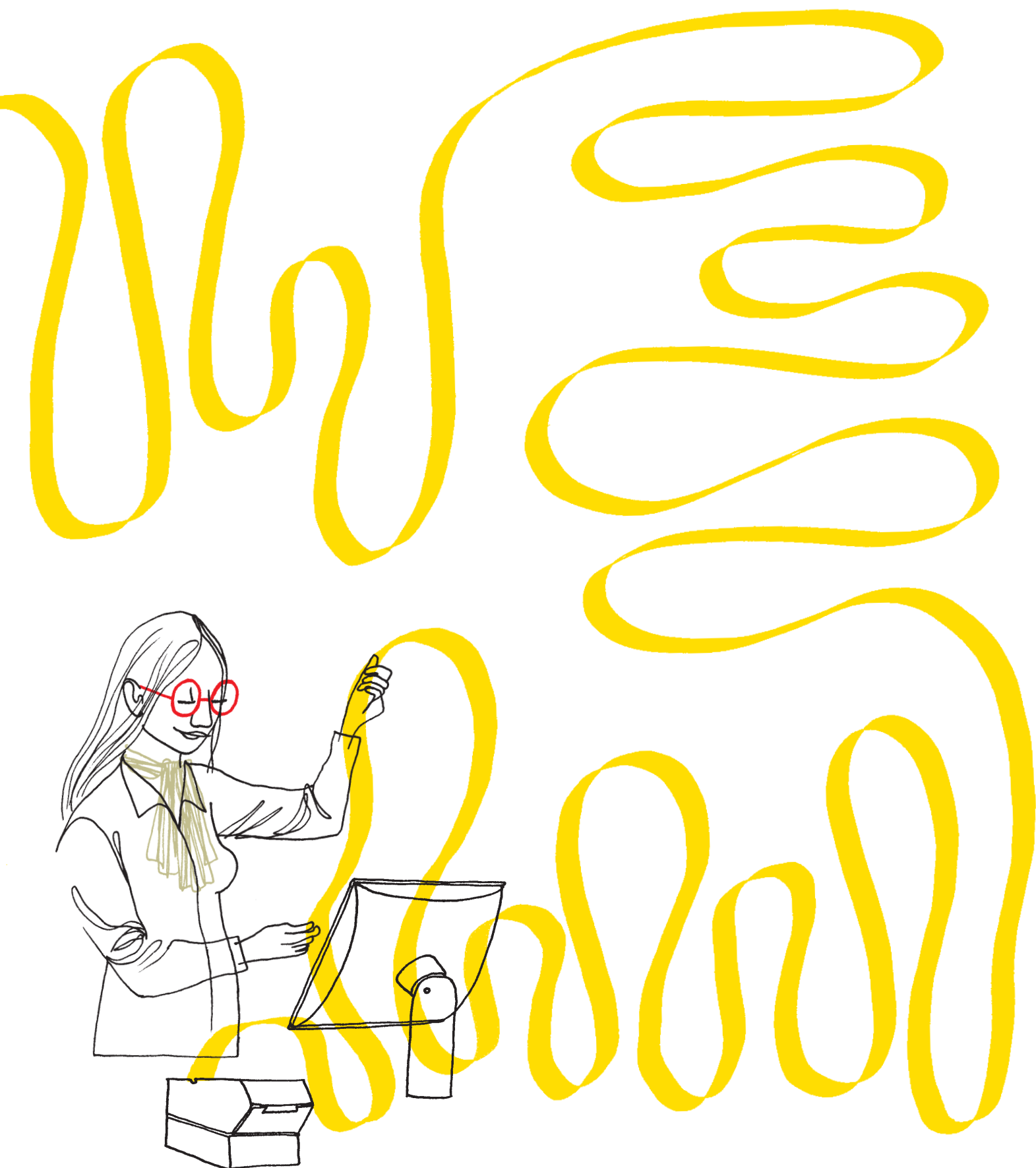


# Annual report 2004.

With tables and diagrams of statistics on Systembolaget sales.



# 2004 in brief

Stores	417
Local agents	576
Brands stocked (including brands available to order)	6,154
Sales of wine, 1,000s of litres	138,700
Sales of spirits, 1,000s of litres	19,200
Sales of strong beer, 1,000s of litres	172,900
Customer visits	96.1 million
Customer visits, Saturdays	12.9 million
Peak sales day during year	Thursday, 24 June – 917,000 customers
Employees	4,893
Sales, MSEK (Group)	17,708
Profit, after financial items, MSEK (Group)	240

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PHOTO MAGNUS SKOGLÖF

# Limiting the damage caused by alcohol – the reason we exist

Alcohol consumption in Sweden continued to rise in 2004, and now averages 10.5 litres (measured as pure alcohol) per person over 15 years of age. This is the figure calculated by SoRAD (the Centre for Social Research on Alcohol and Drugs at Stockholm University). Both personal imports by travellers and illegal imports have risen sharply.

Systembolaget's sales, as a share of total alcohol consumption in Sweden, declined from 49 per cent in 2003 to 46 per cent in 2004.

The rise in personal and illegal imports resulted from changes in rules on personal imports, cuts in alcohol taxes in Denmark and Finland, and low taxes in Germany and the Baltic States.

Systembolaget sold 348.3 million litres of beverages in 2004. This was down 3.9 per cent on sales in 2003, and a reversal in the trend of the past few years. Measured as pure alcohol, sales fell by 4.8 per cent.

In our stores, we have successfully brought our costs into line with our lower sales. At head office, we have followed up with an efficiency programme, which is intended to produce long-term annual savings of MSEK 120 and a reduction of around 80 personnel at the organization. Our efforts already started producing results in 2004.

The year was also dominated by preliminary investigations by the public prosecutor. Two years have passed since we reported a number of store managers and suppliers to the police – two stressful years both to the company and our personnel. Prosecutions have been brought, and our hope is that soon we can put all this behind us and look to the future.

Despite the major strains in the organization, customer satisfaction rose on all points relating to service and the in-store product range. Falling back a few points in our trust ratings was to be expected. At the same time, we worked hard to restore confidence in Systembolaget, and it is satisfying to be able to report that towards year-end, our opinion poll index was again heading towards the same heights as in early 2003.

We are looking forward to the future optimistically, despite many external threats. These are both of our own making – in the form of the public prosecutor's investigation – and beyond our control – for example, import allowances, tax differentials and EU issues like the Service Directive and personal imports. Another potential threat is posed by the case at the European Court of Justice against the Swedish government-owned Apoteket AB's monopoly on retailing of pharmaceuticals in the Swedish market. In view of the rising consumption of alcohol in Sweden, our mission is more important and more relevant than ever.

Alcohol policy is constantly being debated, both in Sweden and in the EU, and we must accept that alcohol and public health issues will always conflict with the EU's ambitions to strengthen the mechanisms of the free market. What is important is that the debate should be balanced, and that Sweden's alcohol opt-out should be valued as being just as necessary and important as free trade.

Systembolaget has clearly come out in favour of a reduction in tax on alcohol, in line with the proposals of the Alcohol Import Commission. This is in the light of the knowledge that people buy considerably more when they shop abroad than they would have done at Systembolaget. As a result, large quantities of cheap alcohol are stockpiled at home, leading directly to higher consumption. We are also aware that smuggling, illegal reselling and peddling have increased dramatically.

A study of developments in Finland reveals that, broadly speaking, lowering alcohol taxes leads to a redistribution of, rather than a general increase in, consumption. But this fact cannot be considered in isolation. New ideas and a coordinated effort will be needed if we are to slow the rise in alcohol consumption. We have taken the initiative in building up fresh momentum in the direction of moderation and individual responsibility. We hope to see the fruits of this effort in 2005.

The current year will be an important and exciting one at Systembolaget. We will be concluding our internal investigation of the organization and, once and for all, will put the results of the preliminary investigation and suspected bribery behind us. Our plan is clear. A fresh start will start off a series of activities involving everyone in the Company.

We will be focusing on our assignment – the reason for our existence – and our mission. Together, we will learn from what has happened and lay the foundations for a corporate culture founded in shared ethics and values. Within Systembolaget, and the concept on which the organization is based, lies a tremendous force for good. That force must again be allowed free rein, to assume a stronger role than ever before.



Anitra Steen  
President

# This is Systembolaget

The government-controlled alcohol monopoly originated in Sweden in the mid-19th century. Today, similar monopolies exist in Norway, Finland, parts of Canada and several states in the USA.

The basic concept is to eliminate the motive of private profit from the sale of alcohol. Without the motive of private profit, there is no reason to try and persuade customers to buy as much as possible, and there is no reason to sell alcohol to minors either.

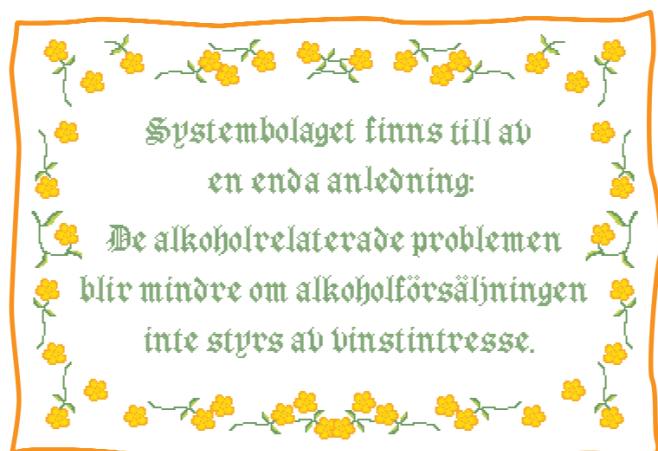
This principle has been highly effective in practice. Alcohol consumption in Sweden, having been among the highest in Europe in the early 19th century, is today among the lowest.

Even if consumption has risen sharply in recent years – mainly through higher personal import allowances and changes in drinking habits – alcohol related problems in Sweden remain considerably lesser than in comparable countries without an alcohol monopoly.

However, since Swedish entry into the EU, the monopoly can no longer be taken for granted. It will only continue to exist for as long as a majority of the country's population support it. For that reason, it is important that we should do everything we can to ensure that customer satisfaction continues to increase.

We must make our customers feel that we offer something more – and something much better – than the alternative (sales of alcohol in ordinary shops).

Having a monopoly is a good start. It means we can maintain a broader product range, stricter quality control and better trained personnel than anyone would be capable of in a competitive market.



#### Top left

Systembolaget exists for but one reason: Fewer alcohol-related problems arise when alcoholic beverages are sold without focusing on profit.

#### Top right

*Our business concept.* We shall sell alcoholic beverages and lead the development of a positive drinking culture. We shall exceed our customers' expectations by constant expansion of our assortment, knowledge, service and responsibility.

#### Bottom left

*What distinguishes us.* We do not maximise profit nor do we use add-on sales. We are brand-neutral and do not show special favor towards nor do we discriminate against any supplier.

#### Bottom right

*Our vision.* We strive to develop a positive drinking culture in which our products can be enjoyed without customers hurting themselves or others.



# Broad product range

Our range of products must be broad, well-rounded and in line with what our customers demand. To develop and broaden our range, we bring in around 1,000 new products a year, sometimes even more. In 2004, we launched altogether 1,623 new articles.

Our buyers select a number of interesting quotations for every new product we are to introduce. Then every one is tested by our experienced tasters. Having assessed flavour, bouquet and colour, they then choose the product offering the best value for money.

Today, our product range is actually one of the broadest in the world. It is made up of a regular and a temporary stock. The regular stock, refreshed with new products twice a year, consists of around 2,000 wines, spirits and beers from some 40 countries.

The temporary stock is made up of seasonal products and non-reorderable lots and is renewed nine times a year. Each time, around 100 articles are added. We also have a range of some 3,500 articles that are available to order.

What is available will, of course, vary from store to store, but anything not stocked can be ordered. In most cases, the order will arrive in the store the next day. The most popular articles of all – approximately 400 products of various kinds – are permanently stocked in every Systembolaget store.

We have two Wine Cellar stores, one located on Regeringsgatan, central Stockholm and the other at the Hansacompagniet site in Malmö. The stores carry our entire range of wines priced above SEK 100, and every type of spirit drink. They also have a luxury range of several hundred specially selected wine and spirit brands. Gothenburg is also to have a Wine Cellar store in the near future.

We also have our own laboratory, where we test both new and long-serving products. Every year, we go through the entire range to make sure quality is being maintained. We also test the new articles that we introduce.

This work is not apparent from the outside, but it means that customers can rely on a wine tasting just as good every time.





# Nationwide store network

Systembolaget must be within easy reach. That's why we have 417 stores throughout the country, all of them open on Saturdays. More and more of our stores are being converted to the self-service concept to make customer visits both more pleasant and easier.

Today, 196 stores are self-service. Our aim is that within a few years the vast majority of Systembolaget stores will be based on the new concept.

We have also devised a new mini-store concept to complement our other store formats. Mini-stores are also based on self-service and carry our 400 top-selling products. The first two stores of this type are in Nykvarn, ten kilometres west of Södertälje, and Ramsele, 50 kilometres northwest of Sollefteå.

We opened two new stores in 2004: at Rotebro and Arninge, both north of Stockholm. During the year, we also completed our programme of upgrading around 200 of our earliest stores. The programme began in 2003.

In many remote communities without a Systembolaget store, there is a local agent, often a country shop or some other kind of store. These agents take orders for articles from our entire product range, in many cases for next-day delivery. The ordering service is free of charge. Systembolaget has a total of 576 agents in remote communities.

Our Website – at *systembolaget.se* – is a rich source of useful information regarding opening hours, which goods are in stock at local stores, and a whole lot more. The site also has a section devoted to inspirational ideas, including many mouth-watering recipes and suggestions for suitable drinks to go with them.



# Expert knowledge

What is most important about our stores is not actually the quality of the premises, it's the kind of people who work there – and what they know. This is partly because our people are very highly trained, and partly because most are passionately interested in food and drink.

Systembolaget opinion polls show year after year that our personnel get top marks for product knowledge and quality of advice.

Our personnel receive ongoing training via tastings, training packages, courses and study trips, to maintain continuous improvement. In 2004 alone, another 52 members of Systembolaget personnel qualified for an Advanced Certificate from a self-study theory-based course in product knowledge organized by an independent training institute in London.

Seven members of Systembolaget staff also hold the institute's Diploma, the beverage industry's second highest qualification. The next step up is Master of Wine, a title that not many people worldwide – and none yet in Sweden – are qualified to use.

Our trained staff also run the product tasting sessions on various themes that we arrange in the evenings for our customers in 36 stores.

We have now also started holding drinks auctions, through which we make collectible wines and other rare products available to interested customers in Sweden. The auctions are held in association with the auction house Stockholms Auktionsverk. Valuations of the valuable collectible items are performed by Systembolaget's own valuers.

Our quest is to become even better at sharing all the expert knowledge we have. We will strive to become better at informing about, and inspiring, choices. And we will make every effort to become even better at taking the time to listen.



# Social responsibilities

But the most important part of our work is actually not what we do, but what we do not do. We do not sell to just anyone. Not to anyone less than 20 years of age. Not to anyone who is obviously under the influence of alcohol or other intoxicant. And not to anyone whom we suspect will sell the goods on.

We do not engage in any active marketing, and do not try and persuade customers to buy more than they had intended.

Age verification in particular is an extremely important part of our work. We strive constantly to make age checks more effective. For example, it is standard procedure to ask anyone who looks less than 25 years of age to show evidence of their identity.

Originally, we carried out our own checks. Now we employ external resources, to ensure a higher level of consistency in the checks we carry out. Age verification has now also been extended to our local agents.

We will also continue to provide information on the downside of alcohol; for example, why it is dangerous during pregnancy, at the wheel and at sea. And we will take the initiative in coordinating efforts to slow the rising consumption of alcohol in Sweden.

When we talk about “promoting a healthy drinking culture”, this does not mean discussing what is right or wrong to drink, or only recommending expensive wines. What we are aiming at is to try and inspire more people to take an interest in what they are drinking, to focus on quality rather than quantity.

Our contribution will be knowledge both of the flavour characteristics of the drinks we sell and their effects on health. And we are persuaded that the more people know about our products, the better equipped they will be to deal with them.



# Organization

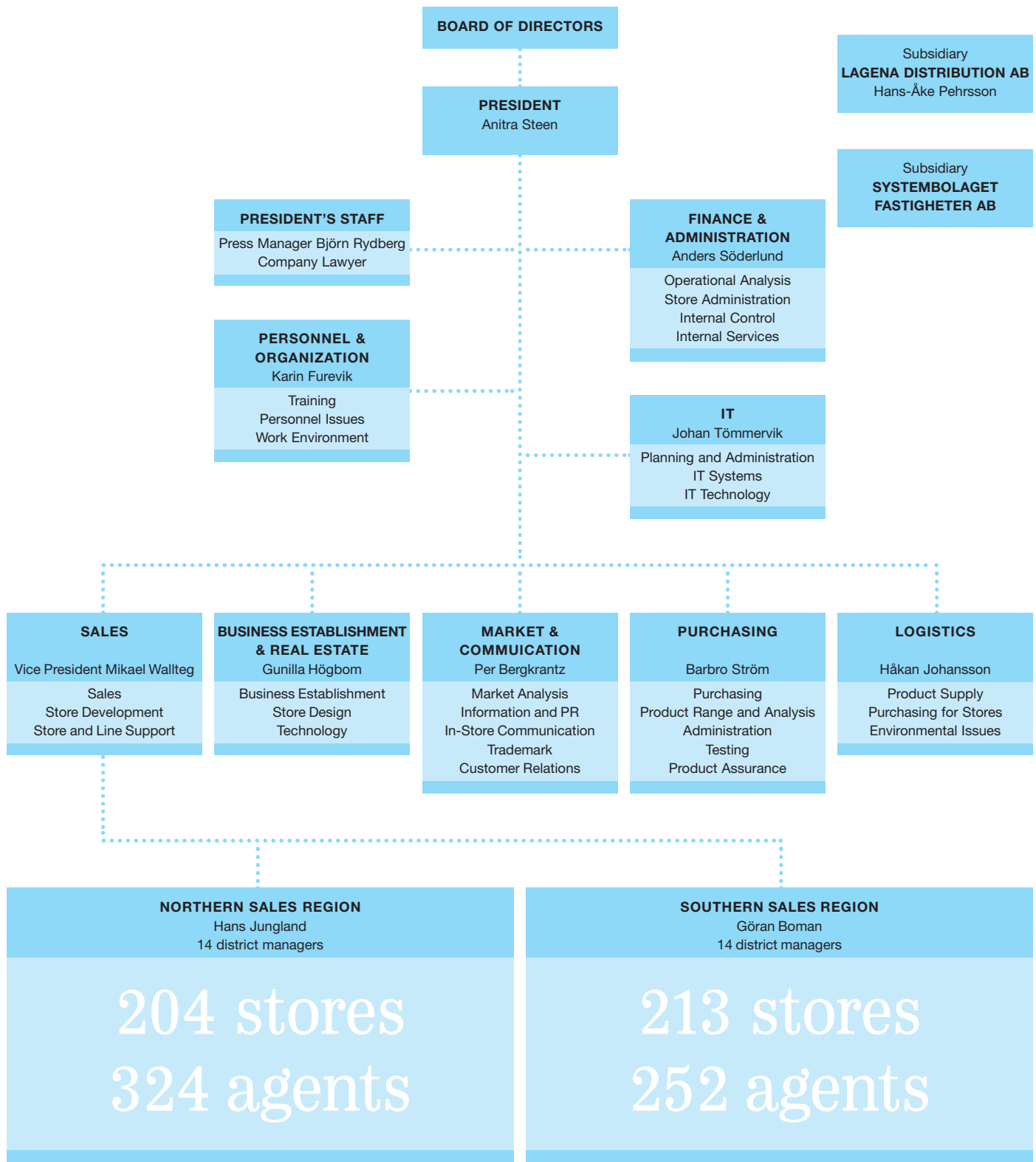




PHOTO MAGNUS SKOGLÖF

# Management

## Left to right

**Håkan Johansson**, Logistics Director, **Johan Tömmervik**, IT Manager, **Björn Rydberg**, Press Manager, **Gunilla Högbom**, Real Estate Director, **Mikael Wallteg**, Vice President, **Karin Furevik**, Personnel Director, **Anitra Steen**, President, **Anders Söderlund**, Finance Manager, **Barbro Ström**, Purchasing Manager, and **Per Bergkrantz**, Marketing Manager.



