



Systembolaget's Responsibility Report

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This translation of Systembolaget's Swedish Responsibility Report is an abridged version in that pages 91 through 111, which include Notes 2 through 26, are not included. Printed on eco-friendly paper. Arctic the volume and Kaskad Rosa.

About the new Annual Report

Responsible selling is at the heart of Systembolaget's mandate. In an effort to highlight this fact, we have decided that as of 2009, we will produce a Responsibility Report. The new Responsibility Report comprises Systembolaget's sustainability report and includes a separate section containing our formal annual accounts and sustainability reporting, together with the Board of Directors' Corporate Governance Report. The Responsibility Report describes the operations' development and performance in 2008 and the ways in which we are actively working with responsibility issues.

Systembolaget is also reporting for the first time ever in accordance with the Global Reporting Initiatives guidelines for sustainability reports, with a declared application level of C. The GRI reporting is 3rd party checked.

The Report also contains details of Systembolaget's social responsibility, comprising its alcohol policy-related mandate, our involvement in alcohol-related issues, and our social, ethical and environmental responsibility. We use CSR, Corporate Social Responsibility, as a collective term for our wider social responsibility.

Above all, the Report discusses the issues that we have identified as being of importance for our operations and our stakeholders, and is structured from the perspective of our most important stakeholders: society, customers, employees, suppliers and owners. We have also chosen to address our environmental work in a separate section. Every responsibility section discusses the ways in which we are systematically working with our social responsibility, noteworthy events during the year, and contains our reporting on key performance indicators and objectives.



An important role in a changing world

Swedish alcohol policy aims to reduce total alcohol consumption and thereby reduce alcohol-related harm. Limiting alcohol consumption is an important factor in public health.

Alcoholic drinks are no ordinary commodity. They, as few other products, are associated with culture, tradition and history. Most of us probably associate alcohol and alcoholic drinks with, in the main, a number of positive aspects of everyday life. But alcohol has a great many negative aspects, too. Judgement is worsened, reaction speeds slow down, physical coordination deteriorates and control is reduced. Alcohol can also have a negative affect on moods, which can result in increased aggressiveness. Long-term alcohol usage can also have other effects, including chronic diseases such as cancer, addiction, and absence from work due to alcohol consumption.

Public health effect

Despite, or perhaps because so many of us appreciate alcoholic drinks, alcohol is one of our biggest public health problems. The amount of alcohol that a country's population consumes is an important factor in determining levels of health and well-being. Alcohol consumption is linked to a large number of diseases, to road traffic accidents, to violence and abuse, to absence from work, and to social problems. The effects of alcohol on people other than those who drink are a strong argument in favour of effective measures to reduce the scope of and burden imposed by alcohol-related problems. Alcohol problems naturally also impose substantial costs on individuals and society at large alike.

The importance of reducing consumption

Research has shown us that there is a clear link between a population's average alcohol consumption levels and the number of heavy consumers. If the average consumption level rises, so does the number of heavy consumers. We all have, therefore, a shared responsibility for the health of our population. Measures that reduce total consumption often have a greater effect on heavy consumers than on other consumer groups.

But alcohol problems do not just affect the minority of people who consume most or who are diagnosed as alcoholics. The majority of alcohol-related problems are to be found amongst the majority of low- and mid-level consumers. Every single person who consumes less has a lower risk of suffering problems. But because the group is bigger, the majority of the problems are also found in this group, and this is another reason why it is important to reduce consumption and thereby reduce the problems throughout the population.

A balancing act

High prices resulting from taxes on sales of alcohol have proven to be an effective means of limiting consumption and harm. But this requires the support of a majority of the country's citizen and the limitations must be perceived as reasonable. Systembolaget's mandate entails, therefore, maintaining a balance between limiting availability and providing good service.



Approximately 400,000 Swedish children currently have a mother or father who drinks too much, according to the Swedish National Institute of Public Health.

Parliament's decision to introduce Saturday opening in Systembolaget's stores, as of 1st July 2001, is one example of the balancing act between availability and public health. A trial Saturday opening scheme was implemented during the preceding year in three experimental areas, which were compared with a control area. An evaluation of the experiment by researchers showed that alcohol consumption rose in each experimental area by ca. 3 per cent, but that none of the indicators analysed revealed statistically demonstrable increases in harm.

Self-service boosts legitimacy

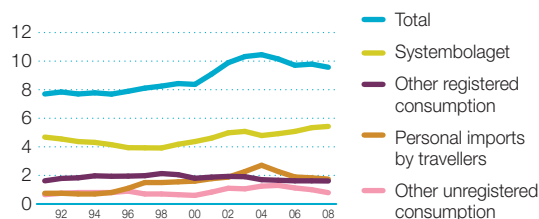
The self-service trials conducted in six Systembolaget stores between 1991 and 1996 are another example. The trial was evaluated by researchers who concluded that sales increased by between 7 and 9 per cent, by pure alcohol sales. The increase was almost twice as large for wines as for spirits. Customer surveys in the late 1990s showed

that customers preferred self-service because it allowed them "to choose for themselves" and because waiting times were perceived as shorter.

Systembolaget's Board of Directors decided, in conjunction with the work on Systembolaget's strategic plan in 2000, to initiate a redesign of the stores as self-service outlets. This against the background of a parliamentary decision in November 1999 aimed at increasing the potential for reinforcing Systembolaget's legitimacy. The decision was taken with a view to balancing the effects on sales, customers' demand for high quality service, and the owners' requirements for efficiency and social responsibility. Customer satisfaction levels are still high with regard to self-service, which constitutes an important factor in the higher Customer Satisfaction Index (CSI) figures noted since the turn of the century.

Trends in alcohol consumption, by registered and unregistered sales

Alcohol consumption, 1991–2008 (litres of 100% pure alcohol per inhabitant aged 15+)



Source: SoRAD





Systembolaget does not sell alcoholic drinks to anyone under the age of 20, or to anyone who is obviously intoxicated, or when there are grounds for suspecting illegal resale.

Systembolaget makes a difference

Systembolaget’s monopoly and the limiting of availability maintains a Swedish retail market for alcohol that is free from profit-making interests and competition. This allows Systembolaget to limit both alcohol consumption and alcohol-related harm.

Public health goals

The owners’ desire for profit maximisation is one of the strongest driving forces in an ordinary company. It results in continuous competition with other companies in an effort to develop and expand operations and to identify new customers and markets. It increases sales and, hence, consumption. Competition consequently has a beneficial effect on customer benefit and sales when it comes to ordinary commodities. But for commodities such as alcohol, which can have significantly negative effects on public health, this is not the case. Rather, the lack of competition that results from a monopoly position offers greater potential for promoting public health and welfare. Systembolaget holds a monopoly position in Sweden because a monopoly enables the operations to be conducted in such a way that the focus is on public health goals, rather than on endeavouring to maximise profits.

If Systembolaget didn’t exist

An international group of researchers, headed by Harold Holder at the Prevention Research Center in California, in response to a request by the Swedish National Institute of Public Health, studied what the effects would be if Systembolaget’s monopoly were to be abolished and replaced, either with sales in licensed stores that only sell alcoholic drinks, or sales in food stores.

The findings were unambiguous: the average annual consumption per person aged 15 and over would, according to the researchers, increase by 1.4 litres (15%) of pure alcohol, given the specialist sto-

res scenario, and by 2.8 litres (29%), given the food store scenario. This would, in turn, mean an increase in alcohol-related harm at national level. The research group used the increases in certain types of death, in violence and abuse, and in days off sick as its indicators in calculating the increase in harm. The increase in harm due to days off sick would, under the food store scenario, result in a fall in production corresponding to SEK 12.7 billion.

The study also found that consumption and alcohol-related harm would increase both amongst young people and amongst alcohol abusers. The starting point for the study was an examination of the way in which five different factors, whose effect on consumption was known from previous research, would change if the monopoly were abolished. These five factors were number of retail outlets, opening hours, price, marketing and substitution with personal imports by travellers.

Factors that affect sales

Thor Norström and Mats Ramstedt, both alcohol researchers at Stockholm University, have been commissioned by Systembolaget to study the ways

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Increase in certain alcohol-related harm and diseases if the alcohol monopoly is abolished

	Specialist stores	Food stores
Alcohol-related diseases, deaths	460	1,060
Fatal accidents	110	240
Suicide	130	290
Murder	10	30
Total deaths	720	1,620
Reported cases of violence/abuse	7,900	16,700
Days claiming sick leave	4,900,000	10,700,000

Source: If Retail Alcohol Sales in Sweden were Privatized, what would be the Potential Consequences? Harold Holder et al., Swedish National Institute of Public Health, 2007, updated by Thor Norström using the figures for 2006.

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in which factors such as price, income, opening hours and the number of retail outlets affect the sale of alcoholic drinks.

The starting point for the study was Systembolaget's sales trend between 1995 and 2007 – a period during which prices for spirits and wines fell marginally in real terms, while the price of beer fell by ca. 30 per cent and households' disposable income rose by over 30 per cent, in real terms. Systembolaget introduced Saturday opening in 2002 and the number of stores increased.

The researchers concluded that 74 per cent of the increase in sales of strong beer was associated with changes in real-term income, while 14 per cent of the increase was due to retail outlet density and Saturday opening. 10 per cent of the increase cannot be explained by price or availability, and one possible cause is that sales of strong beer replaced sales of low alcohol beer (<2.8% alcohol), which fell during the period.

61 per cent of the increase in sales of wine was due to real-term changes in income and prices, with 8 per cent due to increased retail outlet density and Saturday opening. 29 per cent of the increase cannot be explained by price or availability, but the introduction of the bag-in-box wine format is one conceivable reason for the increased sales.

Changes in price, income and availability was expected to result in a ca. 40 per cent increase in spirit sales, but in fact, sales actually decreased by almost that amount. This may be due to Systembolaget's sales being replaced by imports by travellers or other unregistered sales, and to the fact that Sweden has seen a downwards trend in spirits consumption for many years now.

New rules mean increased imports

Swedish alcohol policy has changed over the past decade, primarily as a result of Sweden starting to implement the import regulations that apply within the EU. This has resulted in a marked in-

crease in personal importation of alcohol and has restricted the potential for using tax instruments. Commercial forces have also gained increased room to operate in the Swedish alcohol market due, primarily, to the abolition of the wholesale monopoly and to the ban on alcohol advertising in 2003 being restricted to apply exclusively to drinks in excess of 15 per cent alcohol by volume.

The ruling by the European Court in 2007 allowing distance trading in alcohol will reinforce this trend.

This trend means that Systembolaget and the retail monopoly are now the most important alcohol policy instrument available.

Review of the Swedish Alcohol Act

In 2007, the Government appointed a special Investigative Commissioner to review the Swedish Alcohol Act. The starting point for the review is a restrictive alcohol policy that protects public health. The review is tasked with, amongst other things, analysing the need for a change in the identity of the authorised supervisory authority and legal authority for assessing the marketing of alcoholic drinks. It shall also analyse the consequences of changing the law to allow manufacturers of spirits, wine and beer to sell their products to consumers at the manufacturing point. The Commissioner shall also investigate whether the legislative change would have negative consequences for the restrictive alcohol policy and if it is deemed compatible with EU law.

The new Europe imposes demands on us

Sweden's membership of the European Union changed Swedish alcohol policy and the preconditions for Systembolaget's operations. Sweden's accession to the EU in 1995, for example, meant the abolition of Sweden's alcohol import, manufacturing and wholesale monopoly.

