,000
Total proposed dividend, SEK m	159	302
Proposed dividend per share, SEK	442	839
Dividend approved and disbursed during the year, SEK m	302	345

* Systembolaget has no convertible instruments, options or warrants, and hence no dilution effect occurs.

Income Statement

Income increased by SEK 305 million to SEK 24,416 million in 2011. The increase in net sales is due to an increase in sales volumes of 0.9 per cent, with the volume increases occurring in the wine, strong beer and non-alcoholic drinks product groups.

The gross margin, including alcohol tax, totalled 12.8 per cent.

The operating profit fell during the year by SEK 163 million to SEK 168 million. Selling expenses increased by SEK 177 million, primarily due to the outcome of the arbitration ruling between

Systembolaget and V&S Vin & Sprit, increased staff overheads resulting from Systembolaget's investment in a more personal customer interaction, to increased energy cost, to write-downs of intangible assets and to depreciation resulting from store refitting work. Other income and other expenses have fallen by SEK 280 million and SEK 224 million, respectively. The decrease is due to the sale of the Lagena Distribution AB subsidiary company in 2010.

Consolidated Financial Position Report

SEK m	31-12-11	31-12-10
ASSETS		
Fixed assets		
Buildings and land	172	180
Equipment, fixtures and fittings	875	840
Construction work in progress	63	115
Intangible assets	73	131
Pension assets	678	693
Deferred tax receivables	8	8
Other long-term securities holdings	534	651
Other long-term receivables	3	5
Total fixed assets	2,406	2,623
Current assets		
Stock-in-trade	942	964
Accounts receivable and accrued income	6	8
Prepaid costs	105	91
Tax receivables	67	9
Other receivables	4	4
Short-term investments	307	426
Liquid assets	1,899	1,750
Total current assets	3,330	3,252
TOTAL ASSETS	5,736	5,875

Assets

Intangible assets have fallen by SEK 58 million during the year, SEK 35 million of which refers to write-downs. Liquid assets and financial investments have fallen by SEK 87 million.

SEK m	31-12-11	31-12-10
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Share capital	360	360
Profits brought forward	1,508	1,508
Net profit/loss for the year	159	302
Total shareholders' equity	2,027	2,170
Provisions		
Short-term provisions	179	185
Total provisions	179	185
Current liabilities		
Accounts payable and accrued costs	3,314	3,379
Prepaid income	0	1
Other liabilities	216	140
Total current liabilities	3,530	3,520
Total liabilities	3,709	3,705
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	5,736	5,875
Pledged assets and contingent liabilities		
Pledged assets	–	–
Contingent liabilities	0	2

Shareholders' equity

The Group's shareholders' equity decreased by SEK 143 million and the change comprises the net of the dividend of SEK 302 million paid to the owners and the net profit for the year of SEK 159 million. The equity/assets ratio was 35,3 per cent (36.9%), which exceeds the requirement stipulated in the owner's directive of 35.0 per cent. The return on shareholders' equity totalled 7.6 per cent (13.8%), which exceeds the requirement stipulated in the owner's directive of 6.6 per cent.

Liabilities

Accounts payable and accrued costs decreased by SEK 65 million and correspond to 89.4 per cent of the Group's total liabilities.

Change in shareholders equity, the Group

SEK m	Share- capital	Accumulated profit or loss	Own capital employed
Opening balance, 1st January 2009	360	1,853	2,213
Dividend		-345	-345
Comprehensive income for the year		302	302
Closing balance, 31st December 2009	360	1,810	2,170
Changes in shareholders' equity, 2010			
Dividend		-302	-302
Comprehensive income for the year		159	159
Closing balance, 31st December 2010	360	1,667	2,027

Consolidated Cash Flow Statement

SEK m	2011	2010
Operating activities		
Profit/loss before tax	222	396
Adjustments for items not included in the cash flow		
Depreciation and write-downs	309	267
Capital gain/loss on sales of fixed assets	2	1
Capital gain/loss on the sale of subsidiaries	–	53
Other	3	29
Cash flow from changes in operating capital		
Change in stock-in-trade	21	–85
Change in receivables	–12	–6
Change in liabilities	10	30
Cash flow from operating activities after changes in operating capital	555	685
Tax paid	–147	–179
Cash flow from operating activities	408	506
Investment activities		
Sale of subsidiary company	–	65
Acquisition of tangible fixed assets	–217	–237
Sale of tangible fixed assets	–	9
Acquisition of intangible assets	–11	–49
Acquisition/sale of financial assets	271	39
Cash flow from investment activities	43	–173
Financial activities		
Dividend	–302	–345
Cash flow from financial activities	–302	–345
Cash flow for the year	149	–12
Liquid assets at the beginning of the year	1,750	1,762
Liquid assets at the end of the year	1,899	1,750

Cash flow from operating activities

The cash flow from operating activities fell by SEK 98 million to SEK 408 million.

Cash flow from investment activities

The cash flow from investment activities totalled SEK 43 million, corresponding to an increase of SEK 216 million from 2010. SEK 271 million (SEK 39 m) of this sum refers to investments in financial assets, while the net investments in tangible and intangible fixed assets comprise SEK -228 million (SEK -277 m).

Cash flow from financial activities

The cash flow from financial activities refers, in its entirety, to the dividend.

Income Statement, the Parent Company

SEK m	2011	2010*
Net sales	24,416	24,111
Cost of goods sold	-21,301	-21,060
Gross profit/loss	3,115	3,051
Selling expenses	-2,526	-2,336
Administrative expenses	-436	-386
Other operating income	7	13
Other operating expenses	-1	-3
Operating profit/loss	159	339
Income from participations in Group companies	77	-15
Group contributions made	-	-30
Income from other securities and receivables that are fixed assets	39	38
Interest income	8	2
Interest income from Group companies	3	2
Interest expenses	-7	-21
Interest expenses to Group companies	-1	0
Profit/loss after financial items	278	315
Tax	-55	-92
Net profit/loss for the year	223	223

* The 2010 result has been recalculated due to changes in accounting principles.

Consolidated Income Statement, the parent Company

SEK m	2011	2010
Net profit/loss for the year	223	223
Other comprehensive income	-	-
Total comprehensive income for the year	223	223

Balance Sheet, the Parent Company

SEK m	11-12-31	10-12-31
ASSETS		
Fixed assets		
Intangible fixed assets		
Capitalised expenses	73	131
Total intangible fixed assets	73	131
Tangible fixed assets		
Buildings and land	40	41
Equipment, fixtures & fittings	874	840
Construction work in progress	63	115
Total tangible fixed assets	977	996
Financial fixed assets		
Participations in Group companies	15	15
Receivables from Group companies	64	88
Deferred tax receivables	24	23
Other long-term securities holdings	534	651
Other long-term receivables	10	12
Total financial fixed assets	647	789
Total fixed assets	1,697	1,916

SEK m	31-12-11	31-12-10
Current assets		
Stock-in-trade	942	964
Receivables		
Accounts receivable	6	8
Receivables from Group companies	71	9
Tax receivables	1	1
Other receivables	8	8
Prepaid costs and accrued income	105	91
Total receivables	191	117
Short-term investments	307	426
Cash and bank balances	1,899	1,750
Total current assets	3,339	3,257
TOTAL ASSETS	5,036	5,173

SEK m	11-12-31	10-12-31
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Restricted equity		
Share capital	360	360
Statutory reserve	72	72
Total restricted equity	432	432
Non-restricted equity		
Profit/loss carried forward	735	814
Net profit/loss for the year	223	223
Total non-restricted equity	958	1,037
Total shareholders' equity	1,390	1,469
Provisions		
Long-term provisions	81	70
Total provisions	81	70
Long-term liabilities		
Long-term liabilities to Group companies	19	78
Deferred tax liabilities	18	19
Total long-term liabilities	37	97
Current liabilities		
Accounts payable	3,149	3,202
Current liabilities to Group companies	0	31
Other liabilities	216	138
Accrued costs and prepaid income	163	166
Total current liabilities	3,528	3,537
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	5,036	5,173
MEMORANDUM ITEMS		
Pledged assets and contingent liabilities		
Pledged assets	7	7
Contingent liabilities	0	41

Change in Shareholders' equity, the Parent Company

SEK m	Share capital	Statutory reserve	Accumulated profit or loss	Profit/loss for the year	Total equity
Opening balance, 1st January 2010	360	72	753	406	1,591
Transfer to non-restricted reserves			406	-406	-
Net profit/loss for the year				245	245
Dividend			-345		-345
Group contribution			-30		-30
Fiscal effect of Group contribution			8		8
Closing balance, 31st December 2010	360	72	792	245	1,469
Adjusted equity due to change in accounting objectives					
Group contribution			22	-22	-
Closing balance, 31st December 2010 due to change in accounting objectives	360	72	814	223	1,469
Change in shareholders' equity, 2011					
Transfer to non-restricted reserves			223	-223	-
Net profit/loss for the year				223	223
Dividend			-302		-302
Closing balance on 31st December 2011	360	72	735	223	1,390