# Administration Report

The Board of Directors and the President of Systembolaget AB, corporate registration number 556059-9473, hereby present their annual report and consolidated financial statements for the financial year 1 January 2004–31 December 2004.

## Agreement with the State and the State's owner's directive

Systembolaget AB is a limited liability company wholly owned by the Swedish State. Sweden's Alcohol Act lays down that there shall be a special company (a retailing company), owned by the State, for the retailing of spirits, wine and beer. Systembolaget is the retailing company thus designated.

According to the State's owner's directive, Systembolaget's monopoly on the retailing of alcoholic beverages serves a socio-political purpose and this monopoly is intended to limit the availability of alcohol through control of the establishment of stores and their opening hours, and through rules on selling.

The Directive states inter alia that profit maximization may not be an aim of the organization. The Company shall conduct its operations in a financially efficient way. In setting its trading margin, Systembolaget must observe the requirement that it must cover its costs and deliver to the State a yield that accords with its return on capital objectives.

The Company must in the long term achieve a return on its adjusted equity that is equal to the yield on ten-year bonds, plus four percentage points. The owner's directive also states that Systembolaget should maintain an equity/assets ratio of around 30 per cent.

Dividend should amount to at least 50 per cent of the Company's profit after tax, unless this conflicts with the Swedish Companies Act or the Company's return on capital objective. If the return achieved should persistently exceed Systembolaget's return on capital objective, this should in the long term benefit customers via a downward adjustment of the trading margin.

## Operations relative to owner's directive

	2004	2003	2002	2001	2000
Return on equity (Group)	11.5%	9.8%	10.8%	11.0%	10.1%
Owner's directive	8.4%	8.6%	8.3%	8.1%	8.4%
Trading margin, excl. alcohol taxes	25.2%	25.1%	25.5%	26.7%	27.7%
Equity/assets ratio (Group)	39%	33%	30%	36%	31%
Owner's directive	30%	30%	30%	30%	30%
Dividend as % of Group profit after tax	51%	144% *	56%	60%	74%
Owner's directive, minimum	50%	50%	50%	50%	50%

\*Includes dividend approved at EGM

## Strategic direction

Systembolaget is engaged in a wide-ranging programme of development. The aim is to develop and refine our alcohol policy mission, while maintaining the best possible quality of service to our customers, in order to secure stable long-term public opinion support for the organization.

The Company is continuing to establish new stores and to convert existing stores to self-service on the basis of annual decisions by the Board. Stores are being updated via a new colour scheme and visual profile to meet customer wishes for a more welcoming and more open store environment.

At year-end 2004, Systembolaget had 417 stores in 323 communities and 4,893 employees. It also had 576 local agents to take orders from our customers for later collection.

The strategic starting-points for the business may be summarized as follows:

- Our rules on selling must be respected: alcohol may only be sold to:
  - customers aged above 20 years
  - customers not obviously under the influence of alcohol or other intoxicant
  - customers not suspected of intending to sell on alcoholic products.
- Our product range must be extensive, quality-tested and must also meet the demand from small groups of consumers.
- The whole of our product range must be available throughout the country. The product range stocked locally may vary according to location and demand.
- We will be brand- and supplier-neutral in our product provision.
- Our customers will enjoy a pleasant buying experience and a quality of service at least as high as in other parts of the retail sector.

The structure of the strategic plan and the annual business plans as to view operations

from four different perspectives – *public/social, customer, personnel and financial* – to meet the demands of Systembolaget's assignment, owner's directive and agreement with the State. In each perspective, strategic key performance indicators have been established.

## Public

This perspective is based on Systembolaget's social responsibilities. Systembolaget's retail monopoly has an important role to play in the sale and distribution of alcohol, in minimizing the private profit motive and competition, which increases alcohol consumption and the damaging effects of alcohol. Another objective is, through effective age verification, to restrict access to alcohol by under 20 year-olds.

## Customer

Systembolaget is to be perceived by its customers as a leading retail organization, in terms of its product range, expertise, service quality and responsibilities. In view of the demands from its owner and the market, it is important for the Company to operate on a commercial basis. This means that the customer will continue to be at the centre.

However, a more commercial approach does not mean that Systembolaget will strive to grow sales by marketing alcoholic beverages.

## Personnel

Systembolaget should be an attractive place of work and should offer its employees good opportunities for development.

To operate successfully, Systembolaget must have efficient and committed personnel, and must be able to attract, retain and develop motivated employees.



## Financial

The business must be profitable and must create scope for the Company's development and renewal. It must also generate a return on equity in line with the owner's requirements. Profitability is to be achieved through operating efficiency, without compromising customer demands for good service.

## Performance measurement

For every one of these perspectives, the Board has set overall performance objectives. To measure progress and achievement in reaching these goals over the years, a number of strategic key figures have been defined for the Parent Company. In 2001, assessments were made to set the baseline for each key figure. The strategic plan establishes a performance level for each key figure in 2007.

### Summary of perspectives, key ratios and objectives

*For definitions of key ratios, see page 30*

Perspective	Operational key ratio	2004	2003	2002	2001	Objective 2007
Public	Public opinion index*	53%	55%	50%	49%	57%
	Age verification rate*	84%	83%	79%	80%	88%
Financial	Trading margin, excl. alcohol taxes (Parent Company)	25.2%	25.1%	26.1%	27.1%	25.0%
Customer	Customer Satisfaction Index (CSI)	73	73	73	71	76
Personnel	Personnel Satisfaction Index (PSI)	69	69	68	68	73

*\* Average for the past 12 months.*

These key ratios are monitored and reported on at regular intervals. The results in each category are specifically applied as the basis of the prioritizations to be adopted over the next few years. Since 2001, all key ratios have shown a positive trend.

It is noteworthy that CSI (Customer Satisfaction Index) surveys indicate that customers welcome the shift to self-service, and particularly emphasize Systembolaget's social responsibility as a value to be given prominence.

Customers also state that Systembolaget delivers better service than the big supermarket chains and that its employees are more knowledgeable and more service-minded. Our stores are also rated more highly.

Every month, we survey our customers and the population in general to ascertain whether in their view the monopoly should continue to exist, or whether the sale of alcohol should be allowed in other retail outlets. Since we began surveying public opinion on this issue, support among the population has increased. In 2001, 49 per cent wanted the monopoly to continue, while three years later, support has risen to 53 per cent.

## Internal controls

Systembolaget's work of internal controls aims to identify, assess and minimize elements of risk in the business. This work consists of both preventive and supervisory functions. In essence, all preventive controls depend on a healthy culture – on people wanting to do right. What is the right behaviour and what is wrong must also be clear.

To reinforce further preventive controls, we strive at all times to develop and

refine our routines, so it is easy to do right and at the same time it is difficult or impossible to do wrong. Compliance with routines is monitored closely at all levels, in order to identify deviations quickly and effectively.

The Board is actively involved in work on internal controls and has established not only an ethics programme but also general principles determining how any contravention of rules and policies are to be judged.

## Operations during 2004

The year was largely dominated by the report by Systembolaget to the police in January 2003, and the consequences leading from that report.

In January 2003, Systembolaget revealed, via extensive internal investigations, breaches of the Company's internal rules on contacts between suppliers and store managers.

The result was that ten store managers were either dismissed or left the Company by agreement. Because criminal activity could not be ruled out, a report involving seven store managers and three suppliers was made to the police.

The background is that Systembolaget must operate in a brand-neutral way. No any one brand or product may be favoured or discriminated against. Our product range must be determined by customer demand, and nothing else. A policy on supplier contacts has been adopted to ensure identical treatment for all suppliers.

The public prosecutor found that suspicions of bribery and corruption existed, and decided to open a preliminary investigation. Systembolaget has provided the police with internal material and documentation throughout.

An Ethics Council was established and supported the Company in preparing grounds for assessment under Swedish labour law regarding breaches of the Company's rules and policies. The Council also assisted in updating the documents and guidelines involved in Systembolaget's work on ethics and values.

Proceedings at the Swedish Labour Court between Systembolaget and HTF (the Swedish Salaried Employees' Union) concerning the seven store managers who were dismissed in spring 2003 for breaches of internal rules and policies ended in a settlement in May 2004.

One dismissed store manager, a member of the Ledarna organization for managers, had taken proceedings against Systembolaget at Stockholm City Court, but decided to retract his contestation of his dismissal and claim for damages.

Systembolaget has begun a programme to restore public trust in the Company. Every member of personnel will be investigated.


On behalf of the Board, a lawyer from outside the Company investigated the managers at head office, and other key individuals. Some 98 members of personnel were affected. Around 10 had dubious contacts with suppliers and four members of head office personnel received warnings.

No actions were found necessary following investigation by the management of other head office personnel. Store personnel will be investigated once the prosecution is complete.

The report on the preliminary investigations was delivered to the Anti-Corruption Unit at the Public Prosecutor's Office in September 2004. The report, which was confidential until the prosecution began, involved 77 individuals, employees and former employees, at Systembolaget and 15 employees of three suppliers. In the case of 21 individuals, the public prosecutor had closed preliminary investigations. The essential aspects of the preliminary investigations were disclosed to all suspects, but not to Systembolaget.

[illegible]


Hej alla nyliberala!  
Vi vet att ni inte vill höra  
våra argument för monopolet,  
så här är en historia om  
John D. Rockefeller:



Han kom på vatten och fastfrysning argt illt.  
Men John D. Rockefeller var inte en så  
enligt välgörande, starkt samhällsengagerad,  
och en lika rik förfolgar var.  
Han gick ner de alkoholiserade  
premiärer som sål en miljon 7.  
"När man har blivit för i Amerika  
som Rockefeller inte var avsedd. Det fick ju  
bara monopolet att gå under fötterna.

John D. Rockefeller  
1839-1920

starkt ökade sig nya premiärer. [Här var det bara John G. Thompson.]  
starkt Rockefeller hade sig för att gå en insatta. Han förmådde inte  
jättligt, skulle en alla olika sätt att sälja alkohol, som eftermiddag  
är framställning och analys för en betydligt mer.  
"Det bästa är att inte sälja en starkt monopol".  
Rockefeller började också försöka skicka samhället i USA.  
Det varkligt blev försvinnande av samhället, en kapitalist som ville  
"en betydligt mer". Han hade en annan, att vara det enda, betydligt till.  
Det var en vilken kraft, som inte var en ett försvinnande, är det. Det var en  
företag som försvann till en så mycket mer, men inte bara.  
En så stark var på den andra sidan och blev inte en betydligt till  
betydligt om man är en starkt alkoholmonopol.  
Det kan Rockefeller vara en starkt förfolgar.



Rockefeller

[illegible]

However, the Company was informed of the names of all 77 individuals comprised by the preliminary investigation. Twenty-three had already left the Company. Thirty-three had been sent home, having themselves advised the Company of the suspicions against them. The remaining 21 employees were sent home following discussions.

- Systembolaget's fight against corruption in the industry is based on four strategies:
1. Reporting suspected criminal activity to the police and collaboration with the police and public prosecutor in exposing bribery and corruption.
  2. Sanctions under labour law against personnel who have contravened the Company's rules and policies, including the acceptance of bribes.
  3. Sanctions under civil law against suppliers for breaches of supplier contracts, by the company's employees, including the offering of bribes to Systembolaget employees.
  4. Measures to achieve an ethics-based organization with a strong corporate culture.

## Public

One of Systembolaget's most important duties is not to sell to young people aged less than 20 years. Tests to check the effectiveness of in-store age verification are conducted continuously. Checks are also made at Systembolaget's local agents.

Age checks are now to be made even more effective. Procedures will be developed and local agents will be given support and training. Our goal for 2004 is that evidence of identity should be requested during at least 88 per cent of verification visits – both in the stores and at local agents.

## Advertising

The 2003 advertisements were in 2004 awarded a “Golden Egg” in the Guldägget (Golden Egg) Competition organized by Sveriges Reklamförbund (the Swedish Association of Advertisers). To quote from the jury’s commendation: “Advertisement after advertisement presented an honest and thoughtful person arguing his or her case sensitively and logically, with the result that even the most stubborn opponent of the government monopoly to some extent sees the light of solidarity”.

### Support for alcohol research

The Council is prioritizing research with particular relevance to the area of prevention of damage by alcohol. The Council, which operates autonomously from Systembolaget, includes representatives from both society at large and the alcohol research community.

Every year, the Council raises current alcohol research issues at an alcohol research conference. The topics addressed in 2004 included alcohol and pregnancy, the consequences of a free market in services in the EU, and stress and alcohol.

#### *Alcohol and health brochure*

Systembolaget launched a brochure entitled “Alcohol & health – the facts, advice and myths” in the spring. The brochure, part of a campaign to develop communication about responsibilities, has information on everything that may be useful to know about alcohol and health issues. For example, why it is better to put off the first drink for as long as possible, how the body is affected by alcohol, whether drinking spirits make people fat, alcohol and pregnancy, alcohol and allergies, and the myths about alcohol.

Through the brochure, Systembolaget means to raise the level of awareness, to enable everyone to draw their own conclusions. The brochure was a great success and the first edition of 200,000 copies quickly ran out. A new edition was printed in the autumn.

#### *Environmental issues*

In 2004, Systembolaget began a survey of the Company’s environmental impact and drew up its first environmental report. The report presents all the environmental issues relevant to Systembolaget, and information on all aspects of the Company’s environmental impact.

An initial ambition is to apply a key ratio to each focus area and to communicate other important information and details of progress in the environmental area.

Our organic range continues to expand. We are stocking more products and sales increased during the year. Now every store has at least one organically produced red and one organically produced white wine in stock. Organic products are also indicated more clearly in our Product Directory and stores.

Most materials specified in the Company’s store programme and used in the stores comply with environmental recommendations. Systembolaget is constantly evaluating the materials still used that have a fairly high environmental impact. Materials for which environmentally friendlier alternatives are available are gradually being replaced.

In 2004, the Company began measuring emissions generated by transport of customer orders from the goods depot at Örebro. A project to coordinate goods transport in Bohuslän during the summer of 2004 was instrumental in reducing carbon dioxide and other emissions.

Recycling centres in all stores collected and reclaimed 5,321 tons of corrugated paperboard, 227 tons of paper and 234 tons of plastic.

Of waste products collected, around 95 per cent was delivered for recycling and 3.1 per cent for energy generation. Just 1.9 per cent was deposited in landfill sites.

At Jordbro, south Stockholm, Systembolaget has a crusher unit that deals with returns by separating content from packaging. During the year, the unit dealt with 302 tons of glass, 300 tons of cartons and 33 tons of aluminium cans, producing 513 cubic metres of liquid. Both packaging and liquid are recycled.

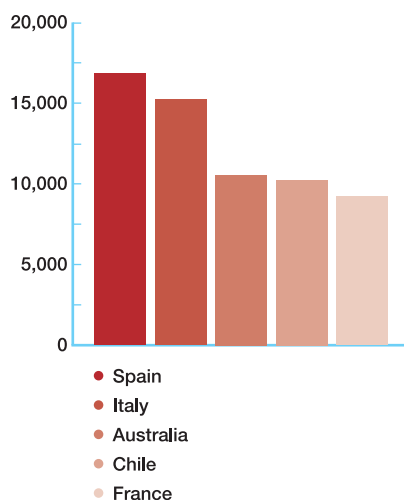




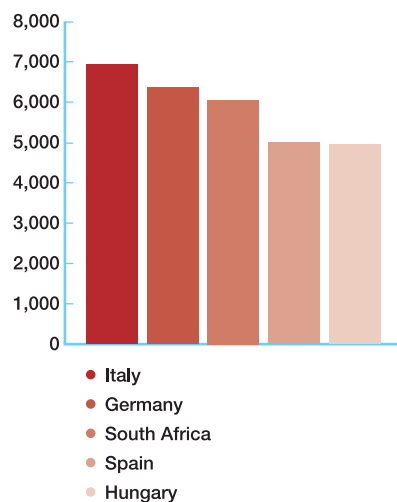
Systembolaget sales of spirits per product category, thousands of litres

Product category	2004	Change
Aperitifs/ bitters	260	-13.8%
Unspiced vodka	6,134	-14.3%
Spiced vodka	1,769	-14.4%
Gin	1,159	-16.8%
Armagnac, Cognac, Brandy	662	-19.7%
Rum	354	-6.3%
Swedish (Arrack) Punsch	195	-12.8%
Whisky	6,952	-11.6%
Liqueurs	1,419	-10.2%
Other spirits	322	1.2%
<b>Total</b>	<b>19,226</b>	<b>-13.0%</b>

Systembolaget five top-selling red wines per country of origin in 2004, thousands of litres



Systembolaget five top-selling white wines per country of origin in 2004, thousands of litres



The crushed glass is used to produce insulating material, the cartons are classified as paper packaging and the cellulose fibre is sorted and re-used in paper mills, while the aluminium cans are taken to smelters and used in the automotive, building and other industries. The liquid is released into the sewage system, where it aids the biological processes in the local sewage treatment plant.

Alternative arrangements for the liquid are being discussed with Stockholm Vatten (Stockholm Water). One possibility is in future to use the liquid in digesters in the production of biogas.

## Customer Sales

Systembolaget sold 348.3 (362.3) million litres of beverages in 2004. This was a fall of 3.9 per cent over sales in 2003. Measured in pure alcohol, sales decreased by 4.8 per cent to 35.6 (37.4) million litres, a clear decline and a reversal of the trend of the past five years.

Sales for the Parent Company were down in 2004 as a result of the volume decline, to MSEK 17,708 (18,985), or by 6.7 (+0.9) per cent.

The main reasons for the reduction in sales were higher personal imports as a result of increased personal allowances, low taxes in the Baltic States and Germany, tax cuts in Denmark and Finland, and, as a result, an acceleration in illegal sales of legally imported or smuggled goods.

Alcohol consumption in Sweden continued to rise in 2004, and now averages 10.5 litres, measured as pure alcohol, per person over 15 years of age according to calculations by SoRAD (the Centre for Social Research on Alcohol and Drugs at Stockholm University). Systembolaget's share of total alcohol consumption in Sweden, declined from 49 per cent in 2003 to 46 per cent in 2004.

Sales in all product groups declined, apart from those of mixed drinks, which rose by 9.5 per cent, and alcohol-free drinks, which increased by 20.1 per cent. Sales of wine ended the year at a total of 138.7 million litres. Sales of wine in the bag-in-box and paperboard packaging formats rose to 61 (57) per cent of total sales. The increase here has therefore levelled off to some extent compared to the trend of the past five years.

Spain is the biggest supplier of wine to Sweden, in terms of volume, closely followed by Italy. However, both countries saw sales fell substantially during the year, mainly to South Africa and Australia, which saw sales rise strongly, pushing Chile down into sixth place. Other countries with percentage increases in sales were the USA and Portugal.

Sales of red wine were down 2.1 per cent from sales in 2003. The main decline was in wines selling for up to SEK 59 per bottle. Sales of bag-in-box wine are still rising, and now account for 54 (50) per cent of red wine sales. An increase was also noted in sales of red wines priced per bottle at SEK 70 and above.