The European Commission accepted the continuation of the Swedish retail monopoly by undertaking, in the terms of an agreement with Sweden, not to initiate measures to counter the maintenance of the retail monopoly, provided that Systembolaget complied with EU legislation in the field.

Objective criteria

The agreement describes the import of the non-discrimination requirement, i.e. the requirement that Systembolaget observe equality of treatment, objectivity and transparency requisites. This means, amongst other things, that Systembolaget may not favour Swedish products. The price must be set in accordance with objective criteria that apply equally to domestic and foreign products. It must also be possible for drinks suppliers to appeal decisions to reject tenders and decisions to remove a product from the range. This requirement led to the establishment of the Swedish Alcohol Product Range Board (part of the Alcohol & Pharmaceuticals Product Range Board). The Alcohol Product Range Board has decided, amongst other things, that the sale of bag-in-box format wine and mixed drinks – “alcopops” – must be permitted in Sweden, after Systembolaget had rejected tenders for these types of products with reference to public health. Bag-in-box wines now account for over half of all wine sales in Sweden.

The agreement also stipulated that the Swedish Competition Authority shall monitor Systembolaget’s operations to ensure that they are non-discriminatory. The Swedish Competition Authority, which reports to the Commission twice yearly, has not found any evidence that Systembolaget’s operations are conducted in a discriminatory way since it began reporting.

Several reviews in the European Court

The retail monopoly was reviewed by the European Court in 1997. The Court found, at that time, that Systembolaget’s monopoly was compatible with EU law. In its ruling, the Court stated that EU law does not re-

quire the abolition of State retail monopolies; rather the requirement is that the monopoly be adapted to become non-discriminatory. The Court noted that the purpose of Systembolaget was to protect public health from the harmful effects of alcohol.

The prohibition on the import of alcohol from other countries for private consumption contained in the Swedish Alcohol Act was, however, deemed by the European Court to contravene EU law in a ruling in 2007. In July 2008, the Swedish Alcohol Act was amended in accordance with the Rosen-gren ruling.

Swedish alcohol tax is also payable on imports for private consumption, according to EU rules, and this was confirmed by the European Court in 2006. The only exception to this is when the traveller personally transports the products across the border.

Equalisation of alcohol taxes

The European Commission has stated that the Swedish alcohol taxes favour domestic products. The Commission was of the opinion that the tax on beer, which is mainly manufactured in Sweden, was too low in comparison with the tax on wine, which is mainly manufactured in other member states. The Swedish Government decided, therefore, to equalise the difference, and as of 1st January 2008, the tax on beer was raised from SEK 1.47 per litre to SEK 1.66 for every percentage point by volume of alcohol. The tax on wine was, at the same time, reduced from SEK 22.08 per litre to SEK 21.58 per litre.

Common EU strategy

In 2006, the European Commission adopted a common strategy designed to reduce the harmful effects of alcohol within the EU. The strategy included establishing a forum for the alcohol industry and voluntary organisations at EU level. The respective organisations shall, within the framework of this forum, work to promote and present a range of activities designed to reduce the harmful effects.



Systembolaget’s alcohol purchasing terms shall be objective, transparent, and the same for everyone.

Falling alcohol prices

Sweden had the seventh highest prices for alcoholic drinks according to a comparison carried out by the European Commission's statistics organisation, Eurostat, in Europe in 2006. The highest prices were found in Norway and Iceland.

The price of alcoholic drinks has fallen in real terms in Sweden since 1995 at the same time as disposable income has increased. This has meant, in practice, that alcohol has become cheaper for consumers, and this has contributed to the increase in alcohol consumption over the past decade. The real price indices for spirits, wines and strong beer have fallen by 2 per cent, 3 per cent and 30 per cent, respectively. Households' disposable income has risen by over 30 per cent during the same period.

Changes to import rules

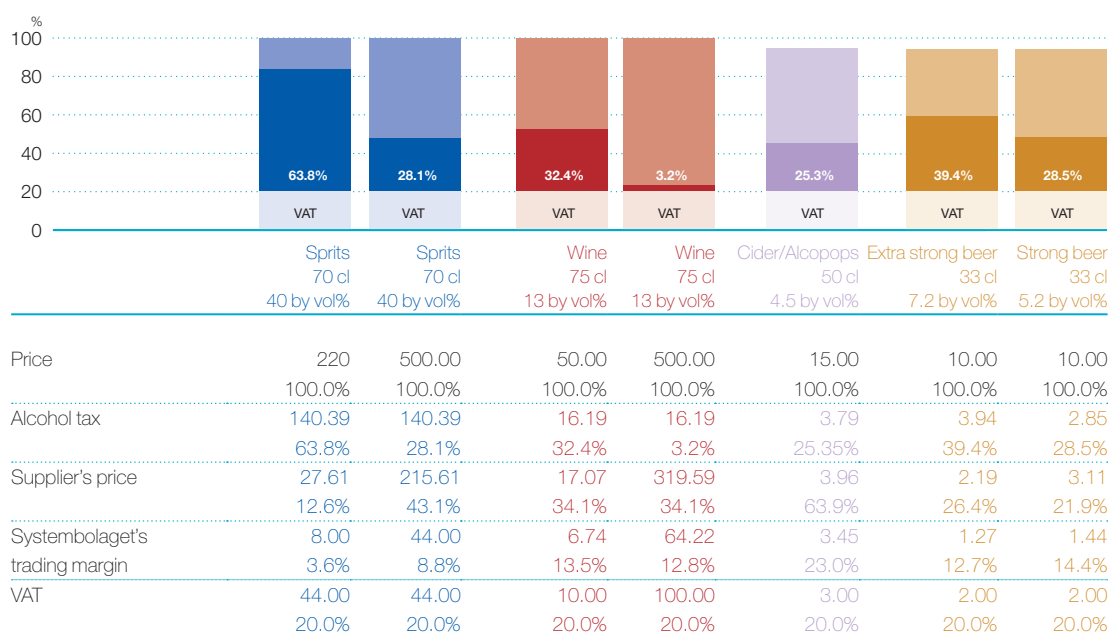
The free importation of alcohol by travellers for personal use imposes a strong downwards pressure on alcohol taxes when differences exist between neighbouring countries' tax levels. Denmark and Finland have, in common with Sweden, lowered their alcohol taxes for that reason. The so-called indicative level shall, under EU law, act as a guideline for when an individual's imports in conjunction with travel shall be deemed for personal use. The level for alcoholic drinks is set at 10 litres for spirits, 20 litres for fortified wines, 90 litres for wine and 110 litres for beer. This corresponds to approximately 2.5 years' consumption at the upper limit for moderate drinking, according to the Swedish National Institute for Public Health.

Price level index for alcoholic drinks, 2006

Norway	229
Iceland	226
Ireland	181
Finland	170
Great Britain	152
Sweden	145
Denmark	128
EU-27	100
France	91
Germany	82
Spain	81
Bulgaria	69

Source: Eating, drinking, smoking – comparative price levels in 37 European countries for 2006, Eurostat

Alcohol tax as a percentage of the price of spirits, wine and beer in January 2009



Our mandate

Systembolaget's mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health.

This means that Systembolaget shall:

- limit availability through
 - the number of retail outlets
 - opening hours
 - selling rules
- not endeavouring to maximise profits
- not promoting additional sales
- being brand-neutral
- providing good customer service
- being financially efficient

Why a monopoly

The retail monopoly exists for one reason and one reason only: alcohol-related problems are reduced if alcohol is sold in the absence of a profit motive. Systembolaget's mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health.

Total alcohol consumption shall be reduced by limiting availability by steering the retail outlet network and opening hours. Sales shall be handled in a way that prevents, wherever possible, the harm caused by alcohol and Systembolaget shall hence uphold retail regulations. We shall, in other words, implement age verification, shall not sell alcohol to intoxicated persons, and shall not sell when there are reasons to suspect illegal resale. Systembolaget's operations shall be run efficiently and we shall offer our customers a high standard of service. Systembolaget shall also provide information on the risks associated with alcohol consumption. Systembolaget's mandate is governed by the Swedish Alcohol Act, by Systembolaget's contract with the government, and by the directives issued by the government in its capacity as our owner.

The no profit motive

If Systembolaget is to carry out its social mandate, it must be run in the absence of any private profit motive. The no private profit motive principle means that Systembolaget differs from other companies in that we do not engage in active marketing or attempt to boost sales. It also means that Systembolaget is brand-neutral, which is also a requirement under EU law, i.e. that no supplier or individual product is either discriminated against or favoured. Systembolaget's market communication is designed, instead, to provide information on the risks associated with alcohol and to promote the benefits of the retail monopoly, through advertisements, campaigns and information material.

All-round responsibility

But our mandate is much wider ranging than simply carrying out age verification and limiting availability. It comprises the entire operational structure, the way in which information and advice are provided, the way the stores are laid out, the development of our range of alcohol-free drinks, and the information we provide on the risks associated with alcohol – amongst many other things.

A balance between availability and public health

Our mandate requires a balance between availability and public health. The precise nature of the balance depends on society and the way it develops, and perhaps, principally, on the Swedes' attitudes towards alcohol and its effects, the way the effect of limiting availability is viewed, and people's expectations of what constitutes good service. But although situations and conditions may change, the critical factor is that Systembolaget must remain true to its mandate to improve public health.

Based on a strategic plan

Systembolaget has a strategic plan that formulates our vision, our business concept, our values, our goals and our strategies. The plan also contains an analysis of the company's strengths and weaknesses and of changes in the outside world. Our principal imposes far-reaching demands in terms of Systembolaget's responsibility. The government's policy, in its capacity as our owner, states that Systembolaget is expected to maintain a well thought-out strategy for responsible conduct and to communicate it both externally and internally. As of 2008, we are also expected to publish a sustainability report in accordance with GRI guidelines. This Responsibility Report is our method of meeting this expectation.



“Systembolaget’s mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health. At the same time, the operations shall be conducted efficiently and shall provide good service for the customers.”

Cecilia Schelin Seidegård
Chairman of the Board of Systembolaget AB

“Our mandate is our soul”

Many companies are searching for their soul. Here at Systembolaget, we have an inherent peace of mind in this respect and have never needed to search in that way. Our political mandate establishes the framework for our operations. The legitimacy of our company is directly linked to how well we interpret, live up to and fulfil this mandate. Taken as a whole, it is these elements that define our soul.

Our mandate gives us, as a company, an added dimension over and above the usual ones: we bear a social responsibility and must also, at the same time, provide good quality, efficient service.

A balanced attitude

We are proud to manage our responsible mandate and have every faith in our ability to fulfil it in a confidence-inspiring manner. At the same time, we are a retail company, with all the requirements and expectations that entails with regard to service. We do, however, naturally differ substantially from other retail companies. But that does not mean that we must not stand comparison with other companies when it comes to the level of service we provide – and that we should not, preferably, endeavour to be amongst the leading players in this field.

These two facets of our operations – social responsibility and service – are the two pillars on which our entire operations rest and we must achieve a good balance between them. We cannot simply focus on service and efficiency – we must simultaneously work to fulfil our social responsibility – and vice versa. This is the only way for us to generate credibility. We must also constantly make the dual basis of our operations clear to our target groups. In this lies the oft-forgotten complexity of our operations.