Cash Flow Statement, the Parent Company

SEK m	2011	2010
Operating activities		
Profit/loss after financial items	278	315
Adjustments for items not included in the cash flow		
Depreciation and write-downs	302	253
Capital gain/loss	2	-14
Other	-81	11
Cash flow from changes in operating capital		
Change in stock-in-trade	21	-83
Change in receivables	20	32
Change in liabilities	22	157
Change in receivables/liabilities from/to subsidiaries	-84	34
Cash flow from operating activities after changes in operating capital	480	705
Tax paid	-137	-168
Cash flow from operating activities	343	537
Investment activities		
Acquisition of tangible fixed assets	-215	-236
Sale of tangible fixed assets	-	0
Acquisition of intangible fixed assets	-11	-48
Acquisition/sale of financial assets	287	39
Dividend from Gamla Distribution i Jordbro AB	77	-
Dividend from AB K14 Näckströmsgatan	-	41
Cash flow from investment activities	138	-204
Financial activities		
Group contribution made	-30	-
Dividend	-302	-345
Cash flow from financial activities	-332	-345
Cash flow for the year	149	-12
Liquid assets at the beginning of the year	1,750	1,762
Liquid assets at the end of the year	1,899	1,750

Supplementary information

Note 1 Accounting principles

The following is a presentation of the significant accounting principles applied during the preparation of the consolidated and annual accounts. The accounting principles have been applied consistently for all years shown, unless otherwise stated.

General

The consolidated accounts comprise the Parent Company, Systembolaget AB, the wholly-owned subsidiaries, Gamla Distribution i Jordbro AB and IQ-Initiativet AB, and the subsidiary group, AB K14 Näckströmsgatan. The companies are referred to collectively as the Group or Systembolaget. The annual accounts comprise the Parent Company.

The Parent Company, Systembolaget AB, is a wholly-government owned company whose registered offices are in Stockholm and which is registered in Sweden. The address of the head office is Kungsträdgårdsgatan 14, SE-1103 84 Stockholm, Sweden.

The consolidated and annual accounts for the 2010 financial year were approved for publication by the Board of Directors and the President on 21st February 2011 and will be submitted to the Annual General Meeting on 24th March 2011.

Bases for preparation

Amounts

The functional currency, i.e. the currency of the primary economic environment in which the Parent Company conducts its operations, is the Swedish krona. The Swedish krona is the reporting currency for both the Parent Company and the Group. The amounts in the financial reports have been rounded off to the nearest million Swedish kronor (SEK m), unless otherwise stated, and the amounts in parentheses constitute values for the comparison year.

Date

Income Statement-related items refer to the period from 1st January to 31st December and Balance Sheet items refer to 31st December.

Consolidated accounts

The consolidated accounts have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted by the EU, including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and Standing Interpretations Committee (SIC). The Group also complies with recommendation RFR 1, Complementary Reporting Rules for Corporate Groups, issued by the Swedish Financial Reporting Board, which specifies the supplementary information required by the Swedish Annual Accounts Act, and applicable statements by the Swedish Financial Reporting Board (UFR).

The consolidated accounts are based on historic acquisition values, with the exception of certain financial assets that are valued at their fair value. Financial assets valued at their fair value comprise financial assets that can be sold and financial assets valued at their fair value via the Income Statement.

Annual Accounts

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2 issued by the Swedish Financial Reporting Board. RFR 2 entails the application

by Systembolaget AB of all standards and statements issued by IASB and IFRIC, as approved by the European Commission for application within the EU. This shall be done to the extent possible within the framework of the Swedish Annual Accounts Act and with reference to the link between accounting and taxation.

The following accounting principles are the same for the Group and the Parent company, unless otherwise stated.

Amended accounting principles

The Group applies the same accounting principles as those applied in the 2010 annual accounts with the following exceptions that are due to new or revised standards, interpretations and improvements adopted by the EU and which have been applied as of 1st January 2011.

IFRS 7 Financial Instruments: Disclosures

Makes clear that qualitative information shall support and reinforce quantitative information in order to evaluate risks. The amendment also grants certain easings of the disclosure requirements.

IAS 24 R Related Party Disclosures

The definition of related parties has changed and there has been a certain easing regarding information for state-owned companies. Amended in advance by Systembolaget in 2010.

The Parent Company

RFR 2 under IAS 18 and IAS 27

As of 2011, Group contributions received are reported as financial income, while Group contributions made are reported as financial expenses. The reported values for 2010 have been adjusted.

Future standards, amendments and interpretations, 2012 or thereafter

The amendment to IFRS 7 shall be applied in 2012, and the others in 2013.

IFRS 7 Financial Instruments: Disclosures

Additional quantitative and qualitative disclosures are provided in conjunction with the elimination of financial instruments from the Balance Sheet. Financial years starting 1st July 2011 or thereafter.

IFRS 10 – Consolidated Financial Statements

The standard includes uniform rules governing which units shall be consolidated and will replace IAS 27 Consolidated and Separate Financial Statements and SIC 12 which concerns so-called Special Purpose Entities.

IFRS 11 – Joint Arrangements

The standard addresses the reporting of so-called joint arrangements, i.e. where two or more parties have a shared controlling influence in the context of a joint venture, and will replace IAS 31 Interests in Joint Ventures. Systembolaget does not believe that the standard will affect the Group's reporting.

IFRS 12 – Disclosures of Interests in Other Entities

Expanded disclosure requirements with regard to subsidiary companies, joint arrangements and associated companies have been

grouped within a single standard. The disclosures address the effects of the holdings on the financial reports and existing risks with regard to the holdings in question.

IFRS 13 Fair value measurement

The standard contains uniform rules governing the calculation of fair values and where other standards require reporting of or disclosure of fair value. New types of disclosures shall be made in order to clarify the valuation models applied and the data used in the same.

Amendments to IAS 1

– Presentation of Financial Statements – OCI items Comprehensive Income

The amendment will entail a change to the way in which transactions reported under Other comprehensive income are reported. Items to be reversed to the Income Statement shall be reported separately.

Amendments to IAS 19 – Employee Benefits

Significant changes, primarily with regard to the reporting of defined benefit contribution plans, where the option of distributing actuarial profits and losses as part of “the corridor” is no longer applied. These items shall, instead, be reported on an ongoing basis under Other comprehensive income. The year’s earnings by defined benefit pensions, profits and losses arising in conjunction with the settlement of a pension liability, and the financial items that refer to the defined benefit plan are all reported in the Income Statement.

Important estimates and assessments

The Group makes estimates and assumptions with regard to the future, based on the latest available and most reliable information and on historic experience. Changes to preconditions may entail adjustments to the reported amounts for assets and liabilities in the next financial year due to the fact that the actual results can differ from the reported amounts. The estimates that may entail substantial changes in the reported amounts relate to pensions.

The current value of the pension undertakings is dependent on a number of factors that are determined on the basis of actuarial assumptions. The assumptions that are used to determine the current balance for pensions include the long-term return on plan assets and the discount rate. Every change in these assumptions will have an effect on the reported value of the pension undertakings.

The assumption with regard to the expected return on plan assets takes into account historic long-term returns, the distribution of the assets and an assessment of their future long-term return.

The Group adopts an appropriate discount rate at the end of every year, based on the market’s expectations with regard to bonds with the same term as the pension liability. The valuation has been based on an interest rate curve estimated on the basis of Swedish real interest rate government bonds.

Important assessments

When applying the company’s accounting principles, the company management makes various assessments that can have an effect on the reported amounts in the Income Statement and the Balance Sheet. The reporting assessments made by the company management that have the most significant effect on the reports are the assessments of capitalisation of costs for system development.

Consolidated accounts

Subsidiaries

The consolidated accounts include subsidiary companies in which the Parent Company has a controlling influence, i.e. the right to formulate the company’s financial and operational strategies for financial gain. A controlling influence is deemed to exist when the Parent Company, either directly or indirectly, holds more than half of the company’s voting shares.

Subsidiary companies are included in the consolidated accounts from the date of acquisition, i.e. the date when the Parent Company achieves the controlling influence, and are excluded from the consolidated accounts from the date when the Parent Company ceases to have a controlling influence, e.g. in conjunction with the date of sale.

The accounting principles for subsidiary companies have, where relevant, been adapted in the consolidated accounts in order to achieve a consistent application of the Group’s principles. The financial reports from the Parent Company and subsidiary companies used in conjunction with the preparation of the consolidated accounts have, furthermore, been prepared as of the same closing day.

Consolidation principles

The consolidated accounts have been prepared in accordance with the acquisition value method. The acquisition cost of an acquisition comprises the fair value of assets paid in remuneration and arising or assumed liabilities as of the transfer date, and any costs directly attributable to the acquisition. Identifiable acquired assets and liabilities, and any contingent liabilities, are valued at their fair value on the acquisition date. Any positive differences between the acquisition cost and the fair value is reported as goodwill. If the difference is negative, it is reported directly in the Income Statement.

Transactions between Group companies

Intra-Group Balance Sheet items and income and expenses, including unrealised profits and losses on transactions between Group companies, are eliminated if the loss does not indicate the need for a write-down.