Despite a decline of 15.4 per cent, Spain is still the biggest supplier of red wine, with a market share of 20.8 (24.1) per cent. Italy fell back by 25.4 per cent, and now has a market share of 18.7 (24.6) per cent. Australia and South Africa show rises of between 35 and 40 per cent, partly because of buoyant bag-in-box sales.

Sales of white wine fell by 1.4 per cent. The bag-in-box format accounted for the major increase, with a market share of 49 (46) per cent.

Germany, which again lost volume (-7.2 per cent), now has 14.2 per cent of

white wine sales, and as before trails Italy in second place. Sales of Italian white wine rose by half a per cent and accounts for the largest share of the market, at 15.6 per cent. South Africa, which has seen sales rise by nearly 40 per cent, is third with a 13.6 per cent share.

Total sales of spirits were down 13 per cent. In the case of vodka in particular, sales were down 14.3 per cent.

Sales of strong beer (Class III) weakened by 3.5 per cent to 172.9 million litres. Swedish brands accounted for 82.3 per cent, about the same as in 2003. Swedish light lagers in cans (excluding extra strong lagers) still dominate with a market share of 51 per cent.

Sales of canned beer continue to rise and now account for a share of 81.9 per cent. Sales of cider were down 12.9 per cent, while mixed drinks rose by 9.5 per cent.

In 2004, 1,623 new articles were launched. These included 749 red and 422 white wines, and 127 brands of beer. Other new products included several sparkling wines, ciders, fortified wines, spirits and alcohol-free products.

In Sweden, around 550 companies are licensed to produce or import alcoholic drinks. During 2004, 255 of these companies offered products to Systembolaget and 177 had products in our standard range.

These suppliers offered in all 15,901 products, 1,929 more than in 2003. Systembolaget tested 9,291 products during the year.

The ten biggest suppliers of spirits had a market share of 94 per cent in 2004. The corresponding figures for wine and beer were 71.8 and 98.3 per cent, respectively.

### Product range strategy

Once a year, a product range strategy is drawn up for the year ahead. The strategy comprises the composition of the product range and the number of new product launches.

Along with the product range strategy, a launch strategy for purchases over the next period is developed and distributed to all suppliers. This is supplemented by a launch plan produced twice a year. Then, every month, suppliers are sent requests for quotations on current needs.

The quotations are examined by Systembolaget's purchasing personnel. Provided that the quotations are correct, products are selected and samples requested. The samples are tasted blind by experienced tasters, and the products awarded the highest average ratings are purchased.

### Two new stores

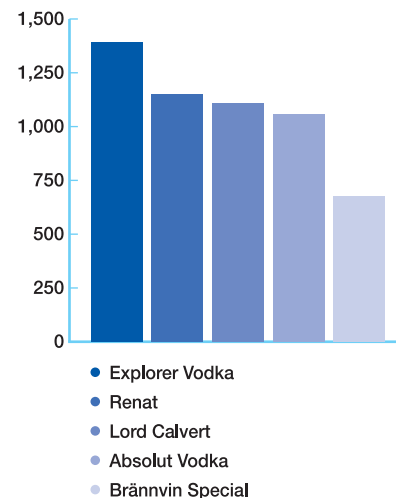
The phased conversion to self-service continued. In 2004, 29 stores were converted and two new stores established, at Rotebro (Sollentuna) and at Arninge (Täby), both in Greater Stockholm. Three of the stores converted were already self-service but had to be modified to the new store concept.

At year-end, Systembolaget had a total of 196 self-service and 221 counter service stores. The 196 self-service stores account for around 69 per cent of Systembolaget sales.

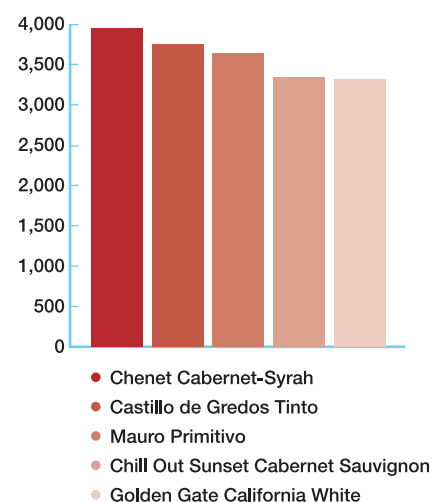
A programme to upgrade older stores, started in 2003, was completed in spring 2004. The programme was designed to raise the minimum level throughout the store network, and affected around 200 stores.

To be able to offer customers more stores with updated, self-service facilities,

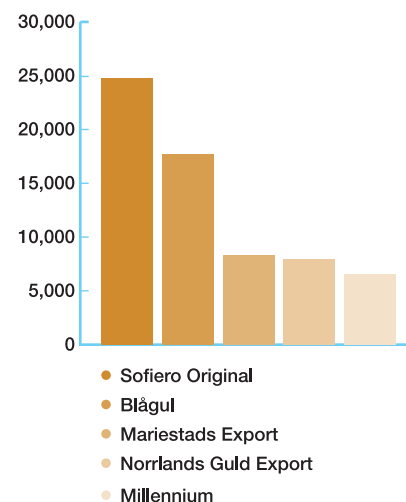
Systembolaget five top-selling spirit brands in 2004, thousands of litres



Systembolaget five top-selling wines in 2004, thousands of litres



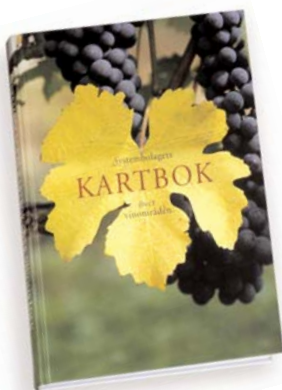
Systembolaget five top-selling beer brands in 2004, thousands of litres



Systembolaget conducted a review of the store structure in cities with more than one store. The Board analyzed the network on the basis of guidelines established earlier regarding store establishments, and in September changes were approved for the municipalities of Linköping, Norrköping, Malmö, Sigtuna, Stockholm and Visby.

On 31 January 2004, stores on Andra Långgatan, Vårväderstorget and Möln-dalsvägen, Gothenburg, as well as one in Kärrtorp, Stockholm, were closed. On 23 November, the Filbytergallerian store in Linköping was closed, followed by stores on Hospitalsgatan, Norrköping, Grev Turegatan, Stockholm and Sky City Arlanda on 31 December. On 8 January 2005, stores at Bredäng, Stockholm, and on Tule-gatan, Sundbyberg, were closed.

In Malmö, stores on Baltzarsgatan, Södergatan, Falkmansgatan and Rege-mentsgatan were closed. The first two were replaced by a major new self-service Systembolaget plus Wine Cellar store at the Hansacompagniet site (opened on 6 May). The other two were replaced by a self-service store in Kronprinsen on 25 November.



### *Atlas of Wine Regions*

During the spring, a revised version of Systembolaget's Atlas of Wine Regions was launched. In addition to detailed maps of wine regions, the books also has infor-mation on wine-producing countries and regions, on types of wine and grape varieties, and on laws on wine production and regulations on denominations.

### *Regular and temporary sections of product range*

As of 2005, Systembolaget's product range is divided into two main sections, for regularly and temporarily stocked products. The regular range is intended to meet customer demands for a long-term product range, security and continuity, while the temporary range will provide variety and depth.

The regular range will be renewed twice a year. At this time, the articles stock-ed will be evaluated and new products launched, either to fill out the range or to expose existing articles to competition. New products in the regular range will be available in designated stores for at least twelve months.

The temporary range comprises products stocked for a limited period or in limited volumes. These include for example glögg, Christmas beers and rosé wines during their season, as well as non-reorderable batches of vintage wines and exclusive products in small volumes. The temporary range will be renewed contin-uously via launches of one-off new products nine times a year.

### *First drinks auction*

In November 2004, Systembolaget held its first drinks auction. The auctions are held in association with the auction house Stockholms Auktionsverk. Through the auctions, Systembolaget will make collectible wines and other rare drinks available to customers in Sweden who may be interested.

Only valuable collectible objects will be auctioned. A "collectible object" is defined as "a wine, fortified wine or spirit drink that has been and is sold at international drinks auctions and for which demand is broadly based and well documented". Systembolaget valuers must first approve an object before it is put up for auction. A total 464 collectible objects were sold at the first auction held, for a total amount of MSEK 3.8.





### *Public tasting sessions*

In 2004, our programme of tasting sessions for the public was expanded to 36 stores, from Luleå in the north to Simrishamn in the south. The sessions are organized as part of Systembolaget's mission to promote a healthy drinking culture, and as a way of sharing our personnel's broad product knowledge. Tasting sessions, based on various themes, are held in the evening and last around two hours.

### *Systembolaget plus Wine Cellar*

The second store with a separate wine cellar ("Systembolaget plus Wine Cellar") opened in Malmö in the spring. The store, at the Hansacompagniet site, carries the major share of Systembolaget's regular offering of wine, spirits, beer and alcohol-free drinks. It also stocks Systembolaget's entire range of wines priced at SEK 100 and above. The store's products also include all new lines launched, plus an exclusive range of specially selected wines and spirits. A total of around 2,300 articles are stocked.

The first Systembolaget plus Wine Cellar store is located on Regeringsgatan, central Stockholm. A third is planned, to open in Gothenburg.

## *Personnel*

### *Training*

All Systembolaget personnel undergo regular training – in the form of courses, in-store training packages, tasting sessions and study tours – in the quest for continuous improvement, and to enable Systembolaget to meet customer demands for higher quality of service.

Our standard training programme now comprises 23 separate courses, spanning every topic from sales and product knowledge to financial management/accounting and management. In all, 7,000 days of training were given during the year.

Most courses are held in Systembolaget's course centre on Skarpö in the Stockholm archipelago.

The second round of a mentoring programme, conducted by external mentors, began in 2004. The programme is being attended by store managers and head office managers.

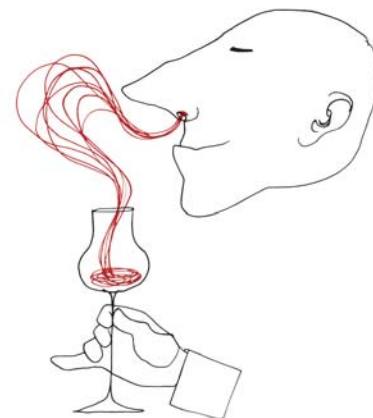
An all-day forum on ethics and values at Systembolaget, held at the Sigtuna Foundation, was held for Systembolaget's senior management and other management personnel at head office. Store managers will attend a similar forum in 2005.

All members of personnel had training in equality of opportunity and the risks of alcohol.

### *From two-man team to store-wide team*

The organization of the stores is being transformed. The role of assistant manager was to be eliminated formally on 1 April 2005. Instead, more members of personnel will have the opportunity to take responsibility and to progress. Today, many stores have already shared the responsibility for administration and for the various product categories among several members of personnel.

The transition to this new way of working, which may be described as a transformation from a two-man management team to a store-based team, will take place on a phased basis.



### *Equality of opportunity and anti-discrimination*

The basis of our work in promoting equality is the Company's anti-discrimination policy and its plan to promote equal opportunity. This is based on the assumption that all people are of equal value. The aim of the plan is to clearly define the Company's goals and the shared responsibility for achieving equality of opportunity between the genders, as well as greater ethnic diversity. This also bears on the general and long-term objectives of recruitment.

As part of its effort to promote ethnic diversity, Systembolaget is involved in the Pluskompetens (Plus Skills) Project, a joint national venture between private- and public-sector employers. The project is working with the Swedish Integration Board and the Swedish Employment Office, and is supported by the Ministry of Industry, Employment and Communication.

Systembolaget's objective for 2004 was to offer 20 people from a non-Swedish background the opportunity of work experience and/ or a position in a Systembolaget store or at head office. However, this objective could not be met in that falling sales, overmanning and a recruitment freeze halted all active recruitment measures.

A clearly positive trend is evident in terms of gender balance among store managers. The proportion of women has risen from 34 per cent in 2000 to 43 per cent 2004.

### *Sickness absence*

For many years, Systembolaget has been pursuing an active work environment policy to prevent ill health.

To define more clearly and improve the follow-up of sickness absence, figures for sickness absence in the stores are reported every month in the same way as other key ratios.

This ratio indicates hours of sickness absence relative to time worked and provides a pointer as to how happy our personnel are in their work, what our work environment is like and what we can become better at.

In 2004, total sickness absence as a percentage of standard contractual working hours of store personnel was 9.1 (9.1) per cent.

Repetitive strain injuries, above all in the neck/shoulder area, hands and lumbar spine, are common at Systembolaget. Surveys show that early rehabilitation measures reduce the risk of later sickness absence.

Personnel who have suffered back and shoulder problems but have not yet taken sick leave or have had only brief periods of sickness absence, participated in a week's course as part of a project at a back pain therapy clinic. The course was tailored to Systembolaget's requirements. In 2004, the last four of the six courses planned for the project took place.

The problems suffered by those taking part practically disappeared. After the course, the participants informed and instructed their colleagues in measures to alleviate their problems, which resulted in improvements all round.

### *Continued training on alcohol issues*

Work on alcohol issues continued in 2004, via in-store courses and manager training in line with the long-term guidelines on information and training adopted following the survey on alcohol consumption in autumn 2001. The survey revealed that Systembolaget personnel drink more than the rest of the Swedish population.

In its commendation, the jury mentions the survey of alcohol habits; that Systembolaget has taken responsibility for the risk present in its work environment; training for all; its rolling new employee introduction programme; rehabilitation of those with alcohol problems; and follow-up planning.

A new co-determination, or co-operation, agreement was adopted in autumn 2004. The agreement supplements the provisions of Sweden's Co-Determination Act and aims to decentralize co-determination.

## Financial

Sales by the Group in 2004 totalled MSEK 17,708 (18,985), MSEK 1,277 lower than in 2003. The Group's profit after financial items was MSEK 240 (202). The 2004 profit includes capital gains of MSEK 70 (0) on the sale of real estate.

Our biggest items of expense are personnel and premises. As a result, operating profit is sensitive to fluctuations in sales and gross profits. For every movement of one per cent in sales, gross profits rise or fall by around MSEK 24 (26).

The largely unchanged gross profit percentage is explained by a change in the sales mix. The gross margin in the spirits product category was lower than in other product categories, which, given the lower sales of spirits, drove up the Company's gross profit percentage.

The trading margin was also lowered by the fact that the pricing structure is based partly on a fixed mark-up in kronor and partly on a percentage markup on the value of the article, in that the fixed markup was not uprated in line with inflation.

The improvement in profit for the Group owed mainly to improved profits by the subsidiaries, which included capital gains on the sale of real estate. The pro-



fit by the real estate subsidiary is included as dividend in the Parent Company's profit after financial items.

With a high rate of inventory turnover that matches purchasing and payment conditions, Systembolaget is self-financing. The Group has no interest-bearing liabilities. Because of this high rate of inventory turnover and the purchasing and payment conditions applied, Systembolaget's liquidity risk is low.

The flow of liquidity fluctuates according to seasonal variations in sales, as well as the purchasing behaviour of the Company's customers. Sales are higher towards the week-end and at the end of the month, which affects the Company's liquidity. The biggest sales peaks occur before major public holidays such as Christmas, New Year, Easter and Mid-Summer.

At the times of the year when the fluctuations in the cash flow are at their most extreme, a larger share of the Company's interest-bearing assets are held in the form of bank deposits as a measure to limit the Group's liquidity risk.

The Parent Company's beverage suppliers are responsible for the import of alcoholic beverages and the accounting for alcohol taxes. The Parent Company's purchase prices are denominated in Swedish kronor, and consequently the Parent Company does not have any currency exposure connected with goods purchases.

#### *Review of head office organization*

Head office costs have risen in recent years, largely because of the Company's major development programme, comprising inter alia a new integrated business system and a new in-store IT system.

At head office, an efficiency project aimed at long-term annual savings of MSEK 120 and the shedding of around 80 members of personnel has been implemented. The project already started bearing fruit in 2004.

In parallel with the efficiency project, a review of the head office organization took place. The strategy is to establish two business areas, product supply and sales. The idea is to organize Systembolaget even more clearly around the main flow, buying in goods, distributing them to the stores and selling them to customers. Savings from the project are expected to show through fully during the fourth quarter of 2005.

Another part of the drive for savings in 2004 was to bring head office activities together under one roof at Kungsträdgårdsgatan 14, Stockholm. Preparations took place in the autumn, and on 9 December the Board gave final approval for the investment. Work on conversion of the head office building was scheduled to begin in March 2005.

#### *New business system*

Installation of an integrated business system was completed in spring with the introduction of cash accounting and the last section, "goods flow management", into all stores. Goods flow management extends over every operation, from quotation processing, order proposals and goods supply for the stores, to processing of payments to suppliers. Because of technical problems, extra training was necessary to ease the start of operations.

A new inventory management system was introduced at Systembolaget's product depot at Örebro. This is based on a standard system, with the addition of unique functionality. In 2004, the roll-out of an updated version of the in-store IT system was also completed.

### *New pricing structure*

Since May 2004, Systembolaget has applied a revised pricing structure. This was based on the principle that every product should be priced identically in every store in all of Sweden, and that products in the same category should be priced identically.

This principle is vital to the Company's ability to maintain a structure based on transparency and competitive neutrality. Another fundamental is that the products in each category should bear their own costs.

The review of the Company's price structure followed an evaluation of the structure to reflect changes in sales patterns and products offered.

### *Systembolaget Fastigheter AB*

The subsidiary Systembolaget Fastigheter AB owns the properties and tenant-owner rights (with one or two exceptions) in the Group. The real estate management business reports a profit of MSEK 143 (77) after financial items. The increase in profit is attributable mainly to capital gains of MSEK 70 (0).

Four properties and one tenant-owner right were sold. One property was sold via the divestment of a limited partnership. One property in Stockholm was acquired by the Parent Company. The Group's profit was affected by capital gains of MSEK 70 (0) on the sale of properties.

In all, Systembolaget Fastigheter AB has 117 (121) properties under management, with a total floor area of 187,000 (202,000) square metres. Around 2.5 (3) per cent are unoccupied. All properties are related to Systembolaget's operations.

The business, which is conducted via limited partnerships, made a profit of MSEK 58 (33).

### *Lagena Distribution AB*

Lagena Distribution AB is a wholly owned subsidiary of Systembolaget AB. The company stores and distributes alcoholic drinks for a large number of suppliers to Systembolaget, as well as for restaurants and wholesalers. The company reports a profit of MSEK 15 (9) after financial items.

Sales declined from MSEK 234 to MSEK 230. By restructuring its inventory, investing in new automatic goods handling facilities including special racking systems for more efficient warehousing operations and a better work environment, Lagena succeeded in lowering its costs and increasing its profit.

During the year, work on implementing the new business system (placed in service on 1 January 2005) continued. In 2004, Lagena signed agreements with a number of new customers, including one for a major volume.

### *Investments*

Investments by the Group totalled MSEK 224, MSEK 118 lower than in 2003. Store conversions and new builds accounted for MSEK 137 (161). During the year, 29 (38) stores were converted and 2 (7) new stores built.

Work on installing an integrated business system at the Parent Company was completed in 2004 and has been fully operational since May. The business system is accounted for as an intangible asset.

### *The Board of Directors*

Systembolaget's Board of Directors comprises eight permanent members, with five deputies, and two permanent employee representatives, with their deputies.



In 2004, the Board held a total of eight meetings, six regular Board meetings and two extraordinary meetings.

The work of the Board in 2004 was dominated by Systembolaget's report to the police and its consequences.

Financial developments and a number of strategic key ratios relating to operations are monitored quarterly.

Systembolaget's activities are governed by a number of policy documents approved by the Board. These documents are reviewed regularly at the Board's annual two-day seminar on long-term and strategic matters.