The dual basis of our operations is also reflected in the way we view our customers. They are not only customers: they are also citizens. We must take both of these roles into account: as customers, they demand first class service, while as citi-


zens, they expect us to display the social responsibility assigned to us as a company. The dual dimension of our mandate runs through everything we do.

A clear model

Our special situation demands a clear model to determine the way in which we act. Systembolaget's operations are based on the fundamental strategy we formulated at the start of the new millennium when we conducted a wide-ranging programme of work aimed at “interpreting our mandate” and on the basis thereof, concretising our vision and our business concept, and establishing a long-term strategy. One of the tools we used in the course of this work was Balanced Scorecards – a method that combines planning, following up and feedback and which aims to create an holistic perspective amongst employees with regard to the operations' various dimensions. The underlying idea is that participation generates the increased commitment and motivation needed to solve the daily tasks. This approach constitutes the very foundations of what we do on a day-to-day basis within Systembolaget.

Living dialogues

The interpretation of our mandate is contained in our vision and our business concept. But how do we translate them into a clear and unambiguous culture? How do we persuade Systembolaget's 4,700 employees to truly “live” our values and to all pull in the same direction? First and foremost, it is about generating the preconditions for con-

A portrait of Anita Steen, President of Systembolaget, standing in a library. She is wearing a green cardigan and a pearl necklace. The background is filled with bookshelves.

“Our customers are also citizens, and hence our principals. We must take both of these roles into account. As customers, they demand first class service, while as citizens, they expect us to display the social responsibility assigned to us as a company. The dual dimension of our mandate runs through everything we do.”

*Anitra Steen
President of Systembolaget*

Our vision

Systembolaget shall create a healthy drinking culture whereby everyone can enjoy Systembolaget's drinks without harming themselves or other people.

Our business concept

Systembolaget shall sell alcoholic beverages responsibly and shall exceed our customers' expectations by constantly developing our product range, expertise and service.

tinuous internal communication. A wide-ranging, open dialogue is the tool we use to build a company with a genuinely unified culture.

The basis for our cultural building work is clarity on the part of the company management. A concentrated form of the operating plan is issued to every employee every year and acts as the basis for ongoing discussions. It is about generating the opportunity for interactions between our employees. An ongoing dialogue is vital, and it must take place at every level. Hierarchies that hinder the exchange of thoughts and ideas are unacceptable. Step by step, we have established a tradition of constantly conducting a living dialogue within Systembolaget. We see every encounter and interaction as a means of building our culture and generating loyalty to our vision and our business concept.

Employee development

There is strong support for the mandate within Systembolaget. At the same time, we have built up a very systematic and structured way of working, developing tools and methodologies that govern the way in which our in-store work is carried out. We have goals in parallel with this system and continuously monitor the degree to which we and our staff live up to these goals. A range of key performance indicators are reported every year for each store, showing how well we live up to our customers' expectations. These key performance indicators provide source data for positive feedback on the way in which individual stores are run and generate the preconditions for an internal dialogue on how they can be developed. We also designate one store as "store of the year" every year, to encourage and stimulate internal development.

Every employee has a defined role. There are a total of 96 different roles within Systembolaget, all of which are described in role profiles, and to each profile are linked a number of skill-sets linked to it – the 31 most important that are required within Systembolaget. The most common roles within the

company are those of sales clerk and store manager, and these are also the roles that are most important in terms of our efforts to improve the interaction with customers. We will, therefore, be prioritising a development of these roles over the coming period.

Since 2002, we have measured employee satisfaction annually in the form of an ESI (Employee Satisfaction Index). The index has risen steadily and the most recent measurement in 2008 showed an index figure of 74. This corresponds to an increase from the previous year by two points. An ESI of 74 is very high in comparison with other companies and it is important to us that we maintain this high level of employee satisfaction at all times, because it shows that our ongoing efforts to make improvements are yielding results.

In 2008, we launched a project known as Lära ("Learn"), which is designed to reinforce our efforts in the field of skill development. This skill development model will bring about ongoing improvements in the development and strengthening of our employees in their various roles.

Ethical issues are our top priority

Some years ago, Systembolaget was hit by a bribery scandal and while it was a traumatic experience for our company, something good did come out of it. We still regard breaches of brand-neutrality as a highly relevant risk factor and work hard to keep discussions of ethical issues alive and well within the company. All of Systembolaget's managers have held in-depth conversations and discussions of ethical issues over the past year and this dialogue will continue, in order to ensure that these issues continue to be a top priority for us within the company. Systembolaget's internal Ethics Advisors ensure that each and every one of our employees have someone to turn to for guidance or information on potential breaches of our ethics code, while ensuring that their confidentiality is maintained.

We do well in comparisons

We are a retail company whose stores have received a clear and unambiguous mandate. They must live up to the service requirements that this categorisation entails, which means that we compare ourselves with other retail companies when it comes to living up to our customers' expectations. We measure our success in this respect using a CSI (Customer Satisfaction Index).

The 2008 survey shows a continued rise in customer satisfaction. The CSI figure for Systembolaget is 77 and the survey showed that when customers were asked to compare their local Systembolaget outlet with the store in which they buy their food, they gave Systembolaget a substantially higher rating. There is only one way to interpret this result: our customers rate us amongst the very best of Sweden's grocery outlet chains. Our level of support amongst our customers is excellent.

This shows that our strategy is correct. We will persist with our policy by continuing the rapid rate at which we are converting our stores to self-service outlets, thereby freeing up our personnel to take even better care of our customers. Our service level will also be enhanced by improving the flow of goods to and within our stores, and thereby

reducing the effort required by our in-store personnel in this respect. We have established a new product supply structure for our 511 agents in 2008. By moving from supplying the agents via the nearest store to supplying them via two depots, one in Sundsvall and one in Örebro, we can now offer Systembolaget's entire product range to every single one of our customers throughout Sweden.

Strong public support

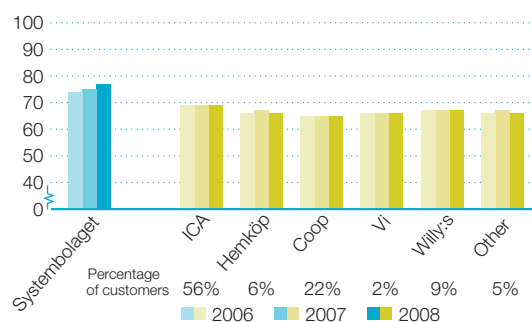
So how well do we succeed in living up to the responsibility assigned to us through our mandate? This is naturally a key question for us and the very basis of our existence. We have feelers that reach out to society in the form of our in-store staff, and they often act as a channel that enables us to pick up on views and trends quickly. We live in a permanent symbiosis with our customers and receive constant feedback on what they like and dislike about the way we run our operations.

An independent survey company (SIFO/International Research) is commissioned by Systembolaget to carry out monthly opinion surveys of a representative sample of the Swedish population in order to track Swedes' opinion of us and our role in society in a more systematic manner.

When asked, "Do you think Systembolaget and the monopoly on sales of strong beer, wine and spirits should be maintained, or would you like strong beer, wine and spirits to be sold in other stores?", there is strong support for Systembolaget. In 2008, 64 per cent believed that the monopoly should be retained – a figure well in excess of the 57 per cent goal we have set for ourselves. The level has also consistently increased since 2001, when 49 per cent favoured retaining the monopoly.

It is pleasing to see that our development work is making such a clear impact outside the company as well as inside it. Support for Systembolaget has never been stronger than it is now, strengthening us in our view that we are on the right track.

CSI – comparison with grocery stores



Confirming the importance of our role

The Holder Report, which is presented in detail on page 4, underlines the importance of Systembolaget operating in accordance with its mandate. We have communicated the message of the Holder Report in a series of advertisements in 2008 – advertisements which had a substantial impact and which clearly emphasised our mandate as a company and the consequences that would result from any abolition of Systembolaget and its monopoly.

A failure to endorse our mandate, e.g. by failing to carry out age verification checks in conjunction with alcohol sales in our stores is one of the major risks posed to Systembolaget's survival. It should be mentioned, in this context, that we have established a system for measuring how well we are complying with the requirement to conduct age verification checks. An external consultancy conducts ongoing random samples of our ability to succeed in this respect, and the results form the basis for further development and improvement of our age verification checks. A new method involving more stringent quality requirements for the age verification checks was introduced in 2007. The goal for 2008 was that ID should be requested in conjunction with 90 per cent of the control purchases made by people aged between 20 and 25. The result was 90 per cent.

Focus on responsibility issues

Systembolaget's mandate is based on a solidarity with and concern for people who risk suffering as a result of alcohol consumption. Our solidarity and concern are also reflected in our constant endeavours to develop our social, environmental and ethical responsibility. This work is conducted under the collective name of CSR (Corporate Social Responsibility) and is part of our responsibility to society.

We have been working for a number of years now with measures designed to improve the environment, to counter corruption, and in the field of social responsibility. We have now, however, adop-

ted a new across-the-board approach to CSR and defined what it means for us, merging our various existing CSR components together in a common, long-term and strategic platform. We have chosen, as part of this merger process, to augment our responsibility for our operations within Sweden to include our entire, global drinks supplier chain in response to the findings of a CSR risk analysis that we carried out in 2008 and which showed that the production of alcoholic beverages includes both environmental and social risks. The risk analysis formed the basis for the development of our CSR platform, where we have used the Global Compact principles for human rights, labour conditions, the environment, and anti-corruption. The Compact's 10 principles are based on the UN Declaration of Human Rights, the ILO core conventions, and the Rio Declaration.

The Presidents of the Nordic alcohol retail monopolies adopted a jointly drafted Nordic platform for a sustainable drinks supplier chain in September as part of this work. This work is a long-term process and we are now operating in accordance with a shared action plan that runs until 2013. Systembolaget will be conducting CSR dialogues with our drinks suppliers in 2009 and we will also, in partnership with the Nordic suppliers, be drawing up a collective Nordic Code of Conduct for a sustainable drinks industry. The goal is for this Code of Conduct to be appended to purchasing agreements by 2011. There are two reasons why we are not proceeding more rapidly with the implementation of these requirements: firstly, we want to give all of our suppliers, large and small alike, the chance to get to grips with CSR before we impose our requirements, and secondly, we are keen to draw up the contents of the Code of Conduct in dialogue with the suppliers because we believe that this approach will have a greater actual positive effect than if we simply dictate the requirements. The goal for 2012 and 2013 is for those of us who make up the Nordic alcohol retail monopoly partnership to have deve-

loped our CSR work to include a constructive monitoring of compliance with the Code of Conduct at the supplier stage of the chain.

Financial results for 2008

Swedes' average alcohol consumption fell marginally in 2008 while at the same time, Systembolaget's volumes increased. Swedes' increased confidence in Systembolaget was expressed in our opinion surveys that showed record-strong support – a source of considerable pleasure for all of us at the company. Our own operational development has continued and we have improved in the majority of areas. We have good control over costs and generated a substantial capital gain during the year through the sale of Systembolaget's real estate company. Even if this gain were to be excluded, Systembolaget would have exceeded our owners' required return figures.

Other important events in 2008

Installation of the new cash register system began during the year and will be completed by early 2009. A further 54 stores have, furthermore, been rebuilt in line with the self-service concept. The concept has also been developed and specially adapted for larger stores – a development that has now been tested and evaluated. The goal is to make it easier for the customer to find what they are looking for by simplifying customers' routes through the store from the customer's perspective. The hope is that this will lead to more aware choices and planned purchases, rather than to additional sales. The first two new concept stores opened in 2008.