Internal pricing

Market prices are applied in conjunction with transactions between Group companies.

Foreign currencies

Transactions in foreign currencies are converted to the functional currency at the exchange rate applicable on the transaction date. Monetary assets and liabilities expressed in foreign currencies are reported in the Balance Sheet after conversion at the rate applicable on the closing date. Exchange rate differences arising in conjunction with conversion are reported in the Income Statement.

Segment reporting

An industry segment comprises a financially identifiable part of the company that supplies products or services and which is exposed to risks and opportunities that differ from those applicable to other industry segments. Geographical areas supply products or services within a financial environment that is exposed to risks and opportunities that differ from those applicable to other financial environments.

Systembolaget operates within one industry segment and one geographic market, and hence segment reporting is not relevant.

Revenue recognition

Systembolaget has, pursuant to the provisions of the Swedish Alcohol Act, a monopoly on the retail of alcoholic drinks in Sweden. This monopoly has a socio-political purpose and entails restricting the availability of alcohol. In these circumstances, Systembolaget's retail sales are reported as its primary activity. Other operations – which are not critical to Systembolaget's retail operations and which could be conducted by another business – are reported separately (in accordance with the requirements of the owner's directive) and are regarded as non-operating income and expenses. This classification has been adjudged to provide the most accurate picture of Systembolaget's primary activity.

The subsidiaries' operations, distribution of products, provision of information and real estate management are reported under the "Other operating income and operating expenses" heading.

Revenue is recognised when the income can be reliably calculated and when it is likely that the economic benefit associated with the transaction will accrue to the company. Income is valued at the fair value of goods and services sold, excluding VAT.

The Group's income is generated, in every significant respect, by the sale of drinks to consumers. Sales are reported as income in conjunction with the sale of the goods to the customer. Sales are paid for in cash or by credit card.

Interest income is recognised as revenue over a relevant period, applying the effective interest method. Effective interest is the interest that discounts the estimated future cash flows exactly over the anticipated term of the financial instrument to the instrument's reported value.

State subsidies

Subsidies are reported at fair value when a reasonable certainty exists that the subsidy will be received and that the Group will comply with the terms and conditions associated with the subsidy.

Subsidies intended to cover costs – in Systembolaget's case, wage subsidies of minor value only – are reported net in the Income Statement presentation of staff overheads.

Cost accounting

The Income Statement is presented by function and costs are accordingly classified on the basis of their function.

The cost of goods sold primarily comprises the purchase of goods for resale.

Selling expenses include costs arising from the store operations, largely comprising personnel- and premises-related costs.

Administrative expenses include costs arising from the central administrative staff functions at the head office.

Leasing

Leasing agreements where the lessor, in every significant respect, retains the economic risks and benefits associated with ownership, are classified as operational leasing. The Group has no agreements that are classified as financial leasing.

Lessee

The Group has signed leasing agreements that, in every significant respect, relate to rental payments for premises. The leasing charge is carried as an expense linearly over the leasing period, which is the period for which Systembolaget has contractually agreed to lease an asset.

Income tax

Reported tax comprises the combined sum of current and deferred tax calculated on the basis of the profit/loss for the period. Current tax is the tax that is payable or receivable during the current period, including adjustments to current tax for previous periods. Current tax is calculated on the basis of the taxable result for a period, including adjustments to the current tax for previous periods. Current tax is calculated and valued on the basis of the tax rules and tax rates approved, or approved in practice, on the closing day.

Deferred tax is calculated using the Balance Sheet method whereby temporary differences, i.e. differences between the reported and fiscal values of assets and liabilities, give rise to deferred tax liabilities or tax receivables. Deferred tax liabilities are calculated on the basis of all fiscal temporary differences while deferred tax receivables are reported to the extent that it is likely that a future fiscal surplus will exist, against which the temporary differences can be offset.

Deferred tax is calculated and valued in accordance with the tax rules and at the tax rates approved or announced on the closing day and which are expected to apply when the tax receivable in question is realised or the tax liability is settled. The tax rate is 26.3 per cent, as of 1st January 2009.

On every closing day, the reported value of the deferred tax receivables is reassessed and reduced to the extent that it is no longer probable that sufficiently large fiscal surpluses will be available. The reduction is reversed to the extent that it is subsequently deemed likely that sufficient fiscal surpluses will be available.

Current tax and deferred tax are reported in the Income Statement with the exception of fiscal effects attributable to transactions or events reported directly to equity.

The Parent Company

Deferred tax liabilities are – due to the link between accounting and taxation – not reported separately for legal entities, but rather, as part of the untaxed reserves to which they are attributable. Untaxed reserves are reported in the Balance Sheet and the receivable is reported under Appropriations in the Income Statement. Both untaxed reserves and appropriations are consequently reported in gross amounts in the Balance Sheet and Income Statement.

Information on related parties

Systembolaget defines Group companies, pension funds, senior executives, Members of the Board and close family members of these persons as related parties. Systembolaget has elected to implement IAS 24, Related Party disclosures, in advance which means that disclosures regarding transactions with government-owned companies in which the government has a controlling influence need no longer be made, other than when the value of the transactions was substantial.

Information is provided when transactions have occurred with a related party, irrespective of whether remuneration was disbursed. The term, transactions, refers to the transfer of resources, services or undertakings. Transactions with related parties are conducted on market terms.

Tangible fixed assets

A tangible fixed asset is reported as an asset in the Balance Sheet when the acquisition value can be reliably calculated and when it is likely that the future economic benefits associated with the asset will accrue to Systembolaget.

Tangible fixed assets are valued using the cost method at the

acquisition value less accumulated depreciation and any accumulated write-downs. Expenses attributable to the improvement of the assets' performance, over and above its original level, increase the reported value of the asset. Expenses attributable to repairs and maintenance are capitalised on a rolling basis.

AB K14 Näckströmsgatan owns properties that are leased out to and used by, amongst others, the Parent Company, Systembolaget AB. The properties reported in the consolidated accounts consequently comprise real estate used in business operations and are valued using the cost method.

Intangible assets

Expenses for the development are reported as intangible assets when the following criteria are met:

- the intangible asset is identifiable;
- Systembolaget has control over the asset;
- the asset generates future financial gains; and
- the asset's acquisition value can be reliably calculated.

The reported value includes expenditure arising from the purchase of services and materials. Intangible assets are valued using the acquisition method at their acquisition value, less any accumulated depreciation and any accumulated write-downs.

The expenses that do not meet the above criteria are capitalised as they arise.

Depreciation

Tangible fixed assets and intangible assets are depreciated linearly over the useful life of the asset, which is the period during which Systembolaget expects to make use of the asset for its designated purpose. Depreciation is based on the acquisition value after deductions for any residual values. The depreciation is based on the following useful life periods:

Asset	Useful life
Buildings	17–33 years
Machinery and fixtures & fittings	3–5 years
Rebuilding in store	7 years
Intangible assets	5 years

Expenses attributable to improvements in another party's premises are depreciated over a period of between 7 and 20 years. Land is not depreciated.

The residual value and useful life of each asset is reviewed as of every closing day and adjustments are made, if necessary.

Write-downs

An assessment is carried out, as of every closing day, to determine whether there is any indication of a write-down requirement with regard to the reported values of the Group's assets. If such indications do exist, the recoverable amount is calculated, namely whichever is the higher of the fair value less selling expenses and the useful value of the asset, i.e. the current value of the estimated future cash flows that the asset is expected to generate. A write-down is effected when the reported value exceeds the recoverable value for an asset and is capitalised immediately in the Income Statement.

A calculation is carried out on every closing day to determine whether there is any indication that a previous write-down, either wholly or in part, is no longer justified, and in such cases, the recoverable value of the asset is calculated and a reversal occurs. The

reversal increases the reported value of the asset. The reported value may not exceed the value that would have been reported, after depreciation, if no write-down had ever occurred.

Remuneration to employees

Remuneration in the form of salaries and pensions are reported as operating expenses during the period when the employee performs the services to which the remuneration refers. The expense is classified as a selling expense or administrative expense, depending on the nature of the employee's duties.

Defined benefit pension plans in the Group

The Group has defined benefit pension plans, which means that the Group has an undertaking to disburse the agreed remuneration to current and former employees and that the Group, in every significant respect, carries the actuarial risk and the investment risk. The actuarial risk is the risk that the remuneration will cost more than expected and the investment risk is the risk that the assets invested will prove insufficient to provide the expected remuneration. The defined benefit pension plans are primarily secured through pension funds, but also through provisions made in the Balance Sheet and, to a limited extent, through insurance premiums.

Actuarial methods are used, when reporting defined benefit pension plans, in order to calculate the remuneration amount earned by the employee during the current period and previous periods reliably. The Group makes assessments, known as actuarial assumptions, of the demographic and financial variables that affect the cost of the remuneration. The remuneration amount calculated is discounted annually by independent actuaries applying what is known as the "Projected Unit Credit Method". The current value of the defined benefit undertaking is determined by discounting estimated future cash flows using the interest rate for Swedish government interest bonds with a term comparable with the pension liability in question.