Other issues addressed by the Board include decisions on the pace of conversion and changes in the store network, the ongoing work on ethical issues and the matter of Systembolaget's application for negative clearance via the Swedish Competition Authority. The Board meets the Company's auditors once a year.

## Events since year-end

On 11 February 2005, Deputy Public Prosecutor Ewa Nyhult started proceedings relating to the investigation of Systembolaget. Cases were brought against a total of 92 individuals. Seventy-seven of these – 50 employees and 27 former employees of Systembolaget – are suspected of accepting bribes, and 15 employees of three suppliers are suspected of offering bribes.

Preliminary investigations of further bribery cases are in progress.

## Future outlook

Uncertainty about the level of alcohol taxes in Sweden makes forecasting difficult on the revenue side. In its forecasts, the Company's management has assumed that the total volume of sales in litres will fall by just over two per cent from sales in 2004. However, sales in monetary terms are expected to decline by around four per cent as a result of the continued trend of sharply lower sales of spirits.

These assumptions are based on the anticipation that private consumption will rise by around three per cent in 2005 and that alcohol taxes will remain unchanged in both Sweden and neighbouring States. The results of the efficiency programme started in 2004 will not fully impact on our financial results in 2005. However, it is considered that the Company will be able to meet its owner's requirement for return on equity in the next financial year.

As a result of the improprieties brought to light in 2003, much effort will again be focused in 2005 on building up a corporate culture focusing on ethics and morality among the Company's personnel. One area relevant to this aim in 2005 will be to retain the public's trust in Systembolaget.

The strategic plan sets out demands for changes over the next few years. The key performance indicators in the plan mainly involve changes aimed at improvements from the viewpoint of customer preferences and the demand for increased efficiency. Continued expansion of self-service is essential to our ability to meet these objectives.

The organizational plan for 2005 is to a high degree based on four priority areas, one for each perspective. The priority areas are:

Public – responsibilities: To define and communicate clearly our mission externally, and to continue development of working/measuring procedures relating to our rules on selling.

Customer – interaction with customer: To create the conditions and develop procedures for better interaction with customers.

Personnel – consideration, knowledge, inspiration: To create a corporate culture in which we fulfil our assignment to an even fuller extent. A culture based on our values, pride, belief in our future, good leadership and focus on the customer.

Financial – improving efficiency: To improve the efficiency of our organization, to improve control/follow-up and to guarantee benefit to the customer.

The number of new development projects will be restricted in favour of the above-mentioned priority areas, and projects/activities that are absolutely vital to our ability to conduct our core business.

## Proposed allocation of unappropriated profits

The Group's unappropriated profits from the preceding financial year totalled MSEK 575. The Company's AGM, held in March 2004, approved the proposed allocation of unappropriated profits by the Board of Directors and the President, and a dividend of MSEK 80 was paid to the Company's owner.

The Group's unappropriated profits at year-end 2004 amounted to MSEK 657 kronor. A transfer of MSEK 0.6 to restricted reserves is proposed.

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The non-restricted equity of the Parent Company is made up of:

Non-restricted reserves	SEK 436,228,524
Net profit for the year	<u>SEK 153,529,353</u>
	<b>SEK 589,757,877</b>

.....

The Board of Directors and the President propose that the unappropriated profits be allocated as follows:

To be carried forward	SEK 499,757,877
To be paid as dividend	<u>SEK 90,000,000</u>
	<b>SEK 589,757,877</b>

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## Definitions

### Return on equity

Profit after tax at a standard rate, as a percentage of adjusted equity at 1 January.

### Equity/assets ratio

Adjusted equity, as a percentage of the balance sheet total

### Trading margin

Gross profit as a percentage of total sales.

### Working productivity

The number of work units (packs, weighted per product category) handled per working day (8 hours).

### Rate of inventory turnover

Inventory turnover divided by the average stock value, calculated as the selling price.

### Wastage

Wastage, as established during stocktaking, per mille of total sales, including both products and cash.

### Age verification

The number of occasions on which identification was requested from customers aged less than 25 years, as a percentage of purchase checks performed with customers aged 20–25 years. The checks are carried out by external operators.

### Opinion survey index

The percentage among the Swedish population who are in favour of retaining Systembolaget and the retail monopoly.

### Customer Satisfaction Index (CSI)

The index measuring overall customer satisfaction (on a scale from 1 to 100). The survey is conducted by an external partner.

### Personnel Satisfaction Index (PSI)

The index measuring overall personnel satisfaction & motivation (on a scale from 1 to 100). The survey is conducted by an external partner.

## Group – Five years in brief

### Key ratios

	2004	2003	2002	2001	2000
Return on equity	11.5%	9.8%	10.8%	11.0%	10.1%
Equity/assets ratio	38.9%	32.8%	30.0%	35.5%	30.7%
Trading margin, incl. taxes on alcohol, Parent Company	13.4%	13.2%	13.2%	13.2%	13.4%
Trading margin, excl. taxes on alcohol, Parent Company	25.2%	25.1%	25.5%	26.7%	27.7%
Working productivity, Parent Company	708	701	662	659	619
Rate of inventory turnover, Parent Company	19.9	21.9	24.7	27.6	26.8
Wastage (per mille), Parent Company	1.05	1.15	1.16	0.68	0.33
Age verification, Parent Company	84%	83%	79%	81%	81%

### Income Statement (MSEK)

	2004	2003	2002	2001	2000
Sales	17,708	18,985	19,132	18,241	17,368
Operating expenses	-17,511	-18,813	-18,967	-18,082	-17,204
Net financial items	43	30	37	38	32
Profit after financial items	240	202	202	197	196
Profit for the year	178	138	142	133	108
Dividend	90	200	80	80	80

### Balance Sheet (MSEK)

	2004	2003	2002	2001	2000
Fixed assets	1,703	1,501	1,345	1,360	1,270
Current assets	2,520	2,615	3,359	2,435	2,944
Total assets	4,223	4,116	4,704	3,795	4,214
Adjusted equity	1,644	1,348	1,409	1,348	1,294
Allocations	337	282	269	257	970
Liabilities	2,242	2,486	3,026	2,190	1,950
Total equity and liabilities	4,223	4,116	4,704	3,795	4,214

# Income statement, MSEK

		Group		Parent company	
	Note	2004	2003	2004	2003
Net sales	2	17,708	18,985	17,708	18,985
Costs of goods sold	3	<u>-15,337</u>	<u>-16,486</u>	<u>-15,337</u>	<u>-16,486</u>
<b>Gross profit</b>		<b>2,371</b>	<b>2,499</b>	<b>2,371</b>	<b>2,499</b>
Selling expenses	4-9, 22	-1,972	-2,050	-1,981	-2,051
Administrative expenses	4-10, 22	-399	-409	-403	-409
Other operating income	11	551	481	25	23
Other operating expenses	11	<u>-354</u>	<u>-349</u>	<u>-3</u>	<u>-</u>
<b>Operating profit</b>		<b>197</b>	<b>172</b>	<b>9</b>	<b>62</b>
<b>Result from financial investments</b>					
Result from participations in Group companies	12	-	-	142	86
Result from participations in Group companies		25	31	7	31
Interest income	13	19	8	37	33
Interest expense	14	<u>-1</u>	<u>-9</u>	<u>-1</u>	<u>-10</u>
<b>Profit after financial items</b>		<b>240</b>	<b>202</b>	<b>194</b>	<b>202</b>
Appropriations	15	<u>-</u>	<u>-</u>	<u>14</u>	<u>-14</u>
<b>Pre-tax profit</b>		<b>240</b>	<b>202</b>	<b>208</b>	<b>188</b>
Tax on profit for the year	16	<u>-62</u>	<u>-64</u>	<u>-54</u>	<u>-56</u>
<b>Net profit for the year</b>		<b>178</b>	<b>138</b>	<b>154</b>	<b>132</b>

# Balance sheet, MSEK

	Note	Group		Parent company	
		31-12-04	31-12-03	31-12-04	31-12-03
<b>Assets</b>					
<b>Fixed assets</b>					
<b>Intangible assets</b>					
Capitalized expenses, business system	17	121	102	114	102
<b>Tangible assets</b>					
Buildings and land	18	663	701	40	40
Equipment, fixtures and fittings	19	576	588	544	550
Work in progress	20	<u>39</u>	<u>12</u>	<u>39</u>	<u>12</u>
Total tangible assets		1,278	1,301	622	602
<b>Financial assets</b>					
Participations in Group companies	21	-	-	15	15
Receivables from Group companies		-	-	408	544
Pension assets, net	22	208		-	-
Deferred income taxes recoverable	23	86	87	28	30
Other long-term receivables	24	<u>9</u>	<u>12</u>	<u>9</u>	<u>12</u>
Total financial assets		<u>304</u>	<u>99</u>	<u>460</u>	<u>602</u>
<b>Total fixed assets</b>		<b>1,703</b>	<b>1,502</b>	<b>1,195</b>	<b>1,306</b>
<b>Current assets</b>					
Inventories		779	841	779	841
<b>Current receivables</b>					
Accounts receivable, trade		42	40	10	11
Accounts receivable, Group companies		-	-	143	77
Income taxes recoverable		-	2	-	-
Other receivables		10	12	7	10
Prepaid expenses and accrued income	25	<u>45</u>	<u>69</u>	<u>43</u>	<u>63</u>
Total current receivables		97	123	203	160
Investments		334	268	334	268
Cash and bank		<u>1,310</u>	<u>1,382</u>	<u>1,308</u>	<u>1,380</u>
<b>Total current assets</b>		<b>2,520</b>	<b>2,614</b>	<b>2,624</b>	<b>2,649</b>
<b>Total assets</b>		<b>4,223</b>	<b>4,116</b>	<b>3,819</b>	<b>3,955</b>

# Balance sheet, MSEK

		Group		Parent company	
	Note	31-12-04	31-12-03	31-12-04	31-12-03
<b>Equity and liabilities</b>					
<b>Equity</b>	26				
Restricted equity					
Share capital (360,000 shares, each with a par value of SEK 1,000)		360	360	360	360
Restricted reserves		<u>627</u>	<u>413</u>	<u>72</u>	<u>72</u>
Total restricted equity		987	773	432	432
Non-restricted equity					
Non-restricted reserves		479	437	436	385
Net profit for the year		<u>178</u>	<u>138</u>	<u>154</u>	<u>132</u>
Total non-restricted equity		<u>657</u>	<u>575</u>	<u>590</u>	<u>516</u>
<b>Total equity</b>		<b>1,644</b>	<b>1,348</b>	<b>1,022</b>	<b>948</b>
<b>Untaxed reserves</b>					
Tax allocation reserves	27	-	-	428	443
<b>Provisions</b>					
Provision for pensions	28	-	11	-	-
Provision for taxes	29	253	178	19	19
Other provisions	30	<u>84</u>	<u>79</u>	<u>148</u>	<u>79</u>
<b>Total provisions</b>		<b>337</b>	<b>268</b>	<b>167</b>	<b>98</b>
<b>Long-term liabilities</b>					
Liabilities to Group companies	31	-	-	26	23
Other liabilities	31	<u>2</u>	<u>2</u>	<u>-</u>	<u>-</u>
<b>Total long-term liabilities</b>		<b>2</b>	<b>2</b>	<b>26</b>	<b>23</b>
<b>Current liabilities</b>					
Accounts payable, trade		1,933	2,156	1,908	2,130
Accounts payable to Group companies		-	-	1	2
Tax liabilities		38	35	33	28
Other liabilities		83	86	82	82
Accrued expenses and deferred income	32	<u>186</u>	<u>221</u>	<u>152</u>	<u>202</u>
<b>Total current liabilities</b>		<b>2,240</b>	<b>2,498</b>	<b>2,176</b>	<b>2,444</b>
<b>Total equity and liabilities</b>		<b>4,223</b>	<b>4,116</b>	<b>3,819</b>	<b>3,956</b>
<b>Memorandum items</b>					
<b>Pledged assets and contingent liabilities</b>					
Pledged assets		None	None	None	None
Contingent liabilities	33	7	21	13	19

# Statement of changes in financial position, MSEK

	Group		Parent company	
	2004	2003	2004	2003
<b>Ordinary operations</b>				
Profit after financial items	240	202	194	202
Adjustments for non cash-flow items	<u>202</u>	<u>181</u>	<u>249</u>	<u>133</u>
	442	383	443	335
Tax paid	<u>-70</u>	<u>30</u>	<u>-64</u>	<u>26</u>
<b>Cash flow from ordinary operations before changes in working capital</b>	<b>372</b>	<b>413</b>	<b>379</b>	<b>361</b>
Cash flow from changes in working capital				
Change in inventories	62	21	62	20
Change in receivables	27	194	-43	212
Change in liabilities	<u>-263</u>	<u>-458</u>	<u>-272</u>	<u>-460</u>
<b>Cash flow from ordinary operations</b>	<b>198</b>	<b>170</b>	<b>126</b>	<b>133</b>
<b>Investment operations</b>				
Acquisition of fixed assets	-221	-342	-204	-303
Sales of fixed assets	94	-	8	-
Decrease in financial receivables	3	-	3	-
Decrease in financial receivables from subsidiaries	<u>-</u>	<u>-</u>	<u>137</u>	<u>-</u>
<b>Cash flow from investment operations</b>	<b>-124</b>	<b>-342</b>	<b>-56</b>	<b>-303</b>
<b>Financial operations</b>				
Dividend	-80	-200	-80	-200
Transfer to pension fund	-	-102	-	-102
Increase in financial liabilities to Parent Company	<u>-</u>	<u>-</u>	<u>4</u>	<u>-</u>
<b>Cash flow from financial operations</b>	<b>-80</b>	<b>-302</b>	<b>-76</b>	<b>-302</b>
<b>Cash flow for the year</b>	<b>-6</b>	<b>-474</b>	<b>-6</b>	<b>-472</b>
Liquid assets at 1 January	<u>1,650</u>	<u>2,124</u>	<u>1,648</u>	<u>2,120</u>
<b>Liquid assets at 31 December</b>	<b>1,644</b>	<b>1,650</b>	<b>1,642</b>	<b>1,648</b>
<b>Supplementary information</b>				
Adjustments for non cash-flow items				
Depreciation and write-downs	204	178	163	135
Provisions	81	-1	71	-6
Capital gain/loss	-66	5	4	4
Miscellaneous	<u>-18</u>	<u>-</u>	<u>11</u>	<u>-</u>
	<b>201</b>	<b>182</b>	<b>249</b>	<b>133</b>
Specification of interest paid				
Interest received	14	38	32	63
Interest paid	5	9	5	10
Liquid assets				
Cash and bank	1,310	1,382	1,308	1,380
Investments	<u>334</u>	<u>268</u>	<u>334</u>	<u>268</u>
<b>Amount at 31 December</b>	<b>1,644</b>	<b>1,650</b>	<b>1,642</b>	<b>1,648</b>

Short-term investments as shown on the Balance Sheet at year-end totalled MSEK 344 (268), including MSEK 83 (268) in financial instruments with a term of up to a year.

# Notes to the financial statements

Unless otherwise indicated amounts are in millions of Swedish kronor (MSEK).

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## Note 1 *Accounting policies*

### **General**

Systembolaget's annual report has been drawn up in accordance with the Swedish Annual Accounts Act and the relevant recommendations and statements of the Swedish Financial Accounting Standards Council.

### **Guidelines from the Cabinet Office and the Ministries**

Systembolaget applies government guidelines on external financial reporting by State-owned companies. Annual accounts, interim reports and year-end reports must comply with current accounting legislation and generally accepted accounting practice, and must also be presented, in accordance with the recommendations stated in the listing agreement of the Stockholm Stock Exchange, including appendices, as appropriate.

### **New accounting policies and recommendations**

The following recommendations, issued by the Swedish Financial Accounting Standards Council, as well as statements by the Council's Emerging Issues Task Force, were implemented in 2004:

- RR 29 Employee Benefits
- URA 42 Classification of ITP Plans funded by insurance via Alecta
- URA 43 Accounting for special payroll tax and tax on investment returns

In 2004, the Systembolaget Group implemented RR 29 Employee Benefits, leading to a non-recurring increase of MSEK 198 in the Group's equity, following deduction of deferred tax. This non-recurring effect is accounted for in accordance with RR 5 Accounting for change in accounting policy. In line with RR 29, the comparative figures for 2003 have not been recalculated to reflect the new accounting policy.

### **Impact on external key ratios**

Two key ratios were affected in 2004 by the implementation of RR 29 Employee Benefits: Return on equity declined from 13.2 per cent to 11.5 per cent, while the Equity/assets ratio increased from 35.0 per cent to 38.9 per cent.

### **Consolidated financial statements**

The consolidated financial statements comprise the Parent Company Systembolaget AB, the wholly owned subsidiary Lagena Distribution AB and the subsidiary group Systembolaget Fastigheter AB.

The consolidated financial statements have been drawn up in accordance with the purchase method, as a result of which the equity existing within subsidiaries at the time of acquisition is eliminated in entirety.

Untaxed reserves are divided into one portion, entered as a deferred tax liability under the heading of Provisions, and the remaining portion, entered as restricted equity, i.e. non-distributable reserves. Deferred tax is calculated at a rate of 28 per cent.

### **Format of income statement**

The income statement is based on the classification according to function.

Costs of selling pertain to the expenses arising from the activities of the stores, primarily consisting of expenditure relating to personnel and premises.

Administrative expenses include the cost of central administrative staff functions at head office.

Income and expense for the subsidiaries are accounted for under the heading of other operating income and operating expense.

Last year, income and expense for the subsidiary Lagena Distribution ABs were accounted for under the headings of net sales, cost of goods sold, costs of selling and administrative costs.

### **Tangible assets**

Tangible assets are reported at acquisition value less accumulated depreciation and any writedowns. Expenditure to improve the performance of the assets, above their original level, is added to the reported value of the asset. Expenditure for repairs and maintenance is written off as incurred.

Properties are accounted for as administrative properties in the administrative subsidiary group, but as properties for operating purposes in the Systembolaget Group.

### **Intangible assets**

Intangible assets include expenses relating to development of a new business system. These assets are reported at acquisition value, less accumulated depreciation and any write-downs.



Expenses relating to system development are accounted for as an intangible asset when the following criteria are met:

- identifiability
- control over the asset
- the asset will deliver future financial benefits.

The items of expense that do not meet these criteria are expensed when acquired or incurred internally. Intangible assets are depreciated on a straight-line basis over the anticipated period of service of the asset, which is five years.

#### **Depreciation**

Depreciation, based on the acquisition value, is calculated on a linear basis over the estimated period of service of the asset. In the income statement, depreciation is allocated to the specific function.

#### **The following periods of service are applied:**

Asset	
Buildings	25–50 years
Plant and machinery	3–5 years
Conversions and fixtures in stores	7 years
Intangible assets	5 years

Expenses relating to improvements in real estate not owned by the Group are amortized over the duration of the lease period planned, normally assumed to be 20 years.

#### **Write-downs**

At the end of each accounting period, a judgement is made as to whether there is any indication of any need to write down the reported values of the Group's assets. Should such indications exist, a recovery value is calculated for the assets. A write-down is applied where the reported value exceeds the recovery value. The recovery value is the higher of net sale value and utility value. The utility value is calculated via an estimation of future inward and outward payments, which are discounted to a current value.

#### **Inventories**

Inventories are valued at acquisition value. A provision of 3 per cent is applied for obsolescence for tax purposes.

#### **Receivables**

Receivables are valued in the amounts in which they are expected to be received, taking into account the circumstances in each particular case.

#### **Financial instruments**

Accounts receivable, trade

Beverages are sold for cash or credit card payments in the stores. Invoiced sales of services constitute less than one per cent of total sales by the Parent Company.