Future challenges

Our new strategic plan will be finished, with the work on the plan – which will be adopted in mid-2009 – being completed in cooperation with my successor. This work involves a large number of people within Systembolaget, including trade union representatives.

2008 has seen us create processes, templates and routines for our Lära ("Learn") project, and 2009 will be the year during which we implement and launch concrete structures and activities. Our overall aim throughout is to generate a world-class skill development system.

Our CSR work will be intensified, and we intend to carry out another risk analysis based on the Global Compact principles.

A new website that includes an ordering service will be ready to go on line in the autumn of 2009. The purpose of the website is to increase customer satisfaction and to influence them so that they make more aware choices, based on Systembolaget's mandate and vision. The goal is to establish good relationships with the site's users and to offer better service. An ordering service will make it easier to order wines and spirits, limited term products and drinks from the "available for order" range. The customer will be able to pick up the goods they have ordered from any Systembolaget store. Age verification checks are best carried out in-store, so there are no plans to institute home deliveries. By the autumn of 2010, customers will also be able to order goods from the entire range for delivery by any Systembolaget agent.

Finally, one challenge that we naturally face on an ongoing basis is that of continuing to live up to the very high values we have achieved in various types of survey – amongst employees, amongst customers, and when it comes to public opinion.



Anitra Steen
President

Systembolaget's stakeholders

Systembolaget's alcohol policy and public health mandate is at the heart of our operations and our responsibility. It affects our relationships with every single one of our stakeholders. But we have responsibilities in other areas too – we are responsible for providing good service and for running our operations cost-effectively, for working terms and conditions, for anti-corruption work, for the environment and for human rights. The way in which we shoulder these responsibilities are described in the following sections on the basis of our various stakeholders' expectations.

We divide our social responsibility into three integrated fields of work: our alcohol policy mandate, our augmented involvement in alcohol issues, and our CSR (Corporate Social Responsibility) work.

Wide-ranging social responsibility

Our alcohol policy mandate is the basis of our existence and lies at the heart of our business operations. Systembolaget works beyond its alcohol policy mandate, augmenting its involvement in alcohol issues. The framework for Systembolaget's social responsibility also houses the work we do in order to ensure that we perform our mandate in a sustainable way. We use CSR as a collective term to refer to this work and employ the ten principles of the UN's Global Compacts initiative with reference to human rights, working terms and conditions, the environment and corruption as a framework structure for this work.

Communication with stakeholders

Our stakeholders make demands on Systembolaget's operations. These demands are based on their individual stances on various issues and we maintain an ongoing communication with them in order to ensure we are up to date with their expectations, preferences and demands of us. This communication takes a variety of forms and includes customer, employee and public opinion surveys, meetings, seminars, stakeholder dialogues, electronic monitoring of the outside world, and analyses.

In January 2008, we conducted a risk analysis identifying important social, ethical and environ-

mental issues on the basis of our various stakeholders' expectations, as part of our CSR strategy.

Guided by the owner's mandate

Our owner demands that we work continuously to improve the efficiency of Systembolaget's operations. The operations shall generate the scope for the company's development and renewal, and at the same time, shall be conducted in a socially, ethically and environmentally sustainable manner.

Society's requirements

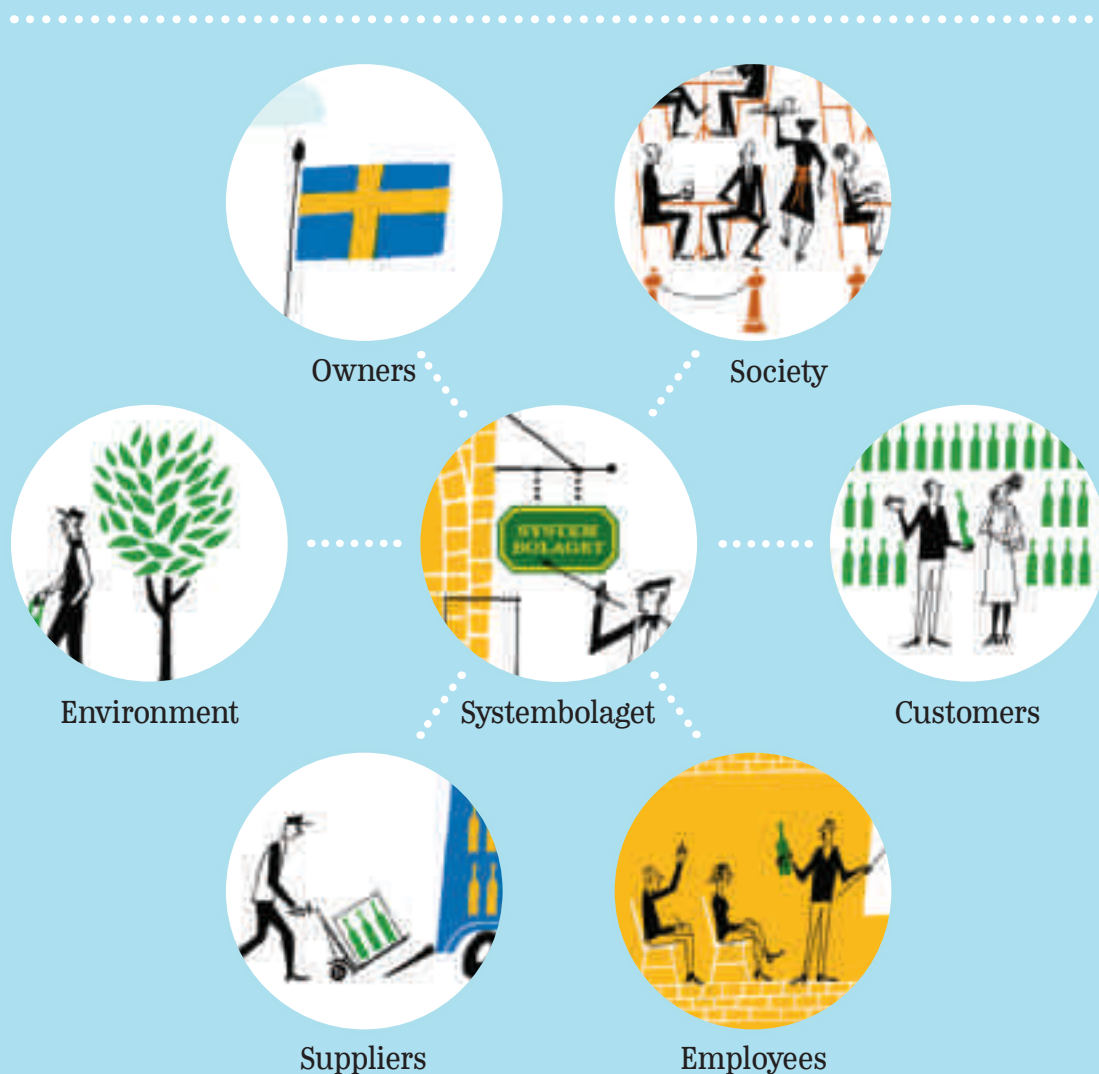
This perspective comprises Systembolaget's responsibility to the public, the media, stakeholder organisations and public sector organisations. Integrating social, ethical and environmental responsibility into our corporate culture and operational management, and accepting an augmented responsibility for our alcohol policy mandate through alcohol-prevention partnerships are just some of our most important public confidence issues.

Customer experience

Systembolaget shall be perceived by its customers as a leading retail chain with regard to product range, expertise, service and responsibility. We endeavour at all times to develop our social, ethical and environmental responsibility, primarily through dialogue and cooperation with the outside world.

Skilled employees

Highly trained and committed employees are vital to responsible selling and satisfied customers.



Systembolaget works proactively with diversity, equal opportunities, working terms and conditions, and the work environment, in order to retain and recruit skilled employees and good ambassadors who are proud of working for a responsible company.

Responsible suppliers

Working to ensure that the alcoholic beverages that we sell in our stores are produced in a way that accepts responsibility for both people and the environment is an important area of Systembolaget's work. Systembolaget's unique position makes us a major purchasing player, which entails a special responsibility when it comes to the requirement for

neutrality in our choice of suppliers while simultaneously offering a unique opportunity to influence the drinks industry in a positive direction.

Active environmental work

Environmental issues are an important area in terms of Systembolaget's responsibilities, as was shown in the CSR survey of customers and the general public that we carried out in May. Our environmental work includes actively working with issues such as organically grown products, eco-friendly building materials, reducing electricity consumption in our stores, using eco-friendly modes of transport, and processing waste products.

Strong public support for Systembolaget

Swedes appreciate our efforts to combine responsible selling with good service. This appreciation is reflected in the fact that public support for Systembolaget and the retail monopoly has never been as strong as it was in 2008. The Opinion Index figure has risen from 49 per cent in 2001 to 64 per cent in 2008.

There is considerable support in Parliament for maintaining a retail monopoly for the sale of alcoholic beverages in Sweden. Ultimately, Swedes' view of the way in which Systembolaget manages its mandate is crucial to public acceptance of the monopoly and our goal is, therefore, to develop the operations such that a clear balance is maintained between service and responsibility. A successful balance is vital if Swedes are to accept the monopoly's role as an instrument of alcohol policy.

Positive trend amongst the general public

The Opinion Index (OPI) is a strategic key performance indicator, here at Systembolaget, and is measured every month. The general public is asked to respond to the following question: "Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you like strong beer, wine and spirits to be sold in other stores?" The measurements were first taken in 2001, when 49 per cent of Swedes answered that they wanted to retain Systembolaget. The trend ever since has been an upward one, and in 2008, 64 per cent answered yes to the same question. The key performance indicator for the year comprises the average value of all measurements taken that year. Support for Systembolaget and the monopoly is slightly higher amongst younger people (aged 15–29) and amongst older people (aged 65+), and in the northern parts of the country.

Controlled sales important

According to the OPI survey, the main reasons given by those in favour of retaining the monopoly were that it enables alcohol to be sold in a controlled way – for public health reasons and to protect young people – and that they are satisfied with the product range. The main reasons given by the just under one third of people who believe that the monopoly should be abolished were that they dislike monopolies in general and that they believe that availability and opening hours would improve in the absence of a monopoly.

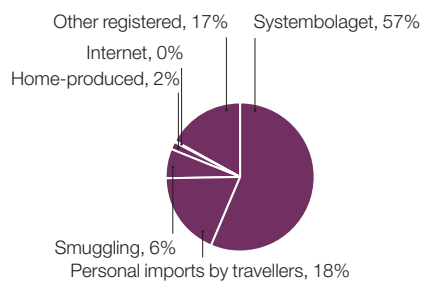
Systembolaget continued to highlight the value of Systembolaget and the retail monopoly in 2008 in the daily newspapers, in outdoor advertising and via website advertisements. The advertising's message was based on the study commissioned by the Swedish Public Health Institute and conducted by an international group of researchers who evaluated the Swedish monopoly's effects on alcohol consumption*. The spring of 2008 also saw Systembolaget launch, amongst other things, a campaign website that took the visitor to an urban scenario where Systembolaget stores had been removed and replaced by private players. Once there, the visitor could navigate freely around the town and see and experience for themselves the consequences of abolishing the alcohol monopoly, as described and illustrated through short films.

*If Retail Alcohol Sales in Sweden were Privatized, what would be the Potential Consequences?
Harald Holder et al, Swedish National Institute of Public Health.