Actuarial profits and losses arise in conjunction with adjustments and changes in actuarial assumptions, to which the so-called "corridor rule" is applied. Under the corridor rule, that part of the accumulated actuarial profits and losses which, at the end of the preceding reporting period, exceeded whichever was the higher of 10 per cent of the value of the plan assets and 10 per cent of the defined benefit undertaking is capitalised or taken up as income over the employees' estimated average remaining period of service. Actuarial profits or losses are not otherwise taken into account.

The net of the current value of the undertaking on the closing day plus any actuarial profits not yet reported, less the fair value of the plan assets, any expenses in relation to previous periods' employment not yet reported and any actuarial losses not yet reported are reported within the Group. If the net amount is positive, a liability (pension undertaking) is reported in the Balance Sheet, whilst if the net amount is negative, an asset (pension asset) is reported there.

Defined contribution pension plans in the Group

The Group also has defined contribution pension plans. In defined contribution pension plans, the Group's undertaking is limited to the amount that the Group has agreed to contribute, which means that the employee carries the actuarial risk and the investment risk. Fees payable to defined contribution pension plans are reported as an expense over the period during which the employee performs those duties.

Parent Company pensions

The Parent Company's pension undertakings are reported and calculated in accordance with the Swedish Securing Pension Commitments Act and directives issued by the Swedish Financial Supervisory Authority. Application of the provisions of the Swedish Securing Pension Commitments Act is a prerequisite for fiscal deductibility.

The provisions reported in the Parent Company's Balance Sheet refer to non-vesting pension undertakings, i.e. they are contingent on continued employment. They are not covered by the provisions of the Swedish Securing Pension Commitments Act and hence may not be secured via pension funds, nor may they be reported in the Balance Sheet under the Pension Provisions heading, and are, instead, reported under the "Long-term provisions" heading.

Severance payments

Severance payments are reported when Systembolaget is demonstrably obliged either to terminate an employment before the normal date, in accordance with a detailed formal plan without any realistic possibility of a recall, or to pay compensation in conjunction with an offer designed to encourage voluntary redundancy.

Financial instruments

Financial instruments comprise every type of agreement that gives rise to a financial asset in a company, or to a financial liability or equity instrument in another company. They include liquid assets, accounts receivable, accounts payable and financial investments.

Reporting in and removal from the Balance Sheet

Financial instruments, i.e. financial assets and financial liabilities, are reported in the Balance Sheet when Systembolaget becomes a party to the instrument's contractual terms and conditions.

Financial assets are removed, either wholly or in part, from the Balance Sheet when the contractual rights to the cash flows cease or when virtually all risks and benefits associated with the ownership of the financial asset have been transferred.

Financial liabilities are removed, either wholly or in part, from the Balance Sheet when the financial liability is ended, i.e. when the commitment is fulfilled, cancelled or ceases.

Valuation

When financial instruments are reported for the first time, they are valued at fair value. Transaction costs directly attributable to the acquisition of the financial asset or liability are added to the fair value for those financial instruments that do not come under the heading of financial assets and liabilities valued at fair value via the Income Statement.

Settlement date accounting is applied for those financial assets classified as financial assets valued at fair value via the Income Statement and financial assets that can be sold. Transaction date accounting is applied for other categories of financial assets and liabilities.

Subsequent valuation is effected either at the fair value or at the accrued acquisition value by application of the effective interest method. The valuation method used is determined by the category to which the respective instruments belong.

The fair value is the amount at which an asset could be transferred or a liability settled between knowledgeable and independent parties who have an interest in completing the transaction.

The accrued acquisition value is the acquisition value less repayment of the nominal amount and reduction due to write-downs,

and less or plus accumulated depreciation. An impairment test is carried out on every closing day to determine whether objective grounds exist to demonstrate the existence of a write-down requirement. The write-down is calculated as the difference between the reported value and the current value of the estimated cash flows and is reported in the Income Statement.

Classification

Financial instruments are classified in accordance with the table below. The Group classifies its financial instruments into one of the following categories: loan receivables and accounts receivable, assets valued at their fair value via the Income Statement, or financial liabilities valued at their accrued acquisition value, which are described below. The classification is based on the purpose for which the instrument has been acquired.

Financial assets valued at their fair value via the Income Statement

The category, financial assets valued at their fair value via the Income Statement, has two sub-groups, namely financial assets held for trading purposes and financial assets identified in conjunction with the first reporting instance as an instrument valued at its fair value via the Income Statement. A financial asset is classified in this category if the expectation is that it will be sold in the short term or if the Group management classifies it as such. Remaining financial assets are identified in this category when reported for the first time.

Changes in the value of financial assets valued at their fair value via the Income Statement are reported in the Income Statement.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets that have fixed or fixable payments and which are not quoted on an active market. Loan receivables and accounts receivable are valued, in conjunction with subsequent valuations, at the accrued acquisition value through the application of the effective interest method.

Changes in the value of loan receivables and accounts receivable are reported in the Income Statement when the financial asset is removed from the Balance Sheet, in conjunction with write-downs and through periodisation.

The category also includes accounts receivable and other receivables, which are reported in the Balance Sheet when the invoice has been sent out. Receivables have, after individual valuation, been booked in the amount that they are expected to yield.

Financial liabilities valued at the accrued acquisition value

This category includes accounts payable, which are reported in the Balance Sheet when the counterparty has performed as agreed and a contractual obligation to pay exists, even if an invoice has not been received. Financial liabilities are valued on an ongoing basis after being reported for the first time at the accrued acquisition value, using the effective interest method.

Liquid assets

Liquid assets comprise cash and bank balances and short-term liquid investments with a maximum term from the acquisition date of 90 days and which can easily be converted to a known sum and which are only exposed to an insignificant risk of fluctuations in value.

Net profit and net loss

The result of financial assets valued at fair value in the Income State-

ment is reported under Net financial items. The result of financial assets and liabilities reported at accrued acquisition value are reported in the Income Statement when the asset or liability is removed from the Balance Sheet or written down.

Stock-in-trade

The stock-in-trade has been valued at whichever is the lower of the acquisition value and the net sales value. The acquisition value is calculated using the first in, first out method (FIFO) and the net sales value is the estimated sale price less selling expenses attributable to the sale. The stock-in-trade comprises goods for resale.

The reported value of goods held in stock that are sold is capitalised in the period when the corresponding income is recognised. Adjustments of goods held in stock to their net sales value, together with losses on goods held in stock, are reported in the Income Statement in the period when the adjustment or loss occurs.

Fixed assets held for sale and liquidated operations

A fixed asset or a disposal group is classified as a fixed asset held for sale if their reported value will primarily be recovered through sale and not through ongoing use. To be classified as an asset held for sale, the asset must be available for immediate sale in its current condition and it must be very likely that a sale will be made.

A fixed asset or disposal group shall be reclassified when an assessment made indicates that the sale is very probable, which means that a decision shall have been taken at management level, there shall be an active programme aimed at completing the sale, the sale price shall have been set at a reasonable level in relation to the fair value, and the sale shall normally take place within one year of the decision having been made.

The fixed asset or the disposal group is valued at whichever is the lower of the reported value and the fair value, less selling expenses. Assets and liabilities attributable to the fixed asset are reported separately in the Balance Sheet. A fixed asset is not depreciated as long as it is classified as being held for sale.

Provisions

A provision is defined as a liability that is uncertain with regard to the due date or the amount. Provisions are reported in the Balance Sheet when the Group has an existing legal or informal undertaking as a result of an event that has occurred, and for which it is likely that a disbursement of resources will be required to clear the commitment and the amount can be reliably estimated. Provisions are valued at the

amount that is the best estimate of the amount which, on the closing day, is required to clear the existing commitment. When the effect of the point in time at which payment is made is significant, the current value of anticipated future cash flows is calculated. Provisions are reviewed as of every closing day and, if necessary, adjusted to reflect the current best estimate.

Contingencies/contingent liabilities

In the Group, this item is referred to as "contingencies" and in the Parent Company, as "contingent liabilities". A contingency/contingent liability is reported when a possible commitment exists deriving from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is an existing commitment that is not reported as a liability or provision because it is not likely that a disbursement of resources will be required, or because the size of the commitment cannot be calculated with sufficient reliability.

Cash Flow Statement

The Cash Flow Statement demonstrates the inflow and outflow of monies attributable to the operating activities, investment activities and financial activities, and which has occurred during the period. The Cash Flow Statement is prepared using the indirect method, whereby the result is adjusted for:

- transactions that have not entailed the inflow or outflow of monies;
- accrued or prepaid items that refer to previous or future periods; and
- any income and expenses where the effects on the cash flow are attributable to investment or financial activities.

Events after the closing day

Events after the closing day are defined as events that occur during the period from the closing day to the day when the financial reports are approved for publication.

Systembolaget adjusts the amounts in the financial reports as instructed by the Board of Directors for events, positive or negative, that confirm the circumstances that existed on the closing day. If, however, events occur that indicate circumstances that arose after the closing day, the financial reports are not adjusted. Information on the events that are so significant that the publication of the information could affect the financial decisions that users take on the basis of the financial reports is, however, provided.