Accounts payable, trade

The Parent Company's beverage suppliers are responsible for the import of alcoholic beverages and the accounting for alcohol taxes. The Parent Company's purchase prices are in Swedish kronor, and consequently the Parent Company is not exposed to any currency exposure connected with goods purchases. Other operating expenses follow the trend of prices in Sweden.

#### **Investments**

Investments are reported on the balance sheet at acquisition value on the date of settlement, and are valued at the lower of cost or market value on the balance sheet date.

#### **Loan liabilities**

The Group has no loan liabilities.

#### **Provisions**

Provisions comprise commitments pertaining to the financial year or earlier financial years, where the existence of the commitment is certain or probable on the balance sheet date, but where the amount for the commitment, or the date on which it is to be delivered, is uncertain. Other provisions for the Group consist mainly of deferred tax on untaxed reserves. The Parent Company balance sheet shows non-portable pension commitments, which are not covered by the Swedish Act on Securing Pension Commitments, under the heading of Other provisions. These are instead reported in the consolidated balance sheet along with other pension commitments, secured via pension funds, among assets under the heading of Pension assets, net. For a more detailed explanation, please see the following section, Pension commitments.

### Pension commitments

Systembolaget's pension commitments are of the defined-benefit type. The Company's pension commitments are secured primarily via pension funds, but also via provisions reported on the balance sheet and, to a minor extent, via insurance premiums.

The pension commitment of the Parent Company and subsidiaries has been calculated in accordance with the provisions of the Swedish Act on Securing Pension Commitments and the directions of the Swedish Financial Supervisory Authority. In the consolidated financial statements, Recommendation IAS 19/RR 29 – Employee Benefits – has been applied. The pension funds show a surplus, in the form of investment assets, and so the pension commitments are reported net on the assets side of the balance sheet. To calculate the amount of benefit earned by the Company's personnel, Systembolaget has made projections of demographic and financial variables. The amount of benefit calculated has then been discounted using the "Projected Unit Credit Method". If the accumulated projected deviation exceeds a corridor equal to ten per cent of the greater of either pension liabilities or assets, the surplus amount is recognized in the income statement over the expected future working lifetime of the employees. The pension cost for the year is made up of the discounted value of pension entitlement earned during the year and interest on the commitment, less the return on assets invested. Also taken into account are any write-offs on accumulated projected deviations, i.e. deviations between anticipated and actual outcomes, and planned changes. The Parent Company balance sheet reports – under the heading of Other provisions – non-portable pension commitments that are not covered by the Swedish Act on Securing Pension Commitments.

### Income taxes

Total tax is made up of current and deferred tax. Current tax is based on the taxable profit for the year. Deferred tax is calculated on the difference between the tax and accounting valuations of assets and liabilities, where the difference is of only a temporary nature. All tax liabilities/ taxes recoverable are valued in nominal amounts and in accordance with the tax rates that have been approved, or that have been announced and are considered highly likely to be enacted. In the Parent Company the deferred tax liability in untaxed reserves is – in view of the connection between accounting and taxation – reported as part of the untaxed reserves.

### Statement of changes in financial position

The statement of changes in financial position is prepared in accordance with the indirect method.

### Related party disclosures

No transactions took place between Systembolaget Group companies and any company or physical person closely related to Systembolaget Group companies.

### Implementation of IAS/IFRS 2005

In 2004, preparations began to ready the Group for adoption of IFRS, International Financial Reporting Standards, formerly IAS, International Accounting Standards. It is planned that Systembolaget will change over to the new accounting policies in 2005, when short-term investments will be accounted for at market value. The Company's recent review showed that the changeover on 31 December 2004 will not affect the Group's equity or reported profit. The review indicated that adoption of IAS/IFRS will affect the way financial instruments are accounted for. Systembolaget's short-term investments, which today are reported at acquisition value, will from 1 January 2005 be reported at market value. The market value of short-term investments on 31 December 2004 exceeded the book value by MSEK 0.6.

### Changes in accounting policies and classification of income and expense

Changes were made to the classification of other operating income and other operating expense during 2004. The change in the 2003 income statement was attributable to the change in classification of Lagen Distribution AB's income and expense, which are now reported under Other operating income and Other operating expense, respectively. Provision for taxes is now reported on a separate line in the annual accounts for 2004. Accrued goods purchases were reported in 2003 under Accrued expense.

## Note 2 Net sales

	2004	2003
Spirits	5,107	5,864
Wine	8,382	8,450
Cider	422	473
Strong beer (Class III)	3,563	3,956
Mixed drinks	137	131
Alcohol-free	20	17
Total sales, beverages	17,631	18,891
Miscellaneous goods and services	77	94
Net sales	17,708	18,985

### Note 3 Cost of goods sold, Parent Companyt

The cost of goods sold in the Parent Company includes taxes on alcohol under current legislation.

### Note 4 Personnel and Board of Directors

Average number of full-time employees	2004		2003	
		Of whom women		Of whom women
Parent Company	2,976	65%	3,177	64%
Subsidiaries	<u>163</u>	<u>20%</u>	<u>157</u>	<u>23%</u>
Group, total	<b>3,139</b>	<b>63%</b>	<b>3,334</b>	<b>62%</b>

The Parent Company's Board of Directors consists of 9 (10) regular members, of whom 5 (5) are women. At the close of the financial year, the Company's management consisted of 10 (10) persons, of whom 4 (4) were women.

### Note 5 Employees and personnel costs

Wages, salaries, other remuneration and social security costs	2004		2003	
	Wages, salaries, other remuneration	Social security costs	Wages, salaries, other remuneration	Social security costs
Parent Company	811	325	824	367
(Of which, pension costs)		(47)		(76)
Subsidiaries	47	18	43	18
(Of which, pension costs)		(3)		(4)
Group, total	<b>858</b>	<b>343</b>	<b>867</b>	<b>385</b>
(Of which, pension costs)		(50)		(80)

Pension costs (Parent Company)	2004	2003
Pensions paid out	37	35
Allocated to pension fund	5	59
Credited from pension fund	0	-27
Miscellaneous	<u>5</u>	<u>9</u>
	<b>47</b>	<b>76</b>

Pensions	2004	2003
Total pension commitment, incl. non-portable portion	-1,018	-986
Market value of assets held in pension fund	<u>1,329</u>	<u>1,159</u>
	<b>311</b>	<b>173</b>

### Note 6 Wages, salaries and other remuneration

Salaries and other remuneration to Board, senior executives and other employees	2004		2003	
	Board and President	Other employees	Board and President	Other employees
Parent Company	3	808	3	821
Subsidiaries	<u>1</u>	<u>46</u>	<u>1</u>	<u>42</u>
Group, total	<b>4</b>	<b>854</b>	<b>4</b>	<b>863</b>

The figures shown in the Table above comprise salaries and other remuneration paid, excluding social welfare contributions and pension costs. Details of pension costs for senior executives are given below.

#### Principles of remuneration to senior executives

Fees are paid to the Board Chairman, Deputy Chairman and directors in accordance with decisions by the Annual General Meeting. Such decisions approved an annual fee of SEK 150,000 (130,000) to the Chairman, SEK 90,000 (80,000) to the Deputy Chairman, SEK 75,000 (65,000) to the directors and SEK 37,500 (32,500) to the deputy directors. Fees are paid monthly and adjusted annually on 1 May. Employee representatives are not paid a director's fee.

Remuneration to the President and other senior executives consist of a basic salary, other benefits and a pension entitlement. No flexible, bonus-based remuneration is paid, nor is any remuneration paid in the form of financial instruments etc. Other senior executives are such persons who, with the President, constitute the Company's management team. The composition of the management team is shown on page 13 of this annual report.

<b>Salaries and other remuneration in 2004 (SEK)</b>		<i>Other</i>	<i>Pension</i>	<i>Other</i>	
	<i>Salary</i>	<i>benefits</i>	<i>cost</i>	<i>remuneration</i>	<i>Total</i>
Olof Johansson, Chairman	143,509				143,509
Arne Hedborg, Deputy Chairman	86,862			1,141	88,003
Ulf Melin, Director	71,667				71,667
Elisabeth Markström, Director	71,667				71,667
Ewa Persson Göransson, Director	71,667				71,667
Marianne Nivert, Director	71,667				71,667
Gert Karnberger, Director	50,000				50,000
Sven-Erik Österberg, Director	37,500				37,500
Leif Linde, Director	21,667				21,667
Bengt Silverstrand, Director	21,667				21,667
Robin Dahl, Deputy Director	35,833				35,833
Ewert Lindholm, Deputy Director	35,833				35,833
Ingvar Löfstrand, Deputy Director	35,833				35,833
Margareta Andersson, Deputy Director	35,833				35,833
Karin Pilsäter, Deputy Director	<u>35,833</u>				<u>35,833</u>
<b>Total</b>	<b>827,038</b>			<b>1,141</b>	<b>828,179</b>

<b>Salaries and other remuneration in 2004 (SEK)</b>		<i>Other</i>	<i>Pension</i>	<i>Other</i>	
	<i>Salary</i>	<i>benefits</i>	<i>cost</i>	<i>remuneration</i>	<i>Total</i>
Anitra Steen, President	1,928,498	82,400	712,859	1,877	2,725,634
Mikael Wallteg, Vice President	1,428,830	89,365	464,984	599	1,983,778
Karin Furevik, Personnel Director	922,152	70,064	420,155	509	1,412,880
Gunilla Högbom, Real Estate Director	859,718	78,842	322,010	1,209	1,261,779
Per Bergkrantz, Marketing Manager	902,026	68,555	302,296		1,272,877
Barbro Ström, Purchasing Manager	948,745	71,584	700,893	6,863	1,728,085
Anders Söderlund, Finance Manager	1,175,116	60,247	334,874	218	1,570,455
Johan Tömmervik, IT Manager	1,027,439	10,187	313,052	3,074	1,353,752
Håkan Johansson, Logistics Director	894,718	108,000	323,223	3,781	1,329,722
Björn Rydberg, Press Manager	<u>781,183</u>	<u>82,269</u>	<u>365,861</u>	<u>2,598</u>	<u>1,231,911</u>
<b>Total</b>	<b>10,868,425</b>	<b>721,513</b>	<b>4,260,207</b>	<b>20,728</b>	<b>15,870,873</b>

<b>Salaries and other remuneration in 2003 (SEK)</b>		<i>Other</i>	<i>Pension</i>	<i>Other</i>	
	<i>Salary</i>	<i>benefits</i>	<i>cost</i>	<i>remuneration</i>	<i>Total</i>
Olof Johansson, Chairman	125,000			267	125,267
Arne Hedborg, Deputy Chairman	76,667				76,667
Ulf Melin, Director	62,500			267	62,767
Elisabeth Markström, Director	62,500				62,500
Ewa Persson Göransson, Director	62,500			267	62,767
Marianne Nivert, Director	62,500			267	62,767
Leif Linde, Director	62,500			267	62,767
Bengt Silverstrand, Director	62,500			388	62,888
Robin Dahl, Deputy Director	31,255			267	31,522
Ewert Lindholm, Deputy Director	31,167			352	31,519
Ingvar Löfstrand, Deputy Director	31,167			267	31,434
Margareta Andersson, Deputy Director	31,239			388	31,627
Karin Pilsäter, Deputy Director	<u>31,167</u>				<u>31,167</u>
<b>Total</b>	<b>732,662</b>			<b>2,997</b>	<b>735,659</b>

<b>Salaries and other remuneration in 2003 (SEK)</b>		<i>Other</i>	<i>Pension</i>	<i>Other</i>	
	<i>Salary</i>	<i>benefits</i>	<i>cost</i>	<i>remuneration</i>	<i>Total</i>
Anitra Steen, President	1,878,860	68,176	667,435	2,469	2,616,940
Mikael Wallteg, Vice President	1,377,915	93,996	419,519	400	1,891,830
Karin Furevik, Personnel Director	862,429	74,060	397,975	200	1,334,664
Gunilla Högbom, Real Estate Director	810,227	78,661	267,880	783	1,157,551
Per Bergkrantz, Marketing Manager	848,230	67,765	244,810	138	1,160,943
Barbro Ström, Purchasing Manager	917,656	62,679	810,611	4,790	1,795,736
Anders Söderlund, Finance Manager	95,000		11,835		106,835
Johan Tömmervik, IT Manager	249,664	24,675	74,152		348,491
Håkan Johansson, Logistics Director	506,008	57,386	250,419	779	814,592
Gunnar Balsvik, Finance Manager	840,488	67,190	40,772		948,450
Gert Andersson, Logistics Director	340,415	32,025	541,782		914,222
Björn Rydberg, Press Manager	<u>753,775</u>	<u>91,797</u>	<u>422,801</u>	<u>3,028</u>	<u>1,271,410</u>
<b>Total</b>	<b>9,480,667</b>	<b>718,410</b>	<b>4,149,991</b>	<b>12,587</b>	<b>14,361,655</b>

Other benefits consist in the main of company car benefits. The President and company management are not paid a bonus or any housing allowance. The pension costs for the President and company management with regard to 2003 have been adjusted and the amounts shown above deviate somewhat from the figures reported in the 2003 Annual Report. Other expenses comprise above all the reimbursement of travel and accommodation costs. The expenses shown in the 2003 annual report also included accommodation and travel expenses.

#### **Conditions of pension agreements**

Systembolaget's collective bargaining agreements include a premium-based supplementary pension entitled Kåpan. The premium is 1.7 per cent of the employee's pensionable salary.

Cleaners and caretakers are insured via the AMF pension organization.

#### **President**

Systembolaget's President is entitled to a pension at the age of 60 years. Under conditions negotiated earlier, a defined-benefit retirement pension is payable at 70 per cent of the pensionable salary in 2001, which amounted to TSEK 1,660. This amount is index-linked. The defined-benefit pension entitlement has been fully earned. In addition, as of 1 January 2002, the President is entitled to a premium-based pension with an annual premium of 3 price base amounts plus 25% of salary components above TSEK 1,660. The President is also included in the Kåpan supplementary pension plan.

#### **Vice President**

The Company's Vice President is entitled to a pension at the age of 60 years. A retirement pension will be paid until the age of 65 years at 70 per cent of the pensionable salary, up to a maximum of 70 per cent of 30 income base amounts. The pensionable salary is the regular monthly salary payment, multiplied by 12.3. In addition, the Vice President is entitled to a premium-based pension with a premium of 20% of salary components above 30 income base amounts. The Vice President is also included in the Kåpan supplementary pension plan.

#### **Company management, employed before 1 January 2003<sup>1</sup>**

The pensionable age is 60 years. A retirement pension will be paid until the age of 65 years at 70 per cent of the pensionable salary. The pensionable salary is based on the regular monthly salary payment on 1 July 2002, multiplied by 12.3 and is calculated as a number of price base amounts. Individuals are also included in the Kåpan supplementary pension plan.

#### **Company management, employed after 1 January 2003<sup>2</sup>**

The regular pensionable age is 65 years, and a retirement pension will be paid in accordance with Systembolaget's collectively agreed pension plan for administrative employees. In addition, the employee is entitled to a premium-based pension with a premium of 16% of the pensionable monthly salary, which is defined as the regular monthly salary multiplied by 12. The purpose of the premium-based pension is to make retirement on a pension possible before the age of 65 years. Individuals are also included in the Kåpan supplementary pension plan.

#### **Company management covered by conditions negotiated earlier<sup>3</sup>**

The pensionable age is 60 years. Retirement pensions are paid in an amount corresponding to 70 per cent of the regular monthly salary payment. Individuals are also included in the Kåpan supplementary pension plan.



### **Other employees (non-management)**

The regular pensionable age is 65 years, and pensions are payable in accordance with Systembolaget's collectively agreed pension plan for administrative employees. Pensions are of the defined-benefit type and are secured via a pension fund. The pension payable is 10 per cent of the pensionable salary amount, up to 7.5 base amounts. For pensionable salary amounts from 7.5 base amounts to 20 base amounts, inclusive, the pension entitlement is 65 per cent and for salary components above that amount, 32.5 per cent. The size of the pension is also affected by the pensionable period of service. Individuals are also included in the Kåpan supplementary pension plan.

Store managers and unit managers at head office are also able under a special agreement to take retirement at the age of 63 years.

### **Conditions of agreements on termination of employment and severance pay**

#### **President**

In the case of employment being terminated by the President, 6 months' notice is required. Where employment is terminated by Systembolaget, severance pay corresponding to 24 monthly salary payments will be payable. Any other earned income during this period will be deducted.

#### **Company management, employed before 1 January 2003<sup>1</sup>**

In the case of employment being terminated, 6 month's notice is due on both sides. Where employment is terminated by Systembolaget, an aged-based severance payment corresponding to 12–18 monthly salary payments will be payable, other than in the case of Gunilla Högbom, who will receive a severance payment corresponding to 18 monthly salary payments. Any other earned income during this period will be deducted.

#### **Company management, employed after 1 January 2003<sup>2</sup>**

In the case of employment being terminated, 6 month's notice is due on both sides. Where employment is terminated by Systembolaget, over and above remuneration during the period of notice, severance pay of 6–18 monthly salary payments will be payable, depending on the employee's age, although for no longer than until the age of 61 years is attained. If, in the case of Per Bergkrantz, employment is terminated by Systembolaget, an extended period of notice of 6–18 months will apply, depending on age. Any other earned income during this period will be deducted.

#### **Company management covered by conditions negotiated earlier<sup>3</sup>**

In the case of employment being terminated by the employee, 6 months' notice is required. Where employment is terminated by Systembolaget, it is considered that employment will continue for 24 months, from the day on which the employee is disengaged from his/her work, at the monthly salary amount prevailing on the day of severance. Any other earned income during this period will be deducted.

### **Agreement drafting and decision-making process**

At the Board's initiative, the President's pension conditions were renegotiated in 2002. As a result of this agreement, the rise in costs following from a defined-benefit pension plan was eliminated.

In 2003, the President renegotiated at the request of the Board the existing pension agreements with the rest of the Company's management. The Board approved the new terms of the agreements, which have been in force since 1 January 2003.

Remuneration to the President and Vice-President has been approved by the Board. Remuneration to the divisional managers has been approved by the President following consultation with the Board Chairman.

#### **1 Company management, employed before 1 January 2003**

Mikael Wallteg, Vice President  
Karin Furevik, Personnel Director  
Gunilla Högbom, Real Estate Director  
Barbro Ström, Purchasing Manager

#### **2 Company management, employed after 1 January 2003**

Per Bergkrantz, Marketing Manager (employed earlier under the same conditions as this group)  
Anders Söderlund, Finance Manager  
Johan Tömmervik, IT Manager  
Håkan Johansson, Logistics Director (joined Company management at beginning of 2003)

#### **3 Company management, employed under earlier conditions**

Björn Rydberg, Press Manager

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## Note 7 Sickness absence

Total sickness absence as a proportion of the contractual hours worked by employees was 7.9 per cent during 2003. Figures for 2003 have been recalculated to indicate absence only during contractual working hours.