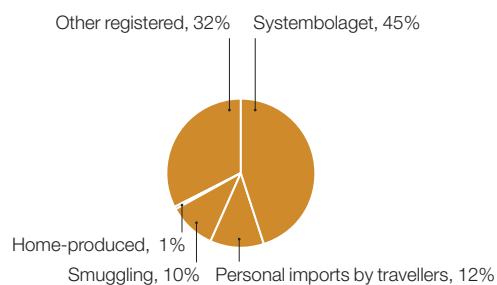
Consumption of alcohol by registered sales and unregistered consumption

Percentage of consumption measured per head of population aged 15+ in 2008, in pure alcohol

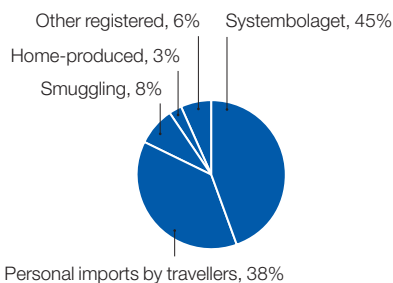
Total



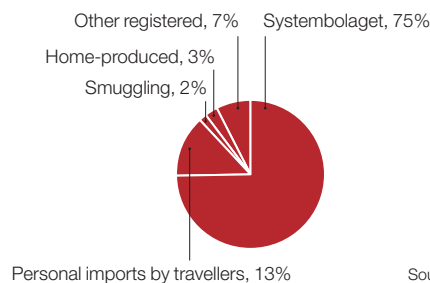
Strong beer and cider



Spirits

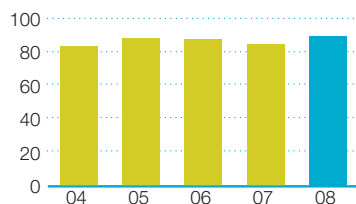


Wine



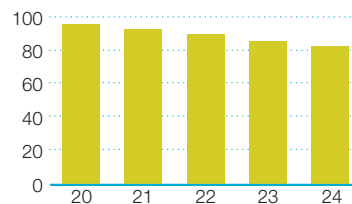
Source: SoRAD

Age verification checks, 2004–2008, per cent



Age verification checks 2008, per cent

Result broken down by the age of test purchasers



Alcohol-free alternatives

Systembolaget works actively to enhance the quality of its alcohol-free product range and to develop the exposure of this range. The range is intended to offer alternatives with an “adult” taste. Sales of alcohol-free beverages increased by 9.7 per cent in 2008.

Alcohol-prevention partnerships

Systembolaget has a long-term involvement in alcohol issues that goes far beyond its mandate. We contribute to alcohol research etc., through our own research council, and provide financial support for a Chair in alcohol research with the emphasis on prevention, at the University of Lund.

Systembolaget has also developed a partnership with the police in recent years, as part of our efforts to comply with selling rules. We also have a partnership with the Fruit Drinks Association with the aim of promoting alcohol-free alternatives. The cost of our various partnerships, including the IQ Initiative, totalled SEK 23.8 million in 2008.

Support for the Alcohol Research Council

Systembolaget’s Alcohol Research Council (SRA) awards annual grants to socio-scientific and medical alcohol research. Research of particular importance with regard to work on the prevention of alcohol-related injuries and diseases is prioritised. In 2008, the Council allocated SEK 3 million to research.

The Council has nine members. Six of them shall be leading figures in the field of alcohol research and the remaining three members shall represent general societal interests. The Council conducts an independent review of applications for grants received, based on the projects’ scientific merits and societal relevance. 45 applications were received in 2008, of which 28 were approved.

Systembolaget defrays half of the costs of a Chair in alcohol research with the emphasis on

prevention at the University of Lund. The position is linked to employment as a Senior Physician in the health care organisation there.

Partnership with the police

Systembolaget and the police have been conducting a nationwide partnership aimed at countering bootlegging and promoting tighter age verification checks in Systembolaget’s stores. The aim of the partnership is to reduce youth drunkenness and thereby reduce violence and the risks of young people becoming the victims of or committing crimes.

Approximately one quarter of our stores have engaged in a concrete exchange with the police during the year. These interactions have included information meetings with the store personnel on such subjects as detecting fake ID, alcohol-related problems in the area, and on the groups engaged in bootlegging. In some areas, the partnership has also involved a police presence in the store and the surrounding area in conjunction with big sales days.

IQ highlighting good examples

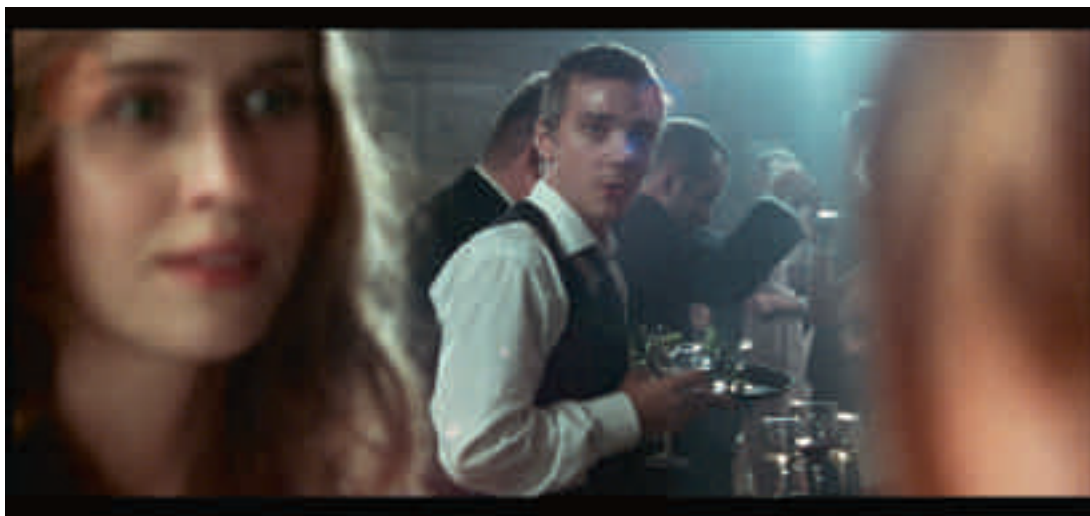
IQ-initiativet AB is a subsidiary of Systembolaget and is tasked with promoting a smarter attitude towards alcohol in Swedish society. The operations are financed by Systembolaget and the money is used to implement campaigns, communicate the IQ projects, and run the www.iq.se website.

Communication is IQ’s most important tool and the focus of the entire operations. IQ primarily works in two ways: partly by conducting campaigns in the wider public media, such as TV, with the aim of making people think about how alcohol is consumed, and partly by highlighting good examples of activities designed to reduce alcohol-related problems. IQ’s aim, by talking about good examples, is to encourage and inspire people to imitate them. The approach involves presenting concrete activities on the part of companies, or-



“A socially motivated retail monopoly is an effective way of limiting the harm caused by alcohol. Systembolaget does, however, have a tricky balancing act to maintain between measures designed to limit sales and measures designed to provide a high service level for the public, which can, in and of itself, risk increasing sales.”

*Sarah Wamala
Direct General of the Swedish National Institute
of Public Health*



ganisations, associations and individuals. Every activity, whether big or small, becomes an IQ project and is assigned its own IQ number.

Plenty of new IQ projects

The number of IQ projects had grown to 843 by the end of 2008. Levels of involvement in the alcohol lock system for professional drivers continued to be high, as did IQ's support for alcohol-free youth football, with numerous boy's and girls' teams joining IQ United.

The new initiatives included IQ No. 746, "White [Alcohol-free] February" – encouraging people to sign a sobriety promise for the month of February, which was launched in Strömsund Municipality in 2005 and has gained a number of imitators.

The hospitality sector also acquired an inspirational IQ project, IQ no. 832. 13 restaurants in Lidköping who live up to stringent requirements in terms of responsibility, policy, security and alcohol-free alternatives, and who have accordingly been certified as "responsible restaurants".

Five films with good examples

Five of the IQ projects were highlighted in a series of TV films during the year. Four of them were shown in the spring and one in the run-up to Christmas. The aim was, of course, to inspire people to follow the good examples highlighted in the films:

- IQ No. 564, Drive with alcohol locks, like Sälen Snowmobile Safari.
- IQ No. 1, work with other parents to draw up rules for teenage sons and daughters, like the upper secondary schools in Örebro and Kumla.
- IQ No. 17, encourage students to choose sobriety by rewarding them, like the Upper Secondary Sports School Timrå.
- IQ No. 4, actively inform people of the risks associated with alcohol consumption during pregnancy, like the midwives in the Stockholm districts of Farsta, Vantör and Dalen.
- IQ No. 13, avoid giving alcoholic beverages as company gifts, like the Aridius company in Lidköping.

Focusing on young adults

Activities in the autumn of 2008 focused primarily on communication with young adult alcohol consumers. Alcohol consumption is highest amongst young women aged between 18 and 25. Early adulthood is when people lay the foundations for their lifestyle and the habits they acquire then are usually the ones they take with them in life.

IQ launched a film entitled "Rus" [Buzz] in October, specifically aimed at young adults. The film, which was shown on TV and in cinemas, is set at a wedding reception. The party atmosphere starts out bright and cheery, but too much alcohol results in some of the younger guests losing both control

and judgement. “Rus” attracted a great deal of attention and proved to be a good and thought-provoking way of getting young people to think about their own and their friends’ drinking.

Call from a Party Coach

IQ introduced the Party Coach in November. This is a simple service for those who don’t want to drink too much at the next party they go to, but who suspect that they may forget that wish after a few glasses. You pre-book a telephone call and a Party Coach will then call you during the party and remind you to take it a little easier.

The Party Coach service was advertised on websites that attract large numbers of young visitors in November and December.

Expanded iq.se

The ability to search the 843 IQ projects on IQ’s website was improved substantially in 2008 by the installation of a completely new search function offering a wide range of ways to search for the projects of the greatest interest to the visitor.

The “About alcohol” website was expanded and given new and more topical content. These include facts and figures, tips and links to more information, e.g. on alcohol & health, traffic, and young people.

The number of visitors to iq.se steadily increased during the year, reaching a clear peak dur-

ing the period when the “Rus” film was shown on TV and at the cinema.

One of the new projects—IQ No. 748, Drug-free Exit

Drug-free Exit is based on young people aged between 13 and 17 signing a “contract” with their parents, undertaking to be drug-free during a festival or an event. The parents, meanwhile, undertake to reward their youngsters for staying drug-free. The Drug-free Exit project was implemented for the first time on 27th–28th July 2007 during the “Piteå Dansar och Ler” festival.

The project places considerable emphasis on parental responsibility. It is their task to reward the young people. The project is also an opportunity for parents to start talking about drugs and keeping slightly better track of what their youngsters are up to. In Drug-free Exit 2007, parents offered a “bonus” of SEK 50 per evening, a cinema ticket or a lunch coupon.

As part of the contract, the young people promise to undergo a sobriety test when they leave the festival. After completing the alcohol test, the participant is given a certificate to take home with them, detailing whether they were drunk or sober. The certificate is also sent to the parents by e-mail.

A website, drogfriexit.se, has been set up and all processing of applications and distribution of rewards and reports to parents was handled digitally via the website during the 2007 festival.