Categories

Types	Category	Valuation
Financial assets		
Other long-term securities holdings	Financial assets valued at fair value via the Income Statement	Fair value
Other long-term receivables	Loan receivables and accounts receivable	Accrued acquisition value
Accounts receivable and accrued income	Loan receivables and accounts receivable Accrued acquisition value	Accrued acquisition value
Short-term investments	Financial assets valued at fair value via the Income Statement	Fair value
Liquid assets	Financial assets valued at fair value via the Income Statement	Fair value
Financial liabilities		
Accounts payable and accrued expenses	Financial liabilities valued at accrued acquisition value	Accrued acquisition value

Proposed appropriation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 957,417,511, be allocated as follows:

Dividend (SEK 442 per share)	SEK 159,120,000
Carried forward	SEK 798,297,511
Total	SEK 957,417,511

It is proposed that the dividend be disbursed on 27th April 2012.

The Board of Directors is of the opinion that the proposed dividend payment is justifiable with reference to the requirements laid down in chapt. 17:3, §§ 2 and 3 of the Swedish Companies Act, and with reference to the requirements that the nature of the operations, their scope and their inherent risks make of the shareholders' equity in the

Parent Company and the Group. The dividend payment is also deemed justifiable from the point of view of the Parent Company's and Group's consolidation requirements, liquidity and position in general, and is compatible with the owner's requirements and expectations.

The Board of Directors and the President hereby affirm that the annual accounts have been prepared in accordance with generally accepted accounting principles and that they provide a true and fair view of the company's position and result. The undersigned also affirm that the consolidated accounts have been prepared on the basis of the IFRS international accounting standards referred to in the European Parliament and European Council ordinance (EC) no.1606/2002, dated 19th July 2002, and that they provide a true and fair view of the performance of the company and Group operations, their position and their result, and that they describe significant risks and uncertainty factors faced by the company and the Group's component companies.

Stockholm, 20th February 2012

Cecilia Schelin Seidegård
Chairperson

Gert Karnberger
Deputy chairperson

Sven Andréasson
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Annika Nilsson
Member

Kerstin Wigzell
Member

Thord Andersson
Member

Anna Holgersson
Employee representative

Maj-Britt Eriksson
Employee representative

Magdalena Gerger
President

Audit Report

To the Annual General Meeting of Systembolaget AB, corporate identity number 556059-9473.

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Systembolaget AB for 2011. The annual accounts and the consolidated accounts of the company are included in the printed version of this document on pages 48–78.

Responsibilities of the Board of Directors and the President for the Annual Accounts and Consolidated Accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of annual accounts in accordance with the Swedish Annual Accounts Act and consolidated accounts that give a true and fair view in accordance with the international financial reporting standards IFRSs as adopted by the EU and the Swedish Annual Accounts Act, and for the internal controls that the Board of Directors and the President consider are necessary for preparing annual accounts and consolidated financial statements that are free of material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and the consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the President as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year in accordance with the Annual Accounts Act, and the

consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. A statutory administration report was prepared in accordance with the "Government's ownership policy and guidelines for state-owned companies". The statutory administration report and corporate governance report are consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting adopt the income statement and balance sheet for the parent company and the consolidated comprehensive income statement and the consolidated financial position report for the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Systembolaget AB for the year 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted our audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss, we examined the Board of Directors' reasoned statement and selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined significant decisions, actions taken and circumstances of the company in order to determine whether any Member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Opinions

We recommend to the Annual General Meeting that the profit be appropriated in accordance with the proposal in the Statutory Administration Report and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm 22 February 2012

Torsten Lyth, Ernst & Young AB
Authorised Public Accountant

Carin Rytöft Drangel
Authorised Public Accountant
Appointed by the Swedish National Audit Office

Review Report in respect of the Annual Accounts

**To the Annual General Meeting of Systembolaget AB,
corporate identity number 556059-9473.**

On behalf of Swedish Parliament's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2011 financial year.

We have examined significant decisions, actions taken and circumstances in the Company in order to be able to determine whether the Company has been managed in an appropriate and

financially acceptable manner and whether the Company's internal controls are adequate. Our examination did not reveal any circumstances giving cause for objection.

We have also examined whether the Company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and also to State-owned enterprises in general. This examination also did not reveal any circumstances giving cause for objection.

Stockholm, 22th February 2012

Christina Oskarsson

Hans Backman

Maria Plass

The Board of Directors on the Sustainability Report

The Sustainability Report, which includes all of the sustainability-related information provided in Systembolaget's 2011 Responsibility Report, together with the associated GRI annex, as presented on

Systembolaget's website (see GRI list of contents on pages 84-85) have been approved for publication by the Board of Directors on 20th February 2012.

Stockholm, 20th February 2012

Cecilia Schelin Seidegård
Chairperson

Gert Karnberger
Deputy chairperson

Sven Andréasson
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Annika Nilsson
Member

Kerstin Wigzell
Member

Thord Andersson
Member

Anna Holgersson
Employee representative

Maj-Britt Eriksson
Employee representative

Magdalena Gerger
President

Auditors' Report in respect of a combined review of Systembolaget AB's Sustainability Report

To the readers of Systembolaget AB's Sustainability Report Introduction

We have been engaged by the Board of Directors to perform an assurance engagement related to Systembolaget AB's Sustainability Report for 2011. It is the Board of Directors and the executive group management that are responsible for the continuous activities regarding the environment, the work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report, based on our examination.

The orientation and scope of the review

Our assurance engagement has been performed in accordance with FAR SRS (the institute for the accountancy profession in Sweden) draft recommendation "RevR 6 Assurance of Sustainability Reports". An audit is aimed at obtaining a reasonable but not absolute level of assurance for our conclusion that the information contains no significant inaccuracies. An audit includes examining a selection of evidence supporting the quantitative and qualitative information in the Sustainability Report. A review consists of making enquiries, primarily of persons responsible for sustainability matters and applying analytical and other review procedures. Consequently, the conclusion based on our review does not provide the same level of assurance as the conclusion of our audit. Since this constitutes a combined assurance engagement, our opinion regarding the audit and the review will be presented separately.

Our engagement includes a review of the following areas with the purpose of either providing a reasonable but not absolute assurance (hereinafter referred to as an audit) or limited assurance (hereinafter referred to as a review):

1. Our review comprises the information presented in the GRI list of contents on pages 84-85 and the pages in the responsibility report referred to in this list of contents.
2. Our audit included the following information:
 - a. key performance indicators for the sale of organic products, GRI indicator EN26,
 - b. the number of employees who receive regular evaluation and monitoring of their performance and career development. GRI indicator LA12, and
 - c. structuring and scope of the routines that evaluate the operations' societal impact, GRI indicator SO1.

Our assurance does not include the undertakings used or any information relating to whether it is possible for the company to achieve future performance figures (i.e. goals, expectations or ambitions).

We have not reviewed the information presented by Systembolaget AB on its website at <http://www.systembolaget.se>.

The criteria used in the course of performing our review are based on applicable parts of the "Sustainability Reporting Guidelines", G3, issued by The Global Reporting Initiative (GRI), suitable for the Sustainability Report, and specific measurement and reporting principles developed and issued by the company. We consider these criteria to be suitable for the preparation of the Sustainability Report.

Review procedures:

The most important procedures in our review comprised the following:

- a. updating our knowledge and understanding of Systembolaget AB's organisation and activities,
- b. assessing the suitability and application of the criteria in relation to the stakeholders' need for information,
- c. assessing the result of the company's stakeholder dialogues,
- d. conducting interviews with responsible management, at Group level, subsidiary level and at selected business units, with the aim of determining whether the qualitative and quantitative information contained in the Sustainability Report is complete, correct and sufficient,
- e. studying internal and external documents to determine whether the information reporting is complete, correct and sufficient,
- f. evaluating the design of the systems and processes used to obtain, manage and validate sustainability information,
- g. evaluating the model used to calculate carbon dioxide emissions,
- h. conducting an analytical review of reported information,
- i. reconciling financial information with the company's Annual Accounts for 2011,
- j. evaluating the company's stated application level with regard to GRI guidelines,
- k. considering the overall impression given by the Sustainability Report, and its format, with regard to the mutual correspondence between the information and the criteria applied; and
- l. reconciling the reviewed information with the sustainability information contained in the company's 2011 Annual Report.

Audit procedures:

Our audit has included the following audit procedures:

- a. examining the design and function of relevant internal controls within the systems and processes used to obtain, handle and validate information in respect of the selected indicators during the period to which the report refers,
- b. reconciling reported information with internal and external source documentation and conducting detailed tests of selected indicators, namely EN26, LA12 and SO1 in the Sustainability Report.

We consider that the evidence collected during our review is sufficient and relevant to support our conclusions, as presented below.

Conclusions

Our conclusion based on our review

Based on our review, nothing has come to our attention that causes us to believe that the information contained in the Sustainability Report included in our review has not, in all material respects, been prepared in accordance with the above-mentioned criteria.