### Sickness absence as a proportion of employees' contractual working hours was 7.9 per cent during 2003

#### Sickness absence, by gender and various age categories

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	5.3%	7.4%	14.1%	9.5%
Men	3.6%	3.1%	9.3%	4.9%
Total	<b>4.6%</b>	<b>5.9%</b>	<b>12.7%</b>	<b>7.9%</b>

### Sickness absence of more than 60 days corresponded to 4.8 per cent of contractual working hours

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	1.2%	4.0%	11.1%	6.1%
Men	0.1%	1.2%	6.5%	2.4%
Total	<b>0.6%</b>	<b>3.0%</b>	<b>9.8%</b>	<b>4.8%</b>

### Sickness absence as a proportion of employees' contractual working hours was 8.1 per cent during 2004

#### Sickness absence, by gender and various age categories

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	5.4%	8.4%	12.9%	9.6%
Men	3.7%	3.5%	10.7%	5.6%
Total	<b>4.6%</b>	<b>6.6%</b>	<b>12.3%</b>	<b>8.1%</b>

### Sickness absence of more than 60 days corresponded to 5.0 per cent of contractual working hours

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	1.2%	5.4%	9.7%	6.0%
Men	0.7%	1.5%	8.7%	3.1%
Total	<b>0.9%</b>	<b>3.7%</b>	<b>9.0%</b>	<b>5.0%</b>

## Note 8 Gender balance, store personnel

### Analysis of gender balance in store personnel on 31 December

	<i>Sales personnel, full-time</i>		<i>Sales personnel, part-time</i>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Women	56%	55%	77%	76%
Men	<u>44%</u>	<u>45%</u>	<u>23%</u>	<u>24%</u>
Total	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

	<i>Store managers</i>		<i>Ass. store managers</i>		<i>Employees, total</i>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Women	43%	38%	45%	44%	71%	69%
Men	<u>57%</u>	<u>62%</u>	<u>55%</u>	<u>56%</u>	<u>29%</u>	<u>31%</u>
Total	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Gender balance at head office on 31 December

	<i>Employees</i>		<i>Managers</i>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Women	57%	57%	45%	39%
Men	<u>43%</u>	<u>43%</u>	<u>55%</u>	<u>61%</u>
	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

## Note 9 Depreciation of tangible assets

	Group		Parent Company	
Straight-line depreciation, by organizational function	2004	2003	2004	2003
Selling expenses	129	103	129	103
Administrative expenses	30	32	30	32
Other operating expenses	<u>41</u>	<u>41</u>	<u>-</u>	<u>-</u>
	<b>200</b>	<b>176</b>	<b>159</b>	<b>135</b>

## Note 10 Fees to auditors

	Group		Parent Company	
	2004	2003	2004	2003
SET Revisionsbyrå AB				
Auditing services	4	3	3	3
Other services	-	0	-	0
Riksrevisionen (the State Audit Institution)				
Auditing services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	<b>4</b>	<b>3</b>	<b>3</b>	<b>3</b>

"Auditing services" refers to examination of the Annual Report, the accounting records and the administration by the Board of Directors and the President, as well as other duties that fall to the Company's Auditor to perform, plus advice or other assistance that may arise from observations during such examination or the performance of other duties as referred to herein. All other services fall under the heading of "Other services".

## Note 11 Other operating income and other operating expenses

	Group		Parent Company	
	2004	2003	2004	2003
Other operating income				
Rental income	227	225	0	-
Other operating income	254	256	24	22
Capital gain	<u>70</u>	<u>-</u>	<u>1</u>	<u>1</u>
	<b>551</b>	<b>481</b>	<b>25</b>	<b>23</b>
Other operating expenses				
Operating expenses	-313	-308	-3	-
Straight-line depreciation	<u>-41</u>	<u>-41</u>	<u>-</u>	<u>-</u>
	<b>-354</b>	<b>-349</b>	<b>-3</b>	<b>-</b>
	<b>197</b>	<b>132</b>	<b>22</b>	<b>23</b>

The results of the subsidiaries are reported under the headings Other operating income and Other operating expense. The comparative figures for the preceding year have been adjusted in that the results of the subsidiary Lagena were in the preceding year reported under the headings of Net sales, Cost of goods sold, Costs of selling and Administrative expenses.

The market-level rents charged to selling and administrative expenses in the Parent Company totalled MSEK 141 (135).

## Note 12 Result from participations in Group companies

	Parent Company	
	2004	2003
Dividend from Systembolaget Fastigheter AB	142	76
Dividend from Lagena Distribution AB	<u>-</u>	<u>10</u>
	<b>142</b>	<b>86</b>

### Note 13 *Other interest income*

	Group		Parent Company	
	2004	2003	2004	2003
Interest income, Group companies	-	-	18	26
Interest income, other	<u>19</u>	<u>8</u>	<u>19</u>	<u>7</u>
	<b>19</b>	<b>8</b>	<b>37</b>	<b>33</b>

### Note 14 *Interest expenses*

	Group		Parent Company	
	2004	2003	2004	2003
Interest expenses, Group companies	-	-	0	-1
Arrears interest	0	-8	0	-8
Other interest expenses	<u>-1</u>	<u>-1</u>	<u>-1</u>	<u>-1</u>
	<b>-1</b>	<b>-9</b>	<b>-1</b>	<b>-10</b>

### Note 15 *Appropriations, Parent Company*

	2004	2003
Change in tax allocation reserve	14	-14

### Note 16 *Tax*

The difference between the year's tax charge and the tax charge based on the current tax rate of 28 per cent is produced as follows:

	Group		Parent Company	
	2004	2003	2004	2003
Reported profit before tax	240	202	208	188
Tax calculated at current tax rate	67	56	58	53
Tax attributable to earlier year	-1	-3	-1	-1
Impact on tax of non-deductible expenses	5	8	1	6
Impact of tax on non-taxable income	-6	-4	-6	-4
Deferred tax revenue arising from temporary differences	-4	-	-	-
Cancellation of deferred income tax recoverable	3	2	2	2
Deferred tax on appropriations	<u>-2</u>	<u>5</u>	<u>-</u>	<u>-</u>
Reported tax charge	<b>62</b>	<b>64</b>	<b>54</b>	<b>56</b>

### Note 17 *Capitalized expenses, business systems*

	Group		Parent Company	
	2004	2003	2004	2003
Acquisition value brought forward	102	52	102	48
New acquisitions	36	54	29	55
Sales	-	-	-	-1
Reclassifications, write-downs	<u>0</u>	<u>-4</u>	<u>-</u>	<u>-</u>
Accumulated acquisition values carried forward	<b>138</b>	<b>102</b>	<b>131</b>	<b>102</b>
Straight-line depreciation brought forward	0	-1	0	-1
Sales	-	1	-	1
Accumulated straight-line depreciation carried forward	<u>-17</u>	<u>0</u>	<u>-17</u>	<u>0</u>
Planned residual value carried forward	<b>121</b>	<b>102</b>	<b>114</b>	<b>102</b>

## Note 18 *Buildings and land*

	Group		Parent Company	
	2004	2003	2004	2003
Acquisition values brought forward	1,399	1,338	70	42
New acquisitions	9	60	2	28
Sales	-28	-1	-13	-2
Reclassifications	-	<u>2</u>	-	<u>2</u>
Accumulated acquisition values carried forward	<b>1,380</b>	<b>1,399</b>	<b>59</b>	<b>70</b>
Straight-line depreciation brought forward	-698	-665	-29	-29
Sales	14	1	10	1
Straight-line depreciation for the year	<u>-33</u>	<u>-34</u>	<u>0</u>	<u>-2</u>
Accumulated straight-line depreciation carried forward	<b>-717</b>	<b>-698</b>	<b>-19</b>	<b>-30</b>
Straight-line residual value carried forward	<b>663</b>	<b>701</b>	<b>40</b>	<b>40</b>
Tax assessment values, real estate	1,006	1,006	13	51
Of which, buildings	749	760	11	38

## Note 19 *Equipment, fixtures and fittings*

	Group		Parent Company	
	2004	2003	2004	2003
Acquisition values brought forward	1,408	1,204	1,263	1,065
New acquisitions	138	216	136	209
Sale and retirement of assets	-29	-24	-21	-23
Reclassifications	<u>-49</u>	<u>12</u>	<u>11</u>	<u>12</u>
Accumulated acquisition values carried forward	<b>1,468</b>	<b>1,408</b>	<b>1,389</b>	<b>1,263</b>
Depreciation brought forward	-820	-697	-713	-598
Sale and retirement of assets	22	19	15	18
Reclassifications	61	-	-	-
Straight-line depreciation for the year	<u>-155</u>	<u>-142</u>	<u>-147</u>	<u>-133</u>
Accumulated depreciation carried forward	<b>-892</b>	<b>-820</b>	<b>-845</b>	<b>-713</b>
Straight-line residual value carried forward	<b>576</b>	<b>588</b>	<b>544</b>	<b>550</b>

## Note 20 *Work in progress*

	Group		Parent Company	
	2004	2003	2004	2003
Acquisition values brought forward	12	14	12	14
New acquisitions	38	12	38	12
Reclassifications	<u>-11</u>	<u>-14</u>	<u>-11</u>	<u>-14</u>
Straight-line residual value carried forward	<b>39</b>	<b>12</b>	<b>39</b>	<b>12</b>



## Note 21 Participations in Group companies

	2004	2003
Acquisition value brought forward	15	15
Disposals	<u>0</u>	<u>—</u>
Accumulated acquisition value carried forward	<b>15</b>	<b>15</b>

Specification of shares in subsidiaries	Number of participations	Percentage holding*	Book value
Lagena Distribution AB, 556501-3496, Haninge	150	100	15
Systembolaget Fastigheter AB, 556601-5615, Stockholm	100	100	0,1

\*Capital and votes.

**The Parent Company has contributed a capital investment of SEK 1,000 in the following limited partnerships:**

Fastighetsbolaget Näckströmsgatan i Stockholm KB, 969674-9690, Stockholm  
 Fastighetsbolaget Kungsträdgårdsgatan i Stockholm KB, 969674-9416, Stockholm  
 Fastighetsbolaget Armarturvägen i Haninge KB, 969674-9424, Stockholm  
 Bonden 11 KB, 969675-1511, Stockholm  
 Buntmakaren 10 i Motala KB, 969675-3442, Stockholm  
 Alhambra 3 KB, 969675-1487, Stockholm  
 Tärnan 25 KB, 969675-1529, Stockholm  
 Gävle 10 KB, 969675-1479, Stockholm  
 Fastighetsbolaget Thor 15 KB, 969675-3848, Stockholm  
 Döbeln 7 KB, 969675-0117, Stockholm  
 Malörten 1 i Vänersborg KB, 969675-1842, Stockholm  
 Fastighetsbolaget Drottninggatan i Karlstad KB, 969675-0588, Stockholm  
 Livia 15 KB, 969674-8632, Stockholm  
 Knut 28 KB, 969675-1230, Stockholm  
 Fastighetsbolaget Hammartorget 5-7 KB, 969675-4614, Stockholm  
 Hofors 6:87 KB, 969675-1099, Stockholm  
 Fastighetsbolaget Storgatan i Sollefteå KB, 969675-2113, Stockholm  
 Stora Örnen 18 KB, 969675-0554, Stockholm

In 2004, Fastighetsbolaget Reval 5 KB, 969675-2691, Stockholm, was sold.

The Parent Company's capital investment was SEK 1,000.

## Note 22 Pension assets, net

The regular pensionable age is 65 years, and pensions are payable in accordance with Systembolaget's collectively agreed pension plan for administrative employees. Pensions are of the defined-benefit type and are secured via a pension fund. The pension payable is 10 per cent of the pensionable amount, up to 7.5 base amounts. For pensionable salary amounts from 7.5 base amounts to 20 base amounts, inclusive, the pension entitlement is 65 per cent, and for salary components above that amount 32.5 per cent. The size of the pension is also affected by the pensionable period of service.

Status of asset booked on 31 December	Group 2004
Actual value of assets under management	1,330
Current value of funded commitments	<u>-1,055</u>
Surplus value, funded assets vis-à-vis commitments	275
Current value, non-funded commitments	-60
Projected deviations, not taken to income	35
Adjustment of non-available surplus	<u>-42</u>
<b>Net asset on balance sheet</b>	<b>208</b>
<b>Actual value of assets under management, per category of financial instrument</b>	<b>Group 2004</b>
Fixed-income securities	932
Units in mutual funds	74
Stock index bonds	<u>324</u>
	<b>1,330</b>

**Movements in net asset during the period****Group 2004****Impact of change in accounting policy****0**

Net asset on 1 January, adjusted to show impact of new accounting policy

188

Net expense reported in income statement

188

Nettokostnad redovisad i resultaträkning

-19

Pensions paid out

39**Value on 31 December****208****Amount shown in income statement****Group 2004**

Cost of benefits earned during the period

38

Interest expense

49

Anticipated return

-68**Cost reported in income statement****19**

The actual return on the assets under management within the pension fund was 16 per cent.

For calculation of pension commitments, pension entitlement earned during the year and investment return, a number of assumptions have been established, on the basis of Systembolaget's expectations as to its business and market expectations as to financial factors. The assumptions applied on the balance sheet date represent a weighted average:

**Group 2004**

Average discount interest rate

4.28%

Anticipated investment return

5.03%

Assumed long-term rate of pay rises

3.10%

Assumed long-term rate of inflation

2.10%

Indexing of pensions

2.10%

Assumed long-term rate of tax on investment returns

0.60%

The discount rate is based on market expectations on the balance sheet vis-à-vis bonds with the same term as the pension liability. The assessment took as its starting point a trend of interest rates based on the trend for Swedish government real fixed-income bonds.

The anticipated return is based on Systembolaget's assessment of the anticipated return on the fund's assets.

The assumed rate of pay rises corresponds to the assumed rise in the income base amount. The expectation is thus that pay rises within Systembolaget will run at the same level as in the community at large.

The assumed long-term rate of inflation is based on the market's implicit expectations, which may be deduced as the difference between nominal and real rates on bonds. The assumption is slightly higher than the inflation target of Riksbanken (the Bank of Sweden), which is 2 per cent, but is well within the stated tolerances.

Anticipated tax on investment returns at the interest rates assumed. The tax on investment returns is included in the current value calculation of the pension commitment.

The period of amortization for projected deviations that exceed either 10 per cent of commitments or funded assets, whichever is the higher, is 15 years, which corresponds to the average outstanding period of employment.

**Note 23 Deferred income taxes recoverable****Temporary differences**

Temporary differences exist in the cases where the reported values of assets diverge from the taxable values.

Temporary differences have led to deferred income taxes recoverable in connection with the following items:

	Group		Parent Company	
	2004	2003	2004	2003
Depreciation of building	59	60	1	3
Provision for pensions	22	22	22	22
Provision for social welfare costs	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
	<b>86</b>	<b>87</b>	<b>28</b>	<b>30</b>

## Note 24 Other long-term receivables

	Group		Parent Company	
	2004	2003	2004	2003
Acquisition values brought forward	36	37	36	34
Additional receivable	0	1	0	1
Reversed current receivable	1	2	1	1
Transferred to current receivable	-2	-2	-2	-1
Accumulated receivables settled	-24	-24	-24	-22
Receivables settled during the year	<u>-2</u>	<u>-2</u>	<u>-2</u>	<u>-1</u>
<b>Book value at year-end</b>	<b>9</b>	<b>12</b>	<b>9</b>	<b>12</b>
Of which, portion falling due for payment after five years	5	6	5	6
These receivables have been secured by guarantees, mortgages and bank guarantees in the total amount of:	35	35	35	35

## Note 25 Prepaid expenses and accrued income

	Group		Parent Company	
	2004	2003	2004	2003
Prepaid rent	33	36	33	32
Other prepaid expenses	7	26	5	24
Accrued interest	<u>5</u>	<u>7</u>	<u>5</u>	<u>7</u>
	<b>45</b>	<b>69</b>	<b>43</b>	<b>63</b>

## Note 26 Changes in equity

Group	Share capital	Restricted reserves	Non-restricted reserves	Net profit for the year	Total
<b>Value brought forward for equity in 2003 as per</b>					
Balance Sheet approved for preceding year	360	398	510	142	1,410
Dividend			-120	-80	-200
Transfer to non-restricted reserves			62	-62	0
Change between restricted and non-restricted equity		15	-15		0
Net profit for the year				138	138
<b>Equity 31 December 2003</b>	<b>360</b>	<b>413</b>	<b>437</b>	<b>138</b>	<b>1,348</b>
<b>Value brought forward for equity in 2004 as per</b>					
Balance Sheet approved for preceding year	360	413	437	138	1,348
Impact of change in accounting policy		198			198
<b>Value brought forward for equity adjusted to show impact of new accounting policy</b>	<b>360</b>	<b>611</b>	<b>437</b>	<b>138</b>	<b>1,546</b>
Dividend				-80	-80
Transfer to non-restricted reserves			58	-58	0
Change between restricted and non-restricted equity		16	-16		0
Net profit for the year				178	178
<b>Equity 31 December 2004</b>	<b>360</b>	<b>627</b>	<b>479</b>	<b>178</b>	<b>1,644</b>

Group	Share capital	Restricted reserves	Non-restricted reserves	Net profit for the year	Total
<b>Value brought forward for equity in 2003 as per</b>					
Balance Sheet approved for preceding year	360	72	460	125	1,016
Dividend			-120	-80	-200
Transfer to retained earnings			45	-45	0
Net profit for the year				132	132
<b>Equity 31 December 2003</b>	<b>360</b>	<b>72</b>	<b>385</b>	<b>132</b>	<b>948</b>
<b>Value brought forward for equity in 2004 as per</b>					
Balance Sheet approved for preceding year	360	72	385	132	948
Dividend				-80	-80
Transfer to retained earnings			52	-52	0
Net profit for the year				154	154
<b>Equity 31 December 2004</b>	<b>360</b>	<b>72</b>	<b>436</b>	<b>154</b>	<b>1,022</b>

### Note 27 Tax allocation reserves, Parent Company

	2004	2003
Tax allocation reserve, set aside at 1999 tax assessment	-	79
Tax allocation reserve, set aside at 2000 tax assessment	96	96
Tax allocation reserve, set aside at 2001 tax assessment	80	80
Tax allocation reserve, set aside at 2002 tax assessment	60	60
Tax allocation reserve, set aside at 2003 tax assessment	62	62
Tax allocation reserve, set aside at 2004 tax assessment	66	66
Tax allocation reserve, set aside at 2005 tax assessment	64	-
	<b>428</b>	<b>443</b>

### Note 28 Provision for pensions

	Group		Parent Company	
	2004	2003	2004	2003
Actual pension liability brought forward	-	12	-	-
Change in liability during year	-	-1	-	-
Actual pension liability carried forward	-	<b>11</b>	-	-

In March 2001, Systembolaget AB secured outstanding portable pension commitments through allocation to pension funds.

In calculating the allocation for pensions, the provisions of the Swedish Act of 9 June 1967 on Securing Pension Commitments etc. have been applied. Pension commitments have been calculated in accordance with the directions of the Swedish Financial Supervisory Authority (FFFS 2001:13).

The pension commitments of subsidiaries are guaranteed through credit insurance and guarantees furnished by Systembolaget AB.

Effective 2004, the Group's provisions for pensions are, as a result of implementation of recommendation RR29 (Employee Benefits), included in the net pension assets accounted for as a financial asset.

### Note 29 *Provision for taxes*

	Group		Parent Company	
	2004	2003	2004	2003
Deferred tax on untaxed reserves	130	132	-	-
Provision for taxes	<u>123</u>	<u>46</u>	<u>19</u>	<u>19</u>
	<b>253</b>	<b>178</b>	<b>19</b>	<b>19</b>

### Note 30 *Other provisions*

	Group		Parent Company	
	2004	2003	2004	2003
Provision for pensions	-	79	77	79
Provision for costs	71	-	71	-
Miscellaneous	<u>13</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<b>84</b>	<b>79</b>	<b>148</b>	<b>79</b>

These provisions relate to costs incurred in connection with decisions and commercial events during 2004. Other provisions consist in the main of restructuring costs pertaining to the review of the head office organization and coordination head office activities within one building. In addition, provisions were made in respect of vacated store premises.

### Note 31 *Long-term liabilities*

No long-term liabilities fall due within five years of the balance sheet date. An overdraft limit of TSEK 300 has been approved.