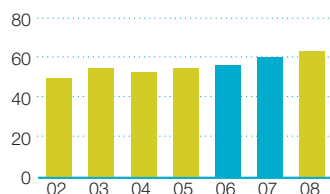
IQ No 748



Results for 2008

Opinion Index, average yearly values

– Do you think that Systembolaget and the monopoly on the sale of strong beer, wine and spirits should be retained, or would you like strong beer, wine and spirits to be sold in other stores?



The Opinion Index shows the percentage of Sweden’s population that wishes to retain Systembolaget and the alcohol retail monopoly. The goal for 2010 is 60 per cent. The result for 2008 was 64 per cent.

The following GRI indicators are relevant to this chapter:

Society	SO 1
Financial results	EC 1

See also the GRI report on pages 99–103.

Good customer interaction

Systembolaget sells responsibly. The customer should be offered the best possible service, a wide range of products, and knowledgeable staff who, through their expertise and consideration, endeavour to inspire customers to make informed drinks-related choices and to adopt a healthy approach to alcohol. The work we do internally to develop our relationship with our customers goes by the name of “Good customer interaction”.

Systembolaget employees receive by far the highest satisfaction rating in our customer satisfaction surveys. The staff are regarded as knowledgeable in food and drink and provide high standards of service for their customers. In-store work is brand-neutral, and avoids promoting individual products or producers, which allows the advice to be provided entirely on the customer's own terms. 108.1 million individual customer visits were made to Systembolaget's stores in 2008 – the highest number ever.

Greater and greater customer satisfaction

A large-scale customer survey is carried out every year by an external survey company, the CFI Group, during which over 60,000 customers are given the chance to rate Systembolaget and its stores. CFI recruits customers who respond locally in every store.

150 customers are questioned, irrespective of the size of the store, one group between Monday and Thursday, and one over the weekend, because customer preferences differ. The Customer Satisfaction Index (CSI) rose for the fourth year in succession in 2008, this time by two points to 77. The section that saw the biggest increase was social responsibility. None of the quality-related areas showed a deterioration. All of the stores receive detailed results for their particular outlet and can then use the data as a basis for their improvement work.

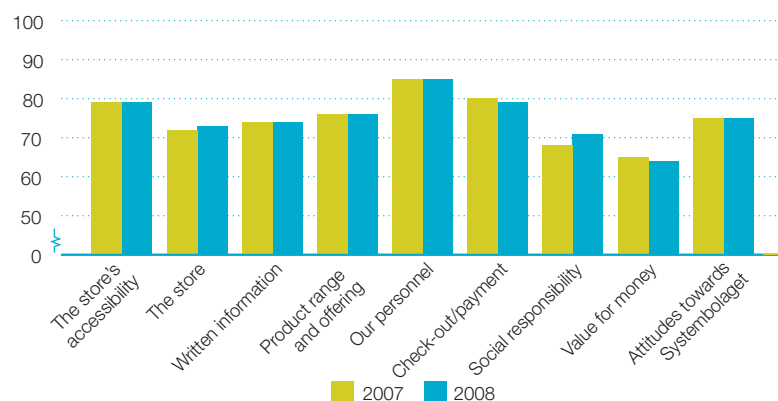
The survey allows customers to compare their Systembolaget store with the grocery store in which they buy their food. Systembolaget's rating was eight points higher than the highest rated food store chain – an improvement of two points on last year. The Systembolaget stores received higher ratings for product range, store and personnel, but lower ones for value for money.

Customers' views and questions provide welcome data on which to base improvement work. Contact information for the Customer Services department is provided on the website and in every advertisement.

An extensive offering

Systembolaget's offering comprises a wide and quality-tested range of over 2,665 wine, spirit, cider and strong beer items from 48 countries all over the world. There are also over 7,110 items in an order range of products held in stock by Swedish importers and producers. There are also a number of high quality alcohol-free products that serve as a complement to the range of alcoholic drinks.

CSI Quality areas





“Customers’ satisfaction with Systembolaget and the monopoly is increasing. They are particularly appreciative of Systembolaget’s staff and of their knowledgeability and positive attitude. One area where the customers can see room for improvement is that of the price levels, which are perceived as high in relation to prices in other countries.”

*Hans Lindbäck
Consultant and Survey Manager at the CFI Group,
which conducts customer analyses for Systembolaget.*

Clear rules

Our selling rules are an important part of the personal interaction with customers. Systembolaget does not sell alcoholic drinks to anyone under the age of 20, or to anyone who is obviously intoxicated, or when there are grounds for suspecting illegal resale. The selling rules are communicated continuously in stores, on the website, on TV and in cinemas. We are pleased to announce that our age verification checks have never been better.

Campaigns with clear messages

Food and drink were communicated in combination with alcohol and health during four major campaign periods in 2008.

“Customer interaction survey” in 200 stores

The Better Business survey company made 2,200 visits to 200 of Systembolaget’s biggest stores during the year. The aim of the “customer interaction survey”, which evaluates four areas – entrance, store, customer interaction and checkout – is to chart the potential for improving the service provided and quality of the interaction with the customer. The results were good for the majority of stores and support the views expressed by the customers during the customer satisfaction survey, but we can still see scope for improvement.

Announcing the Store of the Year

The Store of the Year competition is held every year and is an important part of the work aimed at improving the good customer interaction. The winners are nominated during a series of rounds, with the winner announced in the competition final. The Eurostop store in Halmstad was declared the Store of the Year for 2007 in February 2008. The entire staff team went on a five-day study trip to Italy in October, and the company management took care of the store’s customers for one of the days when the regular personnel were away.

systembolaget.se

Systembolaget’s website, systembolaget.se, is an important meeting place and had 11.1 million visits in 2008. Customers can use the website to prepare their purchases by searching the range, seeing what products are in stock in the various stores, and getting help to combine food and drink.

Systembolaget’s Customer Service Department

Systembolaget’s Customer Service Department interacts with the customers over the phone and via e-mail. Just over 78,000 phone calls, 18,000 e-mails and a smaller number of letters and faxes were handled in 2008. The quality of our responses is followed up using Bright Index^{®*}, which has identified Systembolaget’s Customer Service Department as one of Sweden’s leading call centres.

Tastings and supplementary services

Systembolaget also offers supplementary services designed to promote the development of a healthy drinking culture. Tasting sessions were offered in 30 stores nationwide in 2008, and a total of ca. 9,900 people took part in around 650 tasting sessions.

Substantial interest in drinks auctions

Systembolaget organises drinks auctions twice a year in partnership with the Stockholms Auktionsverk auction house. The auctions comprise valuable collectors’ items and attract considerable interest. The auctions were expanded in 2008 with the addition to two extra auctions; one for whisky and a special auction for individual bottles. The four auctions generated a total of SEK 10.7 million.

Stores and agents

Systembolaget has a nationwide retail network comprising 411 stores and 511 agents. The store opening guidelines are based on achieving a balance between availability, service and economy in the store network.

* Bright Index[®] includes numerous companies’ Contact Centres in the Nordic region and compares 14 different sectors using 50 or so key performance indicators.

Systembolaget is rebuilding all of its stores as self-service outlets, in order to enhance the customer value and efficiency of the store network. The store's location is also evaluated from a service viewpoint in conjunction with every rebuilding process. The annual customer satisfaction survey showed that satisfaction with self-service stores is two points higher than for stores with over the counter sales. The store concept has helped create a better environment for customers and personnel, alike, making it easier to gain an overview and make a selection from the entire product range. The concept also creates conditions in which every customer can determine the pace at which they wish to shop.

Systembolaget's store concept comprises four components, all of which interact and all of which are equally important:

- Offering and product range – the goods and services we offer our customers.
- Store design – the environment in the stores, such as their layout, décor, structure and choice of materials.
- Personnel and methodology – our highly trained staff, customer service and the methodology common to all of our stores.
- In-store communication – about the products, food and drink, and alcohol & health.

From Kiruna in the north to Trelleborg in the south

Of the 411 Systembolaget stores, 332 self-service stores accounted for 93.9 per cent of sales and 93.8 per cent of the total number of customer visits at the end of 2008.

The rate of changeover to self-service, where the goal is for all stores to be rebuilt as such in the next few years, continues to be high. 54 stores were rebuilt in line with the new self-service concept in 2008. The store with the highest net sales is Bromma Center in Stockholm (SEK 282 million), while the store with the greatest number of customers is Klarabergsgatan in Stockholm (701,000 custom-

ers). The smallest store is located in Österbymo and has net sales of SEK 7.0 million.

Agents in smaller communities

Systembolaget has agents in smaller communities with an insufficient customer base for a store of their own. The agents account for 0.9 per cent of Systembolaget's turnover and carry no items in stock.

We have developed our agency operations in 2008 and increased the freedom of choice. Customers who shop through our agents can now choose products from our entire range more easily in that they now receive deliveries from our two product depots, rather than – as was previously the case – from the nearest store, where the range of goods available was more limited.

Guidelines for opening stores

The Board of Directors has laid down guidelines for opening stores. Built-up areas, urban districts and suburbs with a population of more than 16,000 over the age of 20 within a radius of 5 kilometres should have a Systembolaget store. Central locations are prioritised for the first store in a local authority or built-up area. If there is more than one store in an area, the second and any subsequent stores are placed in locations where other forms of grocery retail are more densely grouped.

There are now Systembolaget stores in all of Sweden's local authorities, bar two. A decision to open or close down a Systembolaget store is taken by the Board after a collective evaluation of financial and service considerations.

The guidelines for establishing agents state that they shall be appointed in built-up areas with at least 500 permanent residents living more than 20 kms from an existing store and more than 10 kms from another town with an agent. Systembolaget is responsible for ensuring that people have the option of purchasing alcoholic drinks wherever they may live in Sweden. The store network is accordingly structured in line with this



Systembolaget's contract with the government states that the overall goal is to provide a Systembolaget store in every local authority that wants one.

service perspective, which means that not all stores are financially self-sustaining, and indeed, 74 stores posted a negative result in 2008. The corresponding figure for 2007 was 63.

Frameworks for opening hours

The Swedish Parliament sets the guidelines for the stores' opening hours. Systembolaget's stores may be open no later than 8 p.m., Monday-Friday, and 3 p.m. on Saturdays. Most of the stores are open between 10 a.m. and 6 p.m. on weekdays, with many remaining open until 7 p.m. on Thursdays, and between 10 a.m. and 2 p.m. on Saturdays. Larger stores, including those located in shopping malls, often remain open until 7 or 8 p.m. on weekdays and until 3 p.m. on Saturdays. Customers have awarded high marks to Systembolaget for accessibility since the stores began opening on Saturdays.

Developing the store concept

A large-scale trial designed to improve the customer experience and increase the clarity of display for the product range in the biggest stores was conducted in the Haninge store in the autumn of 2007. The trial went well and the first stores - Ersboda in Umeå and Mölnvik in Gustavsberg outside Stockholm - were rebuilt in line with the new concept during 2008.

Development of the store concept is designed to lead to more informed choices and better-planned purchases, without promoting additional sales.



Five different store formats

The stores are divided into different store formats to enable their adaptation to the customers' different expectations and the stores' different preconditions.

The agent operates in smaller communities that often lack a Systembolaget store. The agents carry no items in stock.

The small store is the smallest store format. The aim is to enable cost-effective stores with a good range of products to be operated in small towns and villages. The stores are specially adapted to make working alone there easier. These stores have net sales of up to approx. SEK 20 million and carry ca. 540 items in their range.