Our conclusion based on our audit

Based on our audit, we believe that the information contained in the Sustainability Report included in our audit has, in all material respects, been prepared in accordance with the above-mentioned criteria.

Stockholm 20 February 2012

Ernst & Young AB

Curt Öberg
Authorised Public Accountant

Torsten Lyth
Authorised Public Accountant

List of contents for GRI

Systembolaget reports in accordance with level B+ of the Global Reporting Initiatives (GRI) guidelines, which has been verified by Ernst & Young AB. The report for the 2011 financial year comprises the parent company, Systembolaget AB, the wholly-owned subsidiaries, IQ-Initiativet AB, and AB K14 Näckströmsgatan, and comprises the operations over which Systembolaget exercises control with regard to financial and operating policies. The basic principle is that all of these units are represented in every indicator. Any deviations from and comments on the GRI indicators are reported in the GRI annex to the 2011 Responsibility Report, which is available from systembolaget.se.

The list of contents includes all core indicators and the supplementary indicators that Systembolaget adjudges to be relevant to its operations, based on the company's most important sustainability issues. The table below shows where the indicators are present – in the 2011 Responsibility Report (unless otherwise indicated) or in the GRI annex (A) on Systembolaget's website.

W = Wholly reported **P** = Partially reported **N** = Not reported

PROFILE

1	Strategy and analyses	Page
1.1	President's Statement.	W 4–5
1.2	Description of key impacts, risks and opportunities.	W 6–7, A4
2	Organisational profile	
2.1	The name of the organisation.	W 49, A5
2.2	Primary brands, products and services.	W 2
2.3	Operational structure of the organisation.	W 89
2.4	Location of head office.	W 72
2.5	Countries in which the organisation operates.	W A5
2.6	Nature of ownership and legal form.	W 72
2.7	Markets served.	W 17–20
2.8	Scale of the reporting organisation.	1, 22, 46, W 63, 64
2.9	Significant changes during the reporting period.	W A6
2.10	Awards received during the reporting period.	W A6
3	Report parameters	
Report profile		
3.1	Reporting period.	W A5
3.2	Most recent previous report.	W A2
3.3	Reporting cycle.	W A5
3.4	Contact person for the report.	W Inside cover
Scope and boundary of the report		
3.5	Process for defining report content.	W 6, A3
3.6	Boundary of the report.	W A5
3.7	Limitation of scope or boundary of report.	W A5
3.8	Reporting principles for jointly owned companies, subsidiaries, etc.	W A5
3.9	Data measurement techniques and bases for calculation.	W A5
3.10	Explanation of effect of re-statements of information provided in earlier reports.	W A5
3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report.	W A6
GRI content index		
3.12	Table identifying the location of the Standard Disclosures in the report.	W 84–85, A6–14
Assurance		
3.13	Policy and current practice for external assurance.	W 59, 82–83
4	Governance, commitments, and engagement	
Governance		
4.1	Governance structure.	W 7, 53, 54
4.2	The role of the Chairperson of the Board.	W 55
4.3	Independent or non-executive Board Member.	W 53, 86–87
4.4	Mechanisms for shareholders' and employees' to provide recommendations etc., for the Board.	W 53, A6
4.5	Remuneration to senior executives.	W 57

4.6	Avoiding conflicts of interest within the Board.	W A7
4.7	Process for determining the qualifications of Board Members.	W 55, 57
4.8	Mission or value statements, code of conduct, etc.	W 6, 34, 35
4.9	The Board's monitoring of sustainability work.	W 56, 57, 61
4.10	Processes for evaluating the work of the Board.	W 57
Commitments to external initiatives		
4.11	Application of the precautionary approach or principle	W A7
4.12	Externally developed statutes, principles and initiatives.	W 34
4.13	Membership of organisations.	W A7
Stakeholder engagement		
4.14	Stakeholder group.	W 8–9
4.15	Identification and selection of stakeholders.	W A3
4.16	Approaches to stakeholder engagement.	8, 12, 16, 34–35, W 38–39, A3
4.17	Key topics and concerns arising through stakeholder engagement.	8, 12, 16, 24, 26, 34–35, W 38, 39

PERFORMANCE INDICATORS

5	Economic Performance Indicators	
Management approach		42, 46–47, A7
Economic performance		
EC1.	Generated and distributed direct economic value.	W 14, A7
EC2.	Financial implications and other risks and opportunities, due to climate change.	N
EC3.	Coverage of the organisation's defined benefit plan obligations.	W 75
EC4.	Significant financial assistance and received from government.	N
Market		
EC6.	Policy, practices, and proportion of spending on locally-based suppliers.	N
EC7.	Procedures for local hiring and proportion of senior management hired from the local community.	N
Indirect economic impacts		
EC8.	Investments infrastructure and services for public benefit.	N
EC9.	Description of significant indirect economic impacts, including the extent of impacts.	P 10, A8
6	Environmental impact	
Management approach		24–25, 40
Materials		
EN1.	Materials used by weight or volume.	N
EN2.	Percentage of materials used that are recycled input materials.	N
Energy		

EN3.	Direct energy consumption by primary energy source.	N	
EN4.	Indirect energy consumption by primary energy source.	N	
EN5.	Energy saved due to conservation and efficiency improvements.	W	25
Water			
EN8.	Total water withdrawal by source.	N	
Biodiversity			
EN11.	Location and size of land used in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	N	
EN12.	Significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	N	
Emissions, effluents and waste			
EN16.	Total direct and indirect greenhouse gas emissions by weight.	N	
EN17.	Other relevant indirect greenhouse gas emissions by weight.	P	40, 41, A8
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved.	W	40
EN19.	Emissions of ozone-depleting substances by weight.	N	
EN20.	NOx, SO2 and other significant air emissions by type and weight.	N	
EN21.	Total water discharge by quality and destination.	N	
EN22.	Total weight of waste by type and disposal method.	W	A8
EN23.	Total number and volume of significant spills.	N	
Products and services			
EN26.	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation.	W	24, A8
EN27.	Percentage of products sold and their packaging materials that are reclaimed by category.	N	
Compliance			
EN28.	Monetary value of significant fines and total number of non-monetary laws and regulations.	N	
7 Societal impact			
Labour practices and decent work			
Management approach			26–33
LA1.	Total workforce by employment type, employment contract and region.	W	26, A9
LA2.	Total number and rate of employee turnover by age group, gender and region.	W	27, 31, A10
LA4.	Percentage of employees covered by collective bargaining agreements.	W	27, A10
LA5.	Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements.	N	
LA7.	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	P	30, 31, A10-11
LA8.	Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases.	N	
LA10.	Average hours of training per year per employee by employee category.	N	
LA11.	Programmes for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	W	28, A11
LA12.	Percentage of employees receiving regular performance and career development reviews.	W	28, A11
LA13.	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	W	31, 86–88, A11

LA14.	Ratio of basic salary of men to women by employee category.	P	31, A12
Human rights			
Management approach			34–35, A12
HR1.	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening.	N	
HR2.	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken.	W	34, 35, A12
HR3.	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	W	A12
HR4.	Total number of incidents of discrimination and actions taken.	W	A12
HR5.	Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.	N	
HR6.	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.	N	
HR7.	Operations identified as having significant risk for incidents of compulsory labour, and measures taken to contribute to the elimination of forced or compulsory labour.	N	
The organisation's role in society			
Management approach			2, 12–15, 32–33
SO1.	Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting.	W	1, 2, 12, 13, 17, 42–43, A13
SO2.	Percentage and total number of business units analysed for risks related to corruption.	W	52, A13
SO3.	Percentage of employees trained in organisation's anti-corruption policies and procedures.	W	32, 33, A13
SO4.	Actions taken in response to incidents of corruption.	W	A13
SO5.	Public policy positions and participation in public policy development and lobbying.	N	
SO8.	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	N	
Product responsibility			
Management approach			16–17, 23
PR1.	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.	N	
PR3.	Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.	W	23, A14
PR5.	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	W	16, 42
PR6.	Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	W	A14
PR7.	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communication, including advertising, promotion, and sponsorship by types of outcome.	W	A14
PR9.	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	N	

The Board of Directors



Cecilia Schelin Seidegård

Chairperson

Born: 1954

Principal education: PhD in biochemistry

Other positions held: Chairperson of the Vårdal Foundation – for Health Care Sciences and Allergy Research, and of ClinTrials Skåne AB. Member of the Board of Fouriertransform AB.

Elected: Chairperson since 2008.

Positions previously held: Hospital Director at Karolinska University Hospital, 2003–2007, Member of the Board of Karolinska Development AB, 2003–2008, President of Huddinge University Hospital, 2003. Member of the Board of Gethinge AB, 2003. Vice President in charge of Global R&D Operations at AstraZeneca R&D, 1999–2003, Head of Clinical Research and other managerial positions within Astra Draco, 1989–1999.

Independent

Gert Karnberger

Vice Chairperson

Born: 1943

Principal education: Qualified graduate from upper secondary engineering course; economics, company management

Other positions held: Chairperson of the Board of Swedish Industry and Commerce for Better Regulation (NNR), Member of the Boards of Apoteket AB and Swedol AB.