### Note 32 *Accrued expenses and deferred income*

	Group		Parent Company	
	2004	2003	2004	2003
Holiday pay liability	75	73	72	70
Wage/salary liability	16	25	14	24
Social welfare charges	50	62	48	60
Accrued operating costs	<u>45</u>	<u>61</u>	<u>18</u>	<u>48</u>
	<b>186</b>	<b>221</b>	<b>152</b>	<b>202</b>

### Note 33 *Contingent liabilities*

	Group		Parent Company	
	2004	2003	2004	2003
On behalf of Group companies	-	12	8	10
Personnel loans	3	6	3	7
Pension commitments	-	-	941	908
Allocation to pension funds	-	-	-941	-908
Premium adjustment fund	2	2	2	2
Miscellaneous	<u>2</u>	<u>1</u>	<u>-</u>	<u>-</u>
	<b>7</b>	<b>21</b>	<b>13</b>	<b>19</b>



Stockholm, 23 February 2005

*Olof Johansson*

Chairman

*Anna Hedborg*

Deputy Chairman

*Ulf Melin*

*Elisebeht Markström*

*Gert Karnberger*

*Ewa Persson Göransson*

*Marianne Nivert*

*Sven-Olof Danielsson*

Employee Representative (HTF)

*Eva Hagelberg*

Employee Representative (HTF)

*Anitra Steen*

President

Our Audit Report was submitted on 23 February 2005

*SET Revisionsbyrå AB*

*Bo Axberg*

Authorized Public Accountant

*Filip Cassel*

Authorized Public Accountant

Appointed by State Audit Institution

# Audit Report

To the Annual General Meeting of Systembolaget AB, Corporate Registration Number 556059-9473.

We have examined the annual accounts, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President of Systembolaget AB for 2004. These accounts, the administration of the company and the application of the Swedish Annual Accounts Act when preparing the annual accounts and the consolidated financial statements are the responsibility of the Board of Directors and the President. Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on our audit.

The audit was carried out in accordance with generally accepted auditing standards in Sweden. We planned and performed our audit so as to obtain reasonable assurance that the annual accounts and consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. It also includes assessing the accounting policies used and their application by the Board of Directors and the President, and significant estimates made by the Board of Directors and the President when preparing the annual accounts and consolidated accounts, as well as evaluating the overall presentation of information in the annual accounts and consolidated financial statements. As the basis for our opinion on discharge from liability, we have examined significant decisions, actions taken and circumstances in the Company in order to be able to determine the liability, if any, to the Company of any Board member or the President. We also examined whether any Board member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Company's Articles of Association. We believe that our audit gives us reasonable grounds for the following statements.

The annual accounts and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thereby give a true and fair view of the financial results and position of the Company and the Group in accordance with generally accepted accounting standards in Sweden. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We recommend to the Annual General Meeting, that the income statements and balance sheets of the Parent Company and Group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the Administration Report, and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 23 February 2005

*SET Revisionsbyrå AB*

*Bo Axberg*

Authorized Public Accountant

*Filip Cassel*

Authorized Public Accountant

Appointed by State Audit Institution

# Detailed Audit Report

To the Annual General Meeting of Systembolaget AB, Corporate Registration Number 556059-9473.

On behalf of Riksdagen's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2004 financial year.

We have examined significant decisions, actions taken and circumstances in the Company in order to judge 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, 23 February 2005

*Ingvar Johnsson*

*Ulla Wester*

*Rolf Gunnarsson*

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## Auditors

Composition on 31 December 2004.

### Regular Auditors

#### Appointed by the Annual General Meeting

SET Revisionsbyrå AB, Stockholm, represented by Bo Axberg, Senior Auditor.

#### Appointed by the State Audit Institution

Filip Cassel, Authorized Public Accountant, State Audit Institution, Stockholm.

#### Appointed by Riksdagen's Board of Administration

Ingvar Johnsson, former MP, Trollhättan.

Ulla Wester, MP, Rinkaby.

Rolf Gunnarsson, MP, Falun.

### Deputies

#### Appointed by the State Audit Institution

Lars Nordstrand, Authorized Public Accountant, State Audit Institution, Stockholm.

#### Appointed by Riksdagen's Board of Administration

Carl-Axel Johansson, MP, Köpingsbro.

Christina Nenes, MP, Älvängen.

Siw Wittgren-Ahl, MP, Gothenburg.



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# Board of Directors

## Regular Members

**Olof Johansson** (10), **Chairman**, former cabinet minister, elected 2002.

\* AB Svensk Bilprovning, the Swedish Foundation for Knowledge and Competence Development, Rådet för insyn i försvarsmakten (Public Accountability Board of the Swedish Armed Forces) LUSTRA (Land Use Strategies) (Chairman, all), Bemanningsföretagens Auktorisationsnämnd (Staffing Companies' Authorization Board) and mediator in industrial disputes.

**Anna Hedborg** (11), **Deputy Chairman**, Director-General, Ministry of Health and Social Affairs, elected 2000.

\* National Swedish Social Insurance Board (Chairman), First AP-fonden (National Swedish Pension Insurance Fund) (Chairman), AMS (Swedish Labour Market Board) (Director).

**Gert Karnberger** (not pictured), Clas Ohlson AB, President, elected 2004.

\* Clas Ohlson AB, subsidiaries Clas Ohlson AS and Clas Ohlson OY and Swedish Federation of Trade (Director, all). Swedish Mail Order and Traders' Association (Deputy Chairman).

**Elisebeht Markström** (12), MP, elected 1999.

\* Swedish National Board of Institutional Care (SIS), National Swedish Prisons and Probation Administration, Board of the Swedish National Courts Administration.

**Ulf Melin** (1), Head of Development, Swedish Conservative Party, (1999).

\* Advanced Vocational Training Board.

**Marianne Nivert** (7), elected 2002.

\* Fourth AP-fonden (National Swedish Pension Insurance Fund), Posten AB (Chairman), Karolinska University Hospital, Lennart Wallenstams Byggnads AB, Chalmers Tekniska Högskola AB, SNS (Swedish Center for Business and Policy Studies), Swedish Exportkredit AB, Beijer Alma AB, SSAB.

**Ewa Persson Göransson** (9), Under-Secretary of State, Ministry of Health and Social Affairs, elected 2001.

\* Swedish Agency for Public Management, Council.

**Sven-Erik Österberg** (not pictured), MP, elected 2004. Resigned from Board when appointed Minister for Local Government and Financial Markets (Nov. 2004).

\* Swedish National Property Board (Director), Smedjebygdens Fastighets AB (Director).

## Employee Representatives

### Regular Members

**Sven-Olof Danielsson** (not pictured), Store Manager, Systembolaget, Östersund, elected 1989.

**Eva Hagelberg** (5), Salesperson, Systembolaget, Hudiksvall, elected 1998.

\* Systembolaget Personnel Association (member).

### Deputy Members

**Margareta Andersson** (8), MP, elected 2000.

\* Kooperativ Utveckling Jönköpings Län (Cooperative Development in the County of Jönköping) (Chairman), Föreningen Kooperativ Utveckling (Cooperative Development Association) – Board of National Federation (Director).

**Robin Dahl** (not pictured), Economist, elected 1995.

\* Uppland Music (Chairman), Patient's Committee, Uppsala County Council.

**Evert Lindholm** (3), President Förenade Kommunföretag AB, elected 1999.

\* Offentliga jobb AB, KPA AB, Kommentus AB, @veta.

**Ingvar Löfstrand** (2), Deputy Assistant Under-Secretary, Ministry of Health and Social Affairs, elected 1996.

**Karin Pilsäter** (13), MP, elected 1999.

\* University College of South Stockholm, Swedish Consumer Agency, Board of Governors of the Bank of Sweden.

## Employee Representatives

### Deputy Members

**Eva Rand** (6), Salesperson, Systembolaget, Årjäng, elected 2004.

\* Systembolaget Personnel Association (Deputy Chairman), Systembolaget Pension Fund (Director).

**Patrik Ström** (4), Store Manager, Systembolaget, Sävsjö, elected 2004.

\* Systembolaget Personnel Association (Chairman).

\* Other Board duties.

# Sales Statistics

Systembolaget sales, 1955–2004 (1,000s of litres)

Year	Spirits	Fortified wine	Wine*	Class III beer	Alcohol-free
1955	48,376	7,858	7,799	8,102	
1956	57,674	7,511	8,744	9,541	
1957	50,465	7,712	11,599	7,514	
1958	44,292	7,988	13,034	7,575	60
1959	43,795	8,738	14,224	8,680	95
1960	43,007	9,509	14,975	9,646	119
1961	45,778	10,485	16,460	10,702	139
1962	47,348	10,691	17,829	12,057	147
1963	44,400	10,252	19,536	20,007	177
1964	49,199	10,442	21,325	18,995	188
1965	51,605	10,712	22,410	20,136	207
1966	51,844	10,524	24,934	15,310	213
1967	52,723	10,598	28,642	16,986	258
1968	50,406	10,298	31,528	22,128	266
1969	51,224	10,442	35,241	33,003	340
1970	53,028	10,655	40,331	30,574	395
1971	50,968	10,590	45,947	28,742	448
1972	53,643	11,142	52,875	27,060	478
1973	54,454	10,709	48,362	24,079	453
1974	60,413	11,532	50,930	24,963	515
1975	61,245	12,110	55,321	24,901	590
1976	63,583	11,950	57,544	24,475	608
1977	61,657	10,990	67,280	44,508	636
1978**	62,491	11,675	63,263	60,610	643
1979	63,250	12,255	65,860	70,427	559
1980	57,787	11,628	67,609	70,529	538
1981	52,353	9,896	70,985	67,957	598
1982	52,260	10,419	76,406	75,905	558
1983	48,219	10,042	79,881	76,445	738
1984	45,161	9,619	87,103	79,127	605
1985	44,141	9,590	88,059	77,954	542
1986	45,558	9,456	90,523	87,556	551
1987	42,104	8,777	90,558	94,194	660
1988	40,934	8,673	93,613	100,775	674
1989	40,150	8,766	97,332	107,121	634
1990	37,837	8,387	96,393	106,793	646
1991	37,177	8,082	97,913	106,722	706
1992	35,807	7,961	100,670	105,367	711
1993	34,287	7,962	103,127	103,307	667
1994	32,245	7,504	107,263	109,354	683
1995***	29,654	6,249	104,165	107,902	604
1996	26,801	7,263	103,026	102,184	605
1997	24,304	6,517	109,059	110,232	517
1998	23,257	6,202	110,403	112,534	457
1999	23,267	6,007	119,291	129,594	393
2000	23,402	5,792	123,968	142,361	400
2001****	23,396	5,740	132,113	156,011	373
2002	23,308	5,656	147,925	170,455	415
2003	22,107	5,426	155,062	179,141	545
2004	19,226	5,443	150,071	172,947	655

\* Including cider and mixed drinks.

\*\* In 1978, Systembolaget's monopoly on wholesaling of Swedish-produced Class III beer was terminated.

\*\*\* In 1995, Systembolaget's monopoly on other wholesaling was terminated.

\*\*\*\* In 2001, Systembolaget's sales in the wholesaling sector were terminated.

Systembolaget per capita sales, by county in 2004, with % change from 2003 (litres)

County	Spirits		Wine		Beer		Cider/ mixed drinks		Total as pure alcohol	
	Litres	%	Litres	%	Litres	%	Litres	%	Litres	%
Stockholm	2.17	-12.3	22.21	-1.7	22.09	-1.9	1.65	-10.6	4.99	-3.3
Uppsala	1.96	-9.6	16.74	-0.1	19.19	-0.8	1.97	-7.2	4.04	-1.9
Södermanland	2.36	-11.0	16.64	-1.4	21.20	-4.5	2.21	-7.1	4.33	-4.1
Östergötland	1.95	-13.5	13.16	-4.7	17.06	-8.0	1.82	-12.9	3.49	-7.3
Jönköping	1.69	-11.0	8.61	1.2	15.48	-4.1	1.48	-5.0	2.70	-3.6
Kronoberg	2.05	-14.6	9.60	-3.6	13.94	-6.2	1.45	-6.3	2.86	-7.2
Kalmar	2.50	-12.7	12.25	-2.9	19.40	-7.1	1.91	-8.6	3.71	-6.7
Gotland	3.12	-9.2	21.13	-0.4	29.26	-1.9	3.04	-8.5	5.66	-2.6
Blekinge	2.10	-12.3	9.97	-1.9	13.61	-5.2	1.55	-9.5	2.94	-5.7
Skåne	1.47	-17.5	10.93	-2.7	8.97	-2.5	1.04	-14.3	2.53	-6.2
Halland	1.84	-15.1	12.28	-2.7	12.77	-5.1	1.55	-16.1	3.06	-6.3
Västra Götaland	2.01	-15.4	14.97	-5.5	17.94	-5.7	1.73	-12.9	3.77	-7.4
Värmland	3.51	-17.3	18.63	-7.6	28.12	-11.3	2.55	-18.1	5.39	-11.1
Örebro	1.95	-13.7	11.54	-4.0	19.51	-8.0	1.98	-12.0	3.43	-7.5
Västmanland	2.11	-11.8	14.37	-3.1	20.68	-6.6	2.19	-12.1	3.92	-5.9
Dalarna	2.37	-10.8	14.19	-2.8	23.84	-6.2	2.46	-8.2	4.15	-5.5
Gävleborg	2.46	-9.4	14.23	-0.3	23.26	-2.8	2.42	-9.3	4.17	-3.2
Västernorrland	2.85	-6.0	15.31	1.3	24.05	4.4	2.71	-2.1	4.53	0.6
Jämtland	4.12	-10.3	20.30	1.1	33.29	2.5	3.25	-9.6	6.17	-1.7
Västerbotten	2.58	-8.8	14.26	1.4	26.56	2.9	3.00	-3.0	4.42	-0.4
Norrbotten	2.27	-21.4	13.13	0.3	29.93	-2.3	3.48	-10.7	4.39	-6.1
<b>All Sweden</b>	<b>2.13</b>	<b>-13.4</b>	<b>15.40</b>	<b>-2.5</b>	<b>19.19</b>	<b>-3.8</b>	<b>1.86</b>	<b>-10.7</b>	<b>3.95</b>	<b>-5.1</b>
All Sweden, per capita above age of 15 years	2.59	-13.6	18.68	-2.8	23.28	-4.1	2.26	-10.9	4.79	-5.4

Market shares by volume in 2004 (Systembolaget's 10 biggest suppliers)

Spirits

1	V & S Group	50.8%
2	Berntson AB	9.8%
3	Diageo Sweden AB	9.3%
4	Maxxium Sweden Fine Wine & Spirit AB	6.5%
5	Fondberg & Co AB	3.8%
6	Allied Domecq Spirits & Wine Sweden AB	3.5%
7	Philipson & Söderberg	2.9%
8	Bibendum	2.9%
9	Pernod Ricard Sweden AB	2.8%
10	Galatea Spirits AB	1.7%

Wine

1	V & S Group	24.3%
2	Fondberg & Co AB	11.2%
3	Oenoforos AB	7.7%
4	Philipson & Söderberg	6.4%
5	Stellan Kramer AB	4.4%
6	Arvid Nordquist Vin och Sprithandel	4.2%
7	Bibendum	3.6%
8	Premium Wines Nordic	3.6%
9	Enosvezia AB	3.4%
10	Hjo Grosshandel AB	3.1%

Strong beer (Class III)

1	Carlsberg Sverige AB	33.8%
2	Kopparbergs/Sofiero Bryggeri	18.7%
3	Spendrups	16.3%
4	Galatea Spirits AB	12.6%
5	Åbro Bryggeri	10.3%
6	Krönleins	4.4%
7	Bibendum	1.2%
8	Birra Mex AB	0.6%
9	Heba Trading AB	0.3%
10	Fondberg & Co AB	0.2%

Cider and mixed drinks

1	Carlsberg Sverige AB	24.7%
2	Kopparbergs/Sofiero Bryggeri	23.7%
3	Åbro Bryggeri	18.1%
4	Krönleins	17.5%
5	Spendrups	5.4%
6	Berntson AB	3.8%
7	Galatea Spirits AB	2.6%
8	Kiviks Musteri	2.0%
9	Tegnér Hermansson AB	1.0%
10	Bibendum	0.4%



## Market shares by value in 2004 (Systembolaget's 10 biggest suppliers)

### Invoicing

1	V & S Group	24.6%	6	Berntson AB	4.0%
2	Carlsberg Sverige AB	7.6%	7	Kopparbergs/Sofiero Bryggeri	3.8%
3	Fondberg & Co AB	5.3%	8	Oenoforos AB	3.3%
4	Philipson & Söderberg	4.5%	9	Galatea Spirits AB	3.1%
5	Spendrups Bryggeri AB	4.3%	10	Bibendum	3.1%

## Top selling brands in 2004

### 2003 position in brackets

Spirits	Millions of litres
1 (1) Explorer	1.4
2 (2) Renat	1.1
3 (3) Lord Calvert	1.1
4 (3) Absolut Vodka	1.1
5 (4) Brännvin Special	0.7
6 (8) Koskenkorva Vodka	0.7
7 (6) The Famous Grouse	0.6
8 (7) Kronvodka	0.6
9 (9) Bell's	0.5
10 (10) Black Velvet	0.5

Fortified wines	Millions of litres
1 (1) Blossa Starkvinsglögg Röd	0.9
2 (2) Marinella Fruit Aperitif	0.6
3 (3) Martini Bianco	0.4
4 (4) Rosita	0.3
5 (new) Blossa Starkvinsglögg 04	0.2

Wine (excl. fortified wine)	Millions of litres
1 (2) Chenet Cabernet-Syrah	3.9
2 (3) Castillo de Gredos Tinto	3.8
3 (1) Mauro Primitivo	3.6
4 (11) Chill Out Cabernet Sauvignon	3.3
5 (9) Golden Gate California White	3.3
6 (8) Oude Kaap Cinsault Ruby Cabernet	3.1
7 (5) Castillo de Gredos Blanco	2.8
8 (6) Chapel Hill Rhine Riesling Sauv. Bl.	2.7
9 (10) Robertson Winery Chardonnay	2.4
10 (12) Viña Maipo Cabernet Sauvignon	2.1

Red wine	Millions of litres
1 (2) Chenet Cabernet-Syrah	3.9
2 (3) Castillo de Gredos Tinto	3.8
3 (1) Mauro Primitivo	3.6
4 (7) Chill Out Cabernet Sauvignon	3.3
5 (5) Oude Kaap Cinsault Ruby Cabernet	3.1
6 (8) Viña Maipo Cabernet Sauvignon	2.1
7 (4) Gato Negro Cabernet Sauvignon	2.1
8 (new) Chill Out Shiraz	1.8
9 (15) Santa Inés Reserva Cab/Carminère	1.7
10 (6) il Conte Primitivo Negroamaro	1.6

White wine	Millions of litres
1 (3) Golden Gate California White	3.3
2 (1) Castillo de Gredos Blanco	2.8
3 (2) Chapel Hill Rhine Riesling Sauv. Blanc	2.6
4 (4) Robertson Winery Chardonnay	2.4
5 (6) Les Fumées Blanches	1.2
6 (5) Dunavár Pinot Gris	1.1
7 (7) Gandia Dry Muscat	0.9
8 (20) Drostdy-Hof Steen	0.8
9 (10) Guntrum Riesling	0.8
10 (19) Lindemanns Chardonnay	0.8

Strong beer (Class III)	Millions of litres
1 (1) Sofiero Original	24.8
2 (26) Blågul	17.7
3 (3) Mariestads Export	8.3
4 (4) Norrlands Guld Export	7.9
5 (2) Millennium	6.6
6 (6) Bjernebryg Extra Stark Dansk Öl	6.0
7 (5) Falcon Export	5.6
8 (24) Harboe Pilsner	5.5
9 (7) Carlsberg Sort Guld	4.2
10 (12) Åbto Original	3.2