The medium-sized store is a combination of the best things about the small and large stores. It focuses on offering a good range of products in relation to its size and is designed to operate with few staff. This type of store is established in small to medium-sized communities and can be found in or close to other towns that also have a Systembolaget store. These stores have net sales of up to approximately SEK 45 million and carry around 1,250–1,800 items.

The large store is the most common store format. The store may, based on net sales, vary in terms of floor space and product range. The aim is to create a balance between a good offering, cost-effective operation and a good in-store experience. These types of stores are established in medium-sized towns and larger cities. There may be several stores in the same town. These stores have net sales of at least SEK 45 million and carry between 1,200 and 1,750 items, depending on the size and location of the store.

Wine Cellar stores are located in central Stockholm, Malmö and Gothenburg – one in each city. The Wine Cellar stores display the extensive breadth and depth of Systembolaget's product range and, in addition to the normal range, also carry all of our wines priced at over SEK 100 and all types of spirits. Items in higher price bands and small



“Systembolaget has succeeded recently in giving Swedish wine consumers a really good range of the world’s best wines from which to choose. The rejuvenation of the wine offering, including the wine auctions, has given Sweden a wine market that holds its own in comparison with those in other countries, despite the monopoly. The stores’ incentives and routines are, however, poor when it comes to satisfying specialised requests by wine consumers.”

*Anders Röttorp
Wine journalist for Dagens Industri*

quantities are also launched exclusively in Wine Cellar stores. In the majority of cases, these products can also be ordered in other stores via Systembolaget's product depots.

There are two *Food Hall stores*, in Hötorgshallen and Söderhallarna in Stockholm. The link between food and drink is made clear here. The stores form a natural part of the Food Hall's offering and sales are made over the counter.

The store organisation

Systembolaget's 411 stores are divided into two sales areas. The Northern area comprises the Stockholm area and points north, while the Southern area comprises the stores in Värmland and to the south of the Mälardalen valley. Each sales area comprises a total of 27 regional areas, with 10–17 stores in each area.

Every store has a store manager and between 3 and 50 sales personnel. The stores' net sales vary from SEK 7.0 million to SEK 282 million. All Systembolaget stores will be rebuilt as self-service stores in accordance with the new store concept. The goal is for all stores to have been rebuilt by the end of 2010, but we believe that it may not be possible to achieve the goal before early in 2011.

The way the stores look, the products they offer and the information communicated in the stores is all decided centrally. A common structure for the actual work methodology in the stores is also drawn up centrally.

Over 100 million customer visits

108.1 million customers visited a Systembolaget's store in 2008. This is the highest number ever and corresponds to an increase of 3.1 per cent in comparison with 2007. The trend in recent years has seen customers visiting the store more often but buying more or less the same amount during each visit as before. Customers' increased interest in food and drink combinations is simultaneously boosting the demand for advice from Systembolaget's employees. All stores have been working

to enhance the efficiency of the product flow in the store in question during the year, in order to generate greater scope for a good customer interaction.

Systembolaget's work methodology in the stores is based on the best way of achieving a good customer interaction. The goal is for the customers to perceive Systembolaget as a leading retail chain. Work on developing a new methodology began in 2002 in conjunction with the decision to rebuild all of the stores as self-service outlets as part of the new store concept. Routines for duties on a weekly basis have been developed and clear areas of responsibility created for all in-store employees. A clear organisation with a fixed schedule that focuses on the interaction with the customer has thereby been established.

The change in methodology involves a number of mandatory phases for each store. Step by step, the store develops towards the "responsibility phase", as it is known. By the time this phase is reached, all employees will have in-depth knowledge within their respective spheres of responsibility, everyone will understand the big picture, and routines will have been established for all ongoing work.

Differences in methodology

An over-the-counter store that is being rebuilt as a self-service outlet also undergoes a rebuilding process vis-à-vis methodology. In an over-the-counter store, many of the employees come in at the end of the week to coincide with the major customer inflows. In a self-service store, the emphasis is on products at the beginning of the week and on the customers at the end. A successive installation of a new checkout system and an upgrading of in-store systems such as order, customer service and logistics began in January 2008.

The product range

Systembolaget's product range – one of the most important quality areas for customers – has two

components, namely the fixed range and the temporary range. The fixed range is designed to meet customers' requirements for a long-term approach, security and continuity, whilst the temporary range represents renewal and seasonal variations.

Any items not held in stock in the local store can be ordered from Systembolaget's product depots and is delivered to the store within the next one to two days at no extra charge. There is also a dedicated range available to order which is distributed from the suppliers' warehouses and which takes a few extra days to arrive. Otherwise any product at all can, in principle, be ordered from anywhere in the world via Systembolaget's private import service.

The entire breadth of our extensive range is available for order in every store. Even the very smallest stores stock approximately 540 items while the biggest store – the Wine Cellar store in Stockholm – always has a range of ca. 3,100 items in stock. A normal-sized store has approximately 1,300 items in stock. Every store also has a locally tuned product range of ca. 50 items chosen on the basis of customer demand in the local area. The annual customer satisfaction survey reveals a high level of satisfaction with the product range. It is rated highly by Systembolaget's customers and is one of the quality areas of the greatest importance in terms of customer satisfaction.

1,828 new products

Systembolaget's range contained a total of 1,828 new launch products in 2008. A further 819 items were also launched in small quantities in the higher price bands in the three Wine Cellar stores. Whether the fixed range new products remain part of the range depends entirely on what the customers choose to buy.

Increased sales

Systembolaget's sales increased by 3.1 per cent in 2008, measured in terms of litres sold. All product groups, with the exception of spirits, reported increased sales. Alcohol-free products, which was the product group to show the biggest increase, reported an increase of 6.5 per cent.

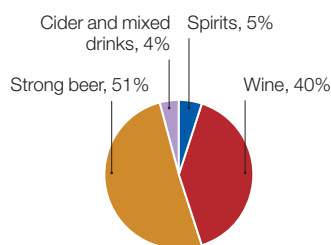
Wine sales continue to increase

Systembolaget's fixed and temporary ranges contain just over 1,800 different wine items from 24 countries worldwide. The "available for order" range contains almost 5,200 further wine items. 166.5 million litres of wine were sold in 2008, corresponding to an increase of 4.4 per cent in comparison with last year.

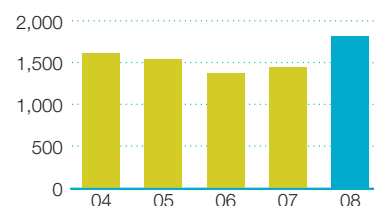
The most popular wine-producing countries overall were South Africa, Italy and Australia. South Africa, Germany and Australia accounted for the biggest percentage of white wine sales, while wines from Italy, Australia and South Africa were the biggest sellers in the red wine category.

Wine accounted for 40 per cent of sales by volume in 2008. Almost 55 per cent of red, white and rosé wines were bought in the bag-in-box format in 2008, corresponding to an increase of 4.5 per cent in comparison with 2007. Sales of bottled

Sales in litres by product group, 2008, per cent



Number of new establishments, 2003–2008



wines primarily increased in the slightly more expensive price bands. The biggest increase – one of 19 per cent – was reported in the SEK 100–119 and upwards pricing band for white wine.

Slight fall in spirits sales

After two years of increased sales, sales of spirits declined once more, mirroring the trend seen over the past 25 years until 2006. In 2008, Systembolaget sold a total of 19.1 million litres of spirits, corresponding to a fall of 1.0 per cent since 2007. The most commonly sold types of spirit were non-spice schnapps/vodka and blended Scottish whiskies.

Alcohol-free alternatives

The aim of Systembolaget’s alcohol-free range is to offer alternatives with an “adult taste” for those consumers who choose not to drink alcoholic drinks. Sales of alcohol-free drinks increased by 6.5 per cent in 2008 and the product group accounted for ca. 0.2 per cent of sales volumes.

Big increase for organic and fair-trade products

Sales of organic products at Systembolaget have mirrored the general organic trend and have in-

creased in recent years, increasing by 45 per cent in 2008. Systembolaget is continuing to expand and renew its organic range as demand increases. Sales of organic products accounted for 1.41 per cent of total sales in 2008. Additional organic wines and organic types of spirits and beer will be launched in 2009.

Sales of fair trade products at Systembolaget have also increased over the past year. Sales increased by 84 per cent in 2008 from 2007 levels, but these products still account for a very small percentage of total sales. The goal for 2011 is for 10 per cent of the items from those countries that manufacture fair-trade products to be fair-trade labelled.

Private imports

If a customer wishes to buy a product that is not included in the range, Systembolaget can import the product within the framework of its private import service. There were a total of 8,746 private import enquiries in 2008 – almost exactly the same number as in the previous year. 95 per cent of the private imports referred to products available from suppliers in Sweden.

Results for 2008

Customer Satisfaction Index, 2004–2008

Year	Index
04	72
05	73
06	74
07	75
08	77

The Customer Satisfaction Index measures how satisfied customers are with Systembolaget. The customers’ responses, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. The goal for 2010 is 75 units and the result in 2008 was 77.

The following GRI indicators are relevant to this chapter:

Indirect economic affect	EC 9
Product responsibility	PR 5
Products and services	EN 26

See also the GRI report on pages 99–103.



“The fact that the products now come from the depot in Sundsvall means that the customers have access to Systembolaget’s entire range. The new computer system also means that we, as agents, can see immediately whether the product the customer wants is available. Hopefully, the delivery times will improve, because as things stand, the customer has to place their order one day earlier than before.”

*Anna-Maria Liss
Bingsjö Lanthandel village store, Systembolaget agent*

Competent and committed personnel

Of all the parameters measured in the customer satisfaction surveys, it is Systembolaget's employees who receive the highest satisfaction rating. Our employees understand our important mandate and are continuously trained to ensure they are able to act as expert advisors in the fields of food and drink. And the customers appreciate it.

Systembolaget has identified a number of core values for its operations, namely consideration, expertise and inspiration. These values guide us in implementing our mandate, in the development of our operations, in our management, and in the way we deal with our customers and each other.

Clear values

By showing *consideration*, we show that we care. We show respect for each other and for our customers. We do not sell to just anyone: we do not, for example, sell to anyone under the age of 20. We do not attract customers into our stores and we do not attempt to sell more than the customer originally planned to buy. Our information is honest, factual and brand-neutral. Systembolaget's offering is available nationwide. By listening and showing consideration in management and by showing solidarity with each other, we generate the preconditions for motivating our employees.

Expertise is, when coupled with consideration, what makes Systembolaget unique. Our expertise can be found in our product range, our quality, and in the advice, service and information we provide. Our expertise covers our products, their use and the associated risks, and thereby generates the potential for our customers to make informed choices. Knowledgeable and well-trained managers and employees are also the means we strive to use to develop our operations.

Inspiration means that we are generous in sharing our expertise with our customers and with each other. We help establish a healthy drinking

culture by providing good taste experiences and through the breadth of our range, but also by inspiring people to think about drinking and to apply moderation. Our managers have an important role to play in inspiring our employees to learn more, to develop and to take responsibility.

Competent and committed employees are vital to responsible selling and satisfied customers. Systembolaget shall be an attractive workplace. Management, terms of employment, the work environment, duties and opportunities for development are, therefore, all important factors. Systembolaget's social, environmental and ethical responsibility is based on our three core values and on our ethical guidelines.

Different roles demand different responsibilities

A clear distribution of authority in Systembolaget's stores has been drawn up in order to achieve better customer interactions. Every employee has a defined role.