Elected: Vice Chairperson since 2009. Member of the Board, 2004–2007.

Positions previously held: Clas Ohlson

AB, Chairperson of the Board, 1990–1996, President, CEO and Member of the Board, 1996–2007. Chairperson of the Board of Clas Ohlson Norge, 1996–2007, Finland 2002–2007. Vice Chairperson of the Swedish Trade Federation and Swedish Distance Sellers. Member of the Boards of Swedish subsidiary companies of the ASKO Group. Own consultancy firm.

Independent

Thord Andersson

Born: 1961

Principal education: Sociologist and Market Economist

Other positions held: Unit Manager for the Örebro Regional Development Council. Member of the Board of ALMI Invest.

Elected: 2011

Positions previously held: Chairperson of Örebro promotion, Chairperson of the Örebro District Marketing Association, Member of the Board of Svensk Kärnbränslehantering AB.

Independent

Sven Andréasson

Born: 1952

Principal education: Doctor of Medical Science, Professor of Social Medicine at the Karolinska Institute

Other positions held: Senior Physician, Addiction Centre, Stockholm. Expert in alcohol and narcotics issues, Swedish National Institute of Public Health, Scientific Council for Abuse Issues at the National Board of Health and Welfare.

Elected: 2007

Independent

Johan Gernandt

Born: 1943

Principal education: LL.B

Other positions held: Lawyer and consultant at Advokatfirman Vinge. Chairperson of the Board of Governors of the Bank of Sweden. Chairperson of the Board of the Stockholm Chamber of Commerce Arbitration Institute. Chairperson of the Board of the Svenska Dagbladet Foundation.

Elected: 2007

Positions previously held: Lawyer and joint owner of Gernandt & Danielsson Advokatbyrå 1992–February 2009. Expert, Limited Companies Committee 1990–2000.

Independent

Carl B Hamilton

Born: 1946

Principal education: PhD (Economics)

Other positions held: Professor of International Economics at Stockholm University and the Stockholm School of Economics, 1991–2005, Member of Parliament, 2002–, Chairperson of the Parliamentary EU Council and Member of its Finance Committee, Member of the national party executive and party leadership group of the Swedish Liberal Party.

Elected: 2007

Positions previously held: Undersecretary of State at the Ministry of Finance, Member of Parliament, 1991–93 and 1997–98, special commissioner, etc.



Carl B Hamilton



Sven Andréasson



Anna Holgersson



Maj-Britt Eriksson



Berit Morén



Maria Åström

Chief Economist, Handelsbanken, 1995–1999.

Independent

Annika Nilsson

Born: 1971

Principal education: Studies in social geography and economic history at Lund University, General Science course programme.

Other positions held: Association Secretary, ABF (the Workers' Educational Association of Sweden).

Elected: 2006

Positions previously held: CFO at ABF, 2007–2008, Member of Parliament (Socialist Party), 1994–2006, Undersecretary of State at the Ministry of Health and Social Affairs, 2005–2006, Member of the Board of Teracom AB, 2003–2006, Chairperson of the Expert Group for Environmental Studies, 2005–2006, Chairperson of the Commission for the Care of Children and Young People, 2003–2005.

Independent

Kerstin Wigzell

Born: 1945

Principal education: Behavioural and Social Sciences

Other positions held: Chairperson of the Board of the Stockholm Academy of Dramatic Arts. Member of the Boards of the Press Council, the National Swedish Police Board's Ethics Council, the Swedish Society for Medical Research, and Vice Chairperson of the Swedish Pensions Agency and Vice Chairperson of the Board of the Swedish Agency for Health and Care Services Analysis.

Elected: 2009

Positions previously held: Director General of the Government Offices of Sweden, Assistant Undersecretary at the Ministry of Health and Social Affairs, Director General of the Swedish National Board for Youth Affairs and the National Board of Health and Welfare, Director General of the National Swedish Social Insurance Board. Member of the Boards of WHO, the Swedish Council for Working Life and Social Research, and the Swedish National Council on Medical Ethics. Chairperson of the Swedish Council for Working Life and Social Research, Vice President of the Board of Systembolaget.

Independent

Employee representatives

Maj-Britt Eriksson

Deputy Member

Born: 1947

Principal education: Gymnasium, Upper secondary school general sciences course, Komvux (local government-administered adult education) in Kalmar

Other positions held: Summer job, sales team at Systembolaget since 1981, employed full-time since 1987. Chairperson of the South Eastern Sales Personnel Club, Contact Representative for salespersons in the South Eastern Group of Seven, Deputy Member of the Board of Systembolaget's Staff Association.

Appointed: 2006

Anna Holgersson

Born: 1977

Principal education: fM.A. in Human Rights

Other positions held: Employed as a member of the sales team since 2001. Chairperson of Systembolaget's Staff Association, Member of the Unionen trade union (for white collar workers in the private sector) delegation to the South Western Regional Board of Handels (Union of Commercial Employees) and Unionen.

Appointed: 2010

Berit Morén

Born: 1957

Principal education: Two-year upper secondary school course, Staff Nurse

Other positions held: Contact Representative, Chairperson of the Stockholm Managers' Club.

Appointed: 2011

Maria Åström

Deputy Member

Born: 1967

Principal education: Two-year upper secondary school course, Chef training

Other positions held: Employed as a member of the sales team since 1996. Chairperson of the Sales Personnel Club in Västerbotten. Trade union representative, store 2416, Ersboda in Umeå.

Appointed: 2009

Company management



Magdalena Gerger

President
Born: 1964
Education: B.Sc. Economics and Business Administration and MBA, Stockholm School of Economics
Employed: 2009

Marie Nygren

Purchasing Director, Vice President
Born: 1965
Education: B.Sc. Economics and Business Administration
Employed: 2007

Mikael Wallteg

Sales Director, Vice President
Born: 1957
Education: Internally trained at executive level
Employed: 2001

Ulrika Bennich

CFO
Born: 1970
Education: B.Sc. Economics and Business Administration
Employed: 2011

Karin Eckerberg

Senior Legal Counsel
Born: 1968
Education: LL.B.
Employed: 2004

Mattias Forsberg

IT Director
Born: 1972
Education: B.Sc. Economics and Business Administration, B.Sc. Civil Engineering
Employed: 2011