Cider	Millions of litres
1 (2) Kopparbergs Cider Svensk Guld Pärön	1.6
2 (8) Cider Kaktus/Lime	1.3
3 (3) Kopparbergs Päröncider	1.2
4 (14) Cider Wildberries	1.0
5 (6) Rekorderlig Skogsbärs cider Extra Stark	0.9

Mixed drinks	Thousands of litres
1 (7) Smirnoff Ice	516.2
2 (1) Cube Sour Lemon	353.5
3 (6) Aquatini High Lemon	237.1
4 (2) Bacardi Breezer Tropical Watermelon	212.1
5 (3) Bacardi Breezer Tropical Pineapple	174.3

Alcohol-free	Thousands of litres
1 (1) Clausthaler	83.3
2 (3) Jever Fun	60.7
3 (5) Mousserande Jordgubbsvin Alkoholfri	43.8
4 (4) Peach Pearl	39.4
5 (20) Inglenook St Regis Cab Sauv	37.5

Systembolaget sales by product group in 2004, with % change from 2003  
(1,000s of litres)

Spirits	2003	2004	Change
Aperitifs/bitters	302	260	-13.8%
Unspiced vodka	7,154	6,134	-14.3%
Spiced vodka	2,066	1,769	-14.4%
Gin	1,394	1,159	-16.8%
Armagnac, Cognac, Brandy	824	662	-19.7%
Rum	377	354	-6.3%
Swedish (Arrack) Punsch	223	195	-12.8%
Whisky	7,868	6,952	-11.6%
Liqueurs	1,580	1,419	-10.2%
Other spirits	318	322	1.2%
<b>Total</b>	<b>22,107</b>	<b>19,226</b>	<b>-13.0%</b>

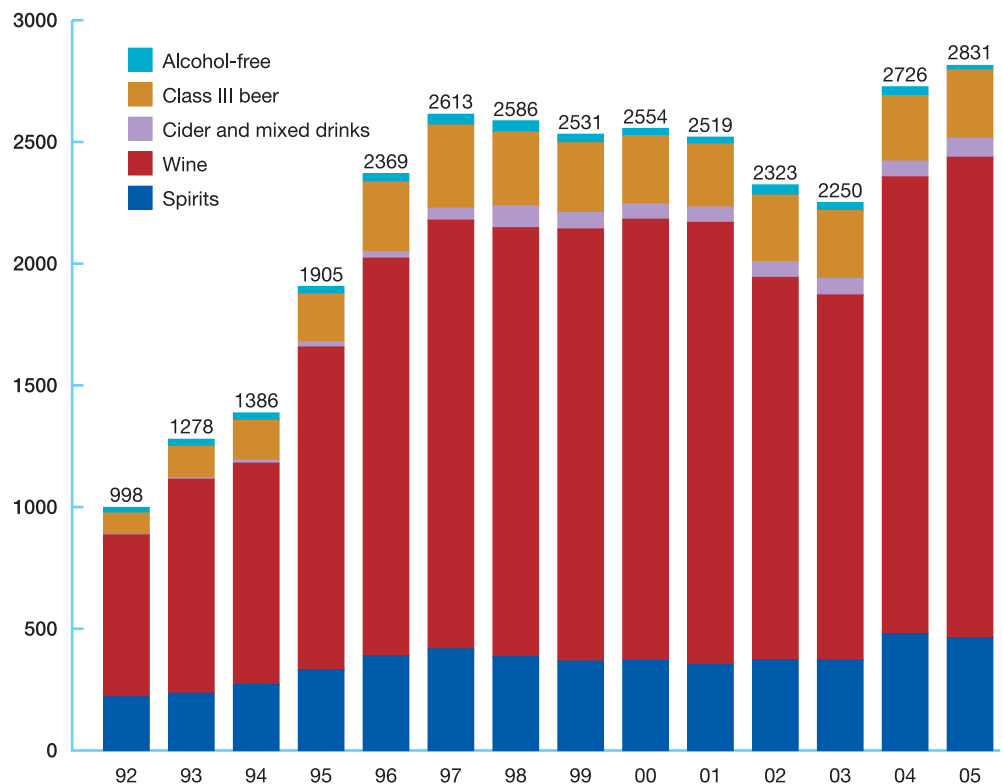
Wine	2003	2004	Change
Red wine	82,685	80,965	-2.1%
White wine	45,155	44,531	-1.4%
Rosé wine	1,921	1,832	-4.6%
Sparkling wine	3,704	3,709	0.1%
Champagne	501	537	7.1%
Fortified wine, excl. fortified glögg	4,418	3,841	-13.1%
Glögg and Glühwein	2,868	2,848	-0.7%
Other wine	531	475	-10.5%
<b>Total</b>	<b>141,785</b>	<b>138,738</b>	<b>-2.1%</b>

Cider and mixed drinks	2003	2004	Change
Mixed drinks	2,185	2,393	9.5%
Cider	16,518	14,382	-13.0%
<b>Total</b>	<b>18,702</b>	<b>16,775</b>	<b>-10.3%</b>

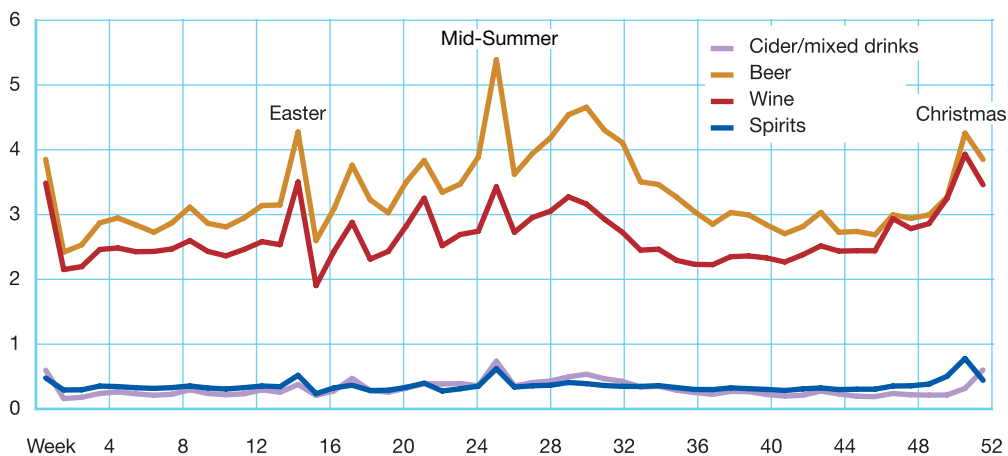
Strong beer (Class III)	2003	2004	Change
Pale lager	170,270	164,830	-3.2%
Dark lager	4,195	3,751	-10.6%
Ale	2,910	2,734	-6.0%
Porter/Stout	862	803	-6.9%
Other Strong beer (Class III)	904	829	-8.4%
<b>Total</b>	<b>179,135</b>	<b>172,947</b>	<b>-3.5%</b>

Alcohol-free/mineral water	2003	2004	Change
Alcohol-free	387	497	28.4%
Glögg and Glühwein	65	65	0.1%
Mineral water	92	92	-0.3%
<b>Total</b>	<b>545</b>	<b>655</b>	<b>20.1%</b>

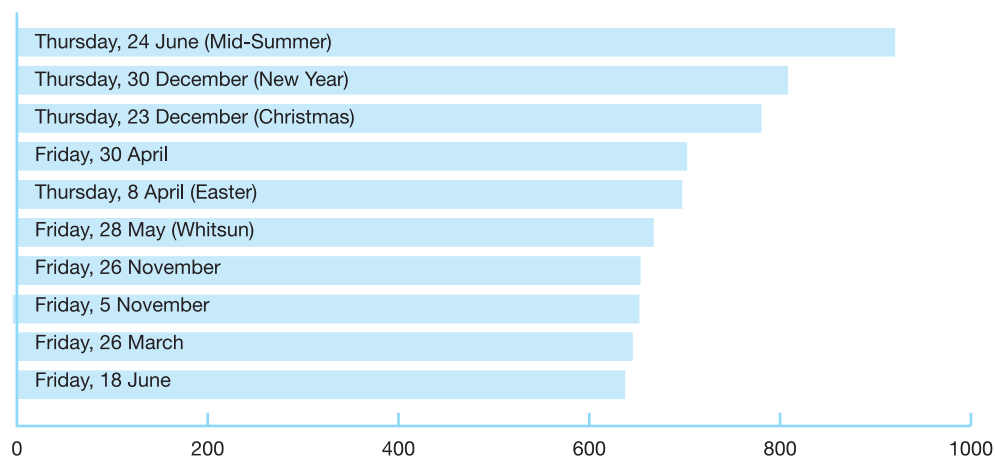
Number of brands in Systembolaget's standard range, 1992–2005  
(January each year)



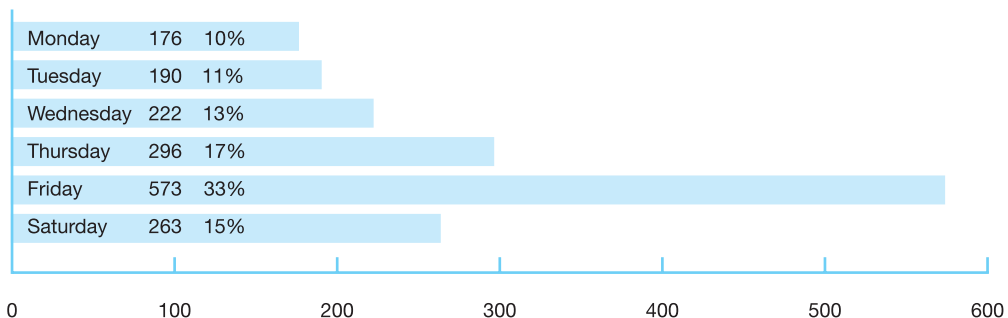
### Systembolaget sales, by week through the year in 2004 (millions of litres)



### Days of peak customer demand (1,000s) in 2004



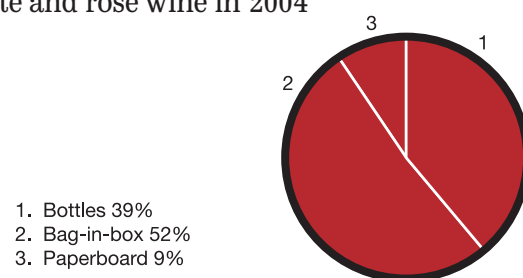
### Number of customers (1,000s) per day during an average week in 2004



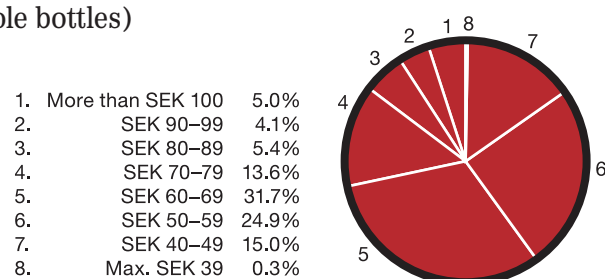
Systembolaget sales of wine  
(not fortified) 1995-2004 (1,000s of litres)

Country	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	% in 2004	% change 2004/2003
Spain	31,576	29,902	27,266	30,633	32,501	30,288	31,379	31,439	27,454	23,996	18.0%	-12.6%
Italy	11,620	12,013	15,454	14,826	15,344	17,498	21,250	28,627	28,311	23,106	17.3%	-18.4%
South Africa	968	2,297	2,747	3,086	3,555	4,494	5,527	5,999	11,172	15,184	11.4%	35.9%
France	11,889	9,496	11,491	13,263	14,281	15,728	16,676	18,487	18,639	15,069	11.3%	-19.2%
Australia	6,839	6,334	5,028	3,827	4,692	5,601	5,817	7,287	11,011	13,666	10.3%	24.1%
Chile	4,025	4,962	5,206	4,697	6,265	7,788	10,143	12,165	12,586	12,527	9.4%	-0.5%
USA	4,905	5,661	5,917	5,101	5,468	4,825	4,254	4,345	5,110	8,329	6.2%	63.0%
Germany	12,258	9,785	8,679	8,299	8,462	8,634	8,179	7,631	7,040	6,537	4.9%	-7.2%
Hungary	1,940	2,059	1,859	1,661	2,108	2,592	3,821	5,846	6,310	5,785	4.3%	-8.3%
Portugal	1,975	2,380	2,697	3,371	4,108	4,051	3,088	1,960	2,275	3,126	2.3%	37.4%
Sweden	2,952	2,484	2,319	2,159	2,103	1,817	1,853	1,865	1,705	1,680	1.3%	-1.4%
Bulgaria	2,799	2,963	2,746	3,022	2,461	2,352	2,391	1,999	1,461	1,453	1.1%	-0.6%
Argentina	267	425	607	1,050	1,011	1,139	855	634	891	1,137	0.9%	27.5%
Romania	1,091	1,230	1,103	848	661	611	527	470	453	477	0.4%	5.2%
Cyprus	489	478	441	376	351	331	327	342	328	284	0.2%	-13.3%
Greece	664	819	652	595	635	712	439	255	296	275	0.2%	-7.2%
New Zealand	558	442	366	430	419	321	261	175	178	175	0.1%	-1.8%
Austria	916	806	753	500	470	375	314	177	131	130	0.1%	-1.3%
Denmark	70	73	78	80	86	99	107	141	127	102	0.1%	-20.1%
Lebanon	42	65	42	31	45	59	45	87	64	67	0.1%	5.0%
Others	683	639	572	563	588	715	454	200	164	192	0.1%	17.2%
<b>Total:</b>	<b>98,528</b>	<b>95,313</b>	<b>96,023</b>	<b>98,419</b>	<b>105,615</b>	<b>110,030</b>	<b>117,704</b>	<b>130,131</b>	<b>135,708</b>	<b>133,296</b>	<b>100.0%</b>	<b>-1.8%</b>

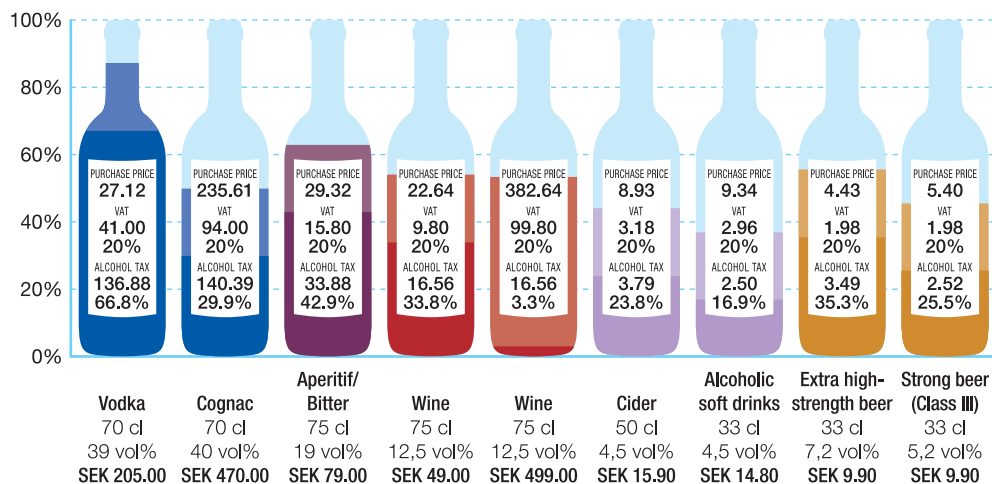
Systembolaget sales of red, white and rosé wine in 2004  
by type of packaging



Systembolaget sales of wine (excl. fortified wine) in 2004  
by price category (only whole bottles)



## Tax as a percentage of various product prices, 1 January 2005



## Taxes on alcohol, 1 January 2005

Value added charged extra

### Beer

Alcohol content, % by volume Tax in SEK per litre

More than	Max.	per % unit alcohol by volume *
–	2.8	0
2.8	–	1.47

\* Duty on a brand of beer containing 5.0% alcohol by volume will be 5.0 x SEK 1.47 = SEK 7.35.

### Wine (incl. cider etc.)

Alcohol content, % by volume

More than	Max.	Tax in SEK per litre
–	2.25	0
2.25	4.5	7.58
4.5	7	11.20
7	8.5	15.41
8.5	15	22.08
15	18	45.17

### Intermediate products (fortified wine etc.)

Alcohol content, % by volume

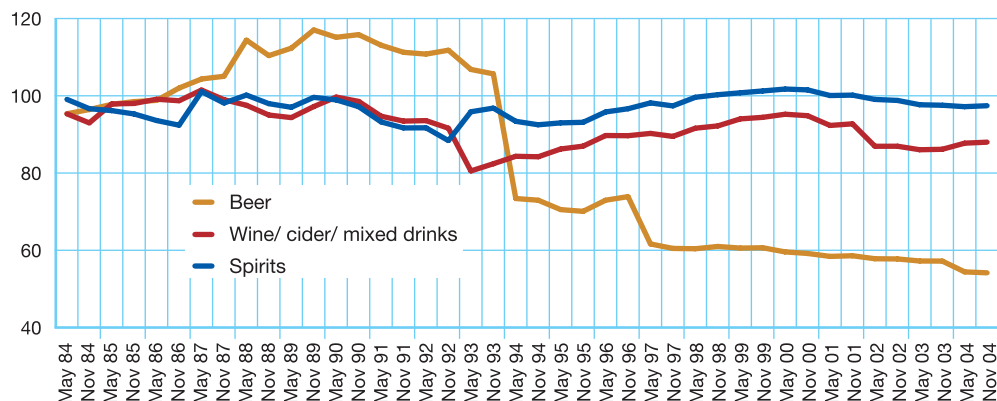
More than	Max.	Tax in SEK per litre
1.2	15	27.20
15	22	45.17

### Spirits

Duty, SEK per litre of pure alcohol

501.41

## Real prices of spirits, wine and Strong beer (Class III), 1984–2004 (real price index, December 1984 = 100)



# Ten years in brief

## Sales per inhabitant aged over 15 years (litres)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Spirits	4.1	3.7	3.4	3.2	3.2	3.2	3.2	3.2	3.0	2.6
Wine	15.0	14.5	14.4	14.6	15.6	16.1	17.0	18.6	19.2	18.7
Strong beer (Class III)	15.0	14.2	15.3	15.6	17.9	19.6	21.4	23.3	24.3	23.3
Cider and mixed drinks	0.3	0.9	1.7	1.5	1.8	1.8	1.9	2.3	2.5	2.3
Total, as pure alcohol	4.2	3.9	3.9	3.9	4.2	4.4	4.6	5.0	5.1	4.8

## Sales in millions of litres

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Spirits	29.6	26.8	24.3	23.3	23.3	23.4	23.4	23.3	22.1	19.2
Wine	107.7	103.8	103.6	105.5	112.5	116.6	124.2	136.5	141.8	138.7
Strong beer (Class III)	107.8	102.2	110.2	112.5	129.6	142.4	156.0	170.5	179.1	172.9
Cider and mixed drinks	2.4	6.5	12.0	11.1	12.8	13.2	13.7	17.1	18.7	16.8
Low-alcohol	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.5	0.7
Total, as pure alcohol	29.8	28.4	28.3	28.3	30.2	31.7	33.6	36.4	37.4	35.6

## Highlights of Parent Company Income Statement (MSEK)

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Sales	16,063	15,837	15,320	15,352	16,456	17,175	17,996	18,809	18,985	17,708
Operating profit before appropriation	119	151	238	350	463	194	185	182	202	194
Pre-tax profit	74	146	196	292	382	261	158	176	188	208
Tax on profit for year	-29	-46	-58	-82	-112	-106	-52	-51	-57	-55
Profit for year	45	100	138	210	270	155	106	125	131	154

## Sales network

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Number of communities with stores	284	293	296	298	304	310	314	315	322	323
Stores	384	395	396	397	403	411	416	419	426	417
Local agents	557	571	589	586	575	575	579	590	580	576



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