Tobias Frohm

HR Director
Born: 1965
Education: Human Resources Specialist
Employed: 2011

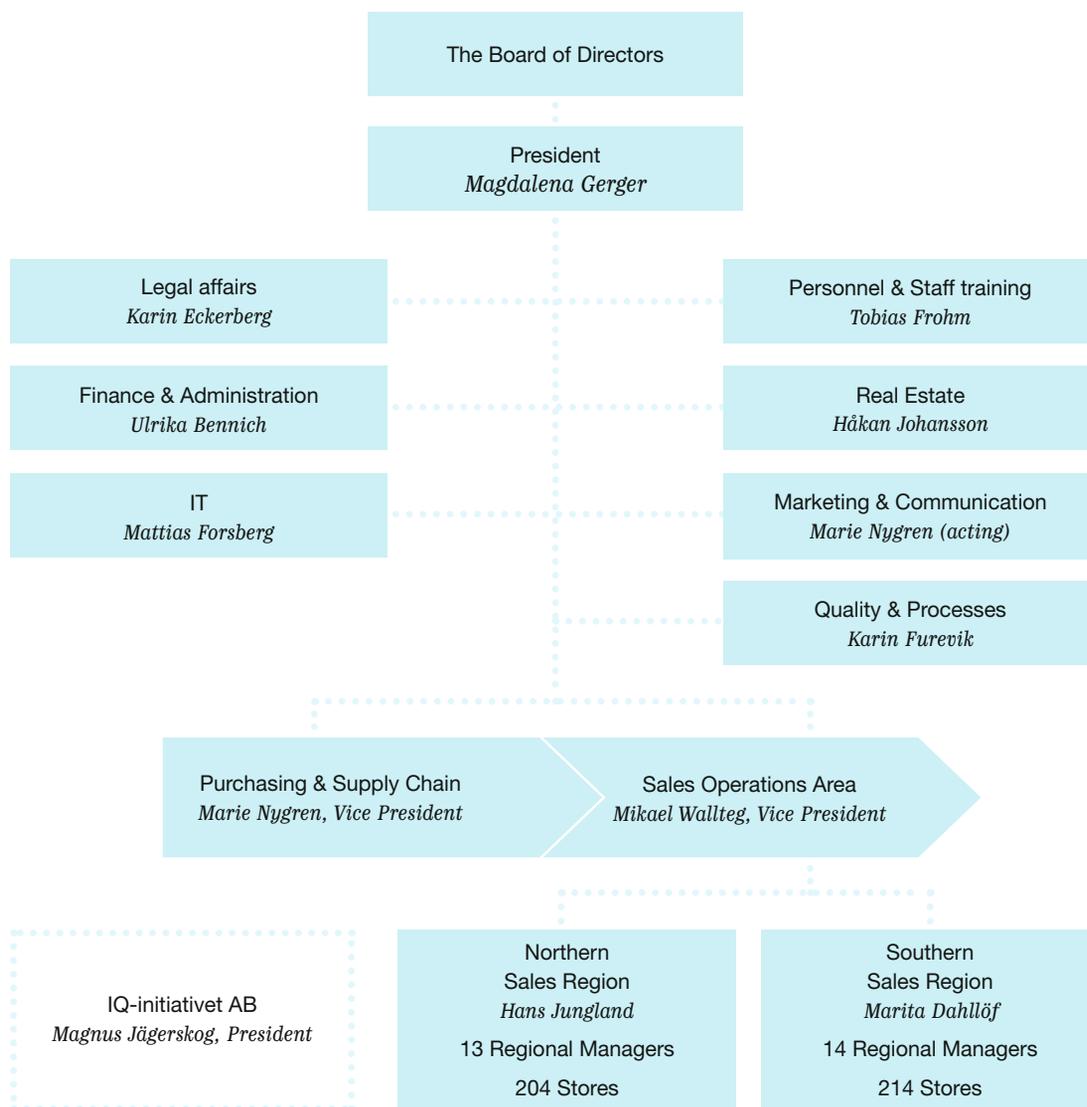
Karin Furevik

Quality Director
Born: 1954
Education: Management Sociologist
Employed: 2001

Håkan Johansson

Real Estate Director
Born: 1957
Education: Market Economist
Employed: 2001

Organisation



Systembolaget's organisation is process-orientated, with responsibility for the principal processes lying with the Sales Operations Area and Purchasing and Supply Chain Management.

Purchasing and Supply Chain Management is responsible for product range development and for the supply of goods from the supplier to the stores' shelves and the customer.

The Sales Operations Area is responsible for operations and sales in the stores. Systembolaget's 418 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area

has a Regional Manager, who is responsible for the day-to-day contacts between his or her store managers and Systembolaget's Head Office.

The other central departments act as support units for the primary process and work in such areas as developing and administering the network of stores and the IT systems, information, recruiting and developing employees, legal issues and accounting flows. The President and the corporate management team are responsible for the management process.

Definitions

Age verification

Age verification measures the number of occasions when proof of age has been requested as a percentage of control purchases. The control purchases are made by people in the 20–24 age group. Systembolaget engages an external consultancy company to conduct the purchases. A total of over 6,000 control purchases are made per year in stores and at agents, whereof approximately 600 at agents. Age verification is measured and reported every month.

AGM

The Swedish Alcohol Suppliers' Scrutineer

Average number of employees

The number of hours worked divided by the normal number of hours worked per year.

Average number of shares

Weighted average of the number of outstanding shares during the year.

BSCI

Business Social Compliance Initiative

CAN

Swedish Council for Information on Alcohol and Other Drugs.

Capital employed

The Balance Sheet total less non-interest-bearing liabilities including deferred tax liabilities.

Cash flow per share

Cash flow from operating activities divided by the average number of shares.

CSR – Corporate Social Responsibility

A company's responsibility for its environmental and societal impact on the world in which it operates (both people and the environment), over and above that required by law.

Customer Satisfaction Index - CSI

The CSI measures how satisfied customers are with Systembolaget. The total index is an average value obtained from responses to the following three questions:

- How satisfied or dissatisfied are you with the Systembolaget store, overall?
- How well does the Systembolaget store live up to your expectations?
- How close to or far from ideal do you think that the Systembolaget store is?

The customers' answers, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an external consultancy company to conduct the survey. The survey base comprises a total of approximately 40,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported once a year.

Dividend per share

Proposed/distributed dividend divided by the average number of shares.

Earnings per share

The net profit/loss for the year divided by the average number of shares.

Employee Satisfaction Index – NMI

The ESI measures how satisfied employees are with Systembolaget as an employer. The total index is a median value obtained from responses to the following two questions and two statements:

- How satisfied are you, generally speaking, to be an employee in your workplace?
- How close to or far from ideal is your workplace?
- I feel motivated in my work.
- I always look forward to going to work.

The employees' responses, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an external consultancy company to conduct the survey. All Systembolaget employees complete the survey. The ESI is measured and reported once a year.

Equity/assets ratio

Shareholders' equity as a percentage of the Balance Sheet total.

Ethical labelling

The product requirements are designed to ensure fair working conditions for the people involved in all stages of the product's entire manufacturing chain. Ethical certification bodies include Fairtrade and Fair for Life.

E-service

Service provided and conducted electronically over the Internet.

Global Compact

A UN initiative and framework for sustainable enterprise. Global Compact is based around ten principles

within the following four areas: human rights, labour conditions, the environment, and anti-corruption.

GRI – Global Reporting Initiative

A global network that issues a framework with guidelines for sustainability reporting.

Gross margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

The Holder Report

An international group of researchers headed by Harold Holder at the Prevention Research Center at Berkeley, California, was commissioned by the Swedish National Institute of Public Health to study the effects if Systembolaget's monopoly on retail sales of alcohol were to be abolished. Source: Alcohol Monopoly and Public Health: Potential effects of privatization of the Swedish alcohol retail monopoly. Harold Holder et al. Swedish National Institute of Public Health, 2007, updated by Thor Norström with figures for 2006.

ILO

International Labour Organization

Income/net sales

"Income" within the Group and "net sales" within the Parent Company comprise income from goods sold and services provided that form part of Systembolaget's core operations.

Independent

A Member of the Board who is, according to the Nomination Committee, to be regarded as independent in relation to the company and the company management.

Operating margin

Operating profit/loss as a percentage of income.

Opinion index – OPI

The Opinion Index measures the percentage of the Swedish population who wish to retain Systembolaget and the monopoly on retail sales of strong beer, wines and spirits. The survey base is asked to respond to the following question:

- Do you think that Systembolaget and the monopoly on the sale of strong beer, wines and spirits should be retained, or would you prefer strong beer, wines and spirits to be sold in other stores? Systembolaget engages an external consultancy company to conduct the survey. A total of 1,500 random-

ly selected individuals aged between 15 and 74 are interviewed every month. The Opinion Index is measured and reported every month.

Organic labelling

Minimum requirements that the product must meet to comply with the requirements for classification as organic cultivation or process in accordance with the EU statutes, 834/2007 and 889/200.

Product wastage

Wastage of goods, as established during stocktaking, pro mille of income.

Return on capital employed

Operating profit plus financial income as a percentage of the average capital employed.

Return on shareholders' equity

The net profit for the year as a percentage of average shareholders' equity.

Shareholders' equity per share

Shareholders' equity divided by the number of shares on the closing day.

SoRAD

The Centre for Social Research on Alcohol and Drugs, at Stockholm University.

Stock turnover rate

Income divided by the average stock value at sale price.

Supplier Index - SI

The Supplier Index measures how satisfied Systembolaget's suppliers are and provides a summary of:

- Drinks suppliers' overall satisfaction with Systembolaget.
- Their perception of the way in which their relationship with Systembolaget works at present.
- What suppliers regard as important in terms of their relationship with Systembolaget.

SVL

Industry organisation – the Swedish Spirits & Wine Suppliers Association

Wastage

Wastage, as established during stocktaking, pro mille of income, including both product and cash wastage.

Work productivity

The number of work units processed (packs after weighting per product group) per day's work (8 hours).

Ten years in brief

	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Sales per head of population aged 15+, by product group (litres)										
Spirits	2.4	2.6	2.6	2.5	2.5	2.5	2.5	2.6	3.0	3.2
Wine	24.2	24.1	23.3	21.6	20.9	19.9	19.1	18.7	19.2	18.6
Strong beer	28.7	28.9	29.0	27.5	27.1	25.9	23.9	23.3	24.3	23.3
Cider & mixed drinks	2.4	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.5	2.3
Non-alcoholic	0.2	0.2	0.13	0.11	0.11	0.10	0.10	0.09	0.07	0.06
Total as pure alcohol	5.8	5.8	5.8	5.4	5.3	5.1	4.9	4.8	5.1	5.0
Sales in millions of litres, by product group										
Spirits	19.4	20.0	20.1	19.1	19.3	18.9	18.8	19.2	22.1	23.3
Wine	191.0	187.9	181.4	166.5	159.5	150.5	143.0	138.7	141.8	136.5
Strong beer	227.1	225.8	226.9	212.4	207.1	195.7	179.0	172.9	179.1	170.5
Cider & mixed drinks	19.1	19.3	19.4	18.5	18.1	18.3	17.0	16.8	18.7	17.1
Non-alcoholic	1.7	1.3	1.0	0.9	0.8	0.7	0.7	0.7	0.5	0.4
Total as pure alcohol	45.6	45.5	44.8	41.6	40.5	38.4	36.4	35.6	37.4	36.4

Annual General Meeting

The Annual General Meeting of the company's shareholders will be held in Stockholm on 19th April 2012.

Financial calendar 2012

27th April 2012	Interim Report, January – March 2012
10th August 2012	Interim Report, January – June 2012
26th October 2012	Interim Report, January – September 2012
15th February 2013	Preliminary Financial Statement, 2012

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