When a new recruit is employed, they start by discussing their particular role and Systembolaget's mandate and responsibility with the store manager. The employee then undergoes an interactive introductory training course that ends with a test of their knowledge of the selling rules.

Constantly developing our expertise

Ensuring that the Store Manager's and employees' expertise is constantly developing is vital in terms of how customers perceive both the store and Systembolaget. A new strategy and new methodology

were launched in 2007 in order to achieve this goal, and goes by the name of KORUS (Competence And Role Development System). KORUS ensures that all employees encounter a shared methodology from the moment they are recruited until they decide to leave Systembolaget.

Of the 96 roles defined within the KORUS framework, the focus at present is on developing the in-store roles. These include not only the selling and store manager roles, but the so-called plus roles, i.e. the sales personnel with a specific area of responsibility in-store. A personal development plan is drawn up for every employee, specifying the additional know-how required. A basic training course must be completed by all sales personnel and Store Managers.

The skill supply system support procured in the autumn of 2008 will be an important part of the managers' tools. The system includes skills, roles and templates. Every employee will have their own page and learning activities, and all documentation produced within the context of the skill development work will be linked to the individual. This will also enable managers to gain an overview of actual skill levels within their respective working groups and to compare them with requirements based on the ambitions expressed in terms of our operational development and improvement work.

Project Lära [Learn] carries out a review

A review of Systembolaget's skill development work began in 2008 in order to enhance our employees' ability to develop within the skill and specialist know-how areas defined for their roles. The project, which goes by the name of Lära [Learn] has three primary purposes:

- to develop Systembolaget's skill development processes and routines
- to develop new learning activities
- to develop Systembolaget's skill management.

Learning that has previously focused to a consid-

erable extent on *'what to do'* will become learning that also imparts understanding of *'why one does what one does'*.

Focus on skill work

2008 saw Systembolaget draw up a skill plan that will, amongst other things, form the basis for prioritising learning activities. Work also began during the year on the development of skill key performance indicators to enable skill development to be monitored and quantified within the organisation.

A customised CSR training programme was also held during the autumn of 2008 for Systembolaget's purchasers and category managers.

A review of our learning activities is also planned for 2009 with the aim of ensuring that social and environmental issues are integrated into the activities.

The Store Manager's responsibility

The Store Manager has overall responsibility for the store's operations.

During the first quarter of 2008, every Store Manager held a so-called FOKUS (Future and Competence) performance review with all of the store's employees. The performance review is a development of the earlier performance review format and demands more in the way of preparation and follow-up on the part of both the Store Manager and the employee. Satisfied employees mean satisfied customers. And the higher the customer satisfaction, the happier the store's employees are. The Area Manager also conducted a FOKUS performance review with his or her Store Managers during the same period.

Considerable interest in working for Systembolaget

Store Managers are recruited by the Area Manager, working in tandem with the HR Department. The

Store Manager is responsible for recruiting other employees for the store.

There is considerable interest in working in a Systembolaget store as a Store Manager or member of the sales team. Of the 63 Store Managers recruited in 2008, 81 per cent (51%) came from within the organisation and 56 per cent of them were women.

Constantly improving ESI

The Employee Satisfaction Index rose by two points for the second year in succession from 72 to 74 (on a scale of 1–100), thereby emphasising the positive trend since measurements began in 2002.

Increased developmental opportunities a plus

The most important parts of the ESI are the way in which the personnel view their developmental opportunities and duties, and their overall view of Systembolaget. Certainty that they can progress to new roles within Systembolaget has strengthened and increased from 56 to 64 over the past two years. At the same time, the measurements show once again that the company's efforts to persuade more in-store personnel to take on clearly defined responsibilities and to have special areas of responsibility is yielding positive results. In view of these results, Systembolaget will continue to develop learning activities linked to areas of responsibility and the organisation in stores.

Confidence in management continues to increase

Levels of employee confidence in their management are high and increasing. Employees also state that goals and visions are clearly communicated and that everyone is working together to achieve these goals.

Clear goals and visions

Employees award high ratings when asked about Systembolaget's goals and visions – “are visions and goals clearly communicated”, “can they support the company's goals and visions”, and “everyone within Systembolaget is working towards the same goals”. The values for these issues are very high in comparison with those achieved by many other companies. One of the reasons for this is the

structured and recurring theme meetings for company-wide issues and value-related concerns that are held throughout the company. Another is the recurring dialogue meetings between the company management and the Store Managers.

Introduction of regular annual working time

In September 2007, Systembolaget and HTF/Unionen (the Salaried Employees' Union) concluded a collective agreement regarding the introduction of regular annual working time. The parties are still in agreement on the introduction of regular annual working time, but it has not proved possible to reach a consensus on the question of how to introduce the system. The question of regular annual working time has, therefore, been postponed for an indefinite period of time.

Coordinated summer recruitment campaign

Requirements have become considerably more stringent with regard to summer recruitment. In the spring of 2008, Systembolaget conducted its first coordinated summer recruitment campaign. 196 stores in 22 areas took part in the project. The 11,000 or so applications received show that Systembolaget is a very attractive employer. A total of 189 summer sales staff were employed.

The project's objective was to professionalise the recruitment of sales personnel employed for the summer and to facilitate the recruitment work for the Store Managers. The entire recruitment campaign was web-based.

The success of a coordinated summer recruitment campaign, coupled with the introductory training course for summer employees were also apparent in our key performance indicators: age verification checks for July and August 2008 were ten points up on those for July 2007.

New alcohol and drugs policy

A new policy was adopted in 2008 in the area of alcohol and drugs. It is designed to give our employees an insight into the fact that, as a workplace, we pose a risk, and to give our managers and employees guidance in how we work with alcohol and drug issues.



Systembolaget's ESI is a good result that compares very well with those achieved by other companies.



“Working in the store has become more stimulating since we changed the way we work. Clearly defined areas of responsibility mean that you feel involved in a way that you never did before. The fact that everyone is involved means we work better together. It also means we are more open to suggestions and changes.”

*Dennis Dorsander
Member of the Sala store sales team*

Equal opportunities and diversity

Systembolaget shall work to ensure equality between the sexes, which means that men and women shall enjoy equal rights when it comes to work, terms of employment and opportunities for development. Ethnic diversity is measured regularly. Our overall goal with regard to ethnic diversity is to ensure that the ethnic breakdown of our staff reflects that of our customers and of Sweden's population of working age. Our measurements show that we still have a little way to go before the ethnic breakdown of our staff reflects society at large, but that the trend is moving in the right direction.

En route to achieving equality goal

Systembolaget is working to increase the number of women in managerial positions. The percentage of female store managers has increased from 34 per cent in 2000 to 48 per cent in 2008. The goal is for at least 50 per cent of store managers to be female by 2009.

The salaries of all employees and all positions, both at Head Office and in the stores, have been mapped. The mapping process revealed that there are few gender-based differences. Pay differentials that are outside the scope of normal variation and which cannot be explained by special factors, shall be corrected as quickly as possible.

No change in staff turnover

Staff turnover remained largely unchanged in comparison with 2007. As before, the biggest turnover occurs amongst our sales staff who only work a few hours per week. Many of those who fall into this category are combining their studies with working at Systembolaget.

New work environment and health activities

Systembolaget has been working actively for a number of years now to prevent ill health. This work has helped ensure that we now have lower levels of absence due to sickness and a generally very good work environment.

Almost 60 per cent of the services purchased by the company health care scheme are preventative in nature.

Reduced absence due to sickness

The total absence due to sickness fell from 6.1 per cent in 2007 to 5.9 per cent in 2008.

A new process for handling rehabilitation and absence due to sickness, and which is adapted in line with the change in the way in which the Swedish Social Insurance Agency works with the rehabilitation chain, has been presented.

The new process places great emphasis on line managers reacting as quickly as possible in conjunction with extended absences due to sickness. The rehabilitation process begins as early as three weeks after the employee was first absent due to sickness. Close and regular contact between the sick employee and their immediate manager is the foundation of the work.

A review of all ongoing long-term absences due to sickness is also being carried out in parallel with the new routines. The aim is to investigate all opportunities for a return to work. Here too, the sick employee's immediate manager is critical in terms of the success of this process.

Developing health care

The corporate health care partnership agreement concluded with Previa in 2006 has been developed in 2008. Special focus has been placed on handling long-term absences due to sickness using the investigative services that Previa can offer, with the aim of increasing the efficiency of the rehabilitation work.

Work on health and function profiles is also continuing. Summaries of the health profile results show that Systembolaget's personnel are generally in good health.

Work Environment Day 2008

All managers and health and safety representatives (a total of ca. 800 people) completed a training programme on the subjects of alcohol and drugs. External experts on substance abuse issues shared their expertise in the field over the course of a number of days. The new policy on alcohol and drug issues was also presented in conjunction with this activity.

Better incident reporting

Systembolaget has kept statistics on all of the various incidents that have occurred and been reported in stores since 2001. Just over half of all incidents have involved rowdy customers. Incident reporting has improved during the year, and all incidents reported are summarised and discussed with the health and safety committee at regular meetings.

Established ethical values

The following fundamental ethical values and principles, which were adopted in 2004, apply at Systembolaget:

“Systembolaget’s corporate culture is formed in the interaction between responsible managers and employees and is based on respect for human worth and dignity, openness and honesty.”

“All employees are the company’s representatives and shall, both at work and in their leisure time, behave in a professional manner and maintain high standards of personal integrity, and shall not allow themselves to be improperly influenced.”

The Human Resources Director is responsible for work on the fundamental ethical values and rules governing external contacts. She is supported in this work by an ethics group comprising six people from different parts of the company, including the Ethics Advisor, who is a store manager highly respected within the organisation.

Ongoing ethics dialogue

Ethical issues are included in the annual performance review discussions between managers and employees. One day’s discussion of ethics and values is also included in the managerial development programme for Systembolaget’s managers. Systembolaget’s ethics also form a natural component of all internal training courses, and ethics and value related issues are also raised in conjunction with new recruitment.

All managers, from Store Managers to the company management team, have met up in their respective management groups in 2008 to discuss

ethical issues and management. All management groups are obliged to conduct ethics dialogues twice every year. A total of 48 ethics dialogues were conducted in 2008.

Ethics Advisor

In April 2005, an Ethics Advisor was appointed with Systembolaget, tasked with providing employees with advice on ethical issues and acting as someone to whom employees can turn with information on any breaches of the company’s guidelines, known as “whistle blowing”. Employees who contact the Ethics Advisor are guaranteed anonymity. The Ethics Advisor handled five cases in 2008.

Guidelines for ethics work

The ethical work is supported by special guidelines that all managers within the company are tasked with reviewing and discussing regularly with their colleagues:

- external contacts
- secondary occupations
- entertainment
- labour law measures in connection with breaches of the guidelines
- asking for advice and sounding the alarm.

Clear rules for preventing corruption

The rules governing external contacts state, amongst other things, that contacts with suppliers of alcoholic drinks shall be handled by personnel from the Purchasing Business Area. The store personnel’s contacts are limited to study visits to stores by producers or visits to producers for training purposes. The visits are closely regulated. Contact by the suppliers with store personnel in an attempt to influence them to favour individual products in any way is not, and has never been, permitted.

All new recruits to Systembolaget receive information on the rules governing external contacts and are obliged to sign a statement that they have been familiarised with the rules. Starting in 2009, all managers will be obliged to sign a statement that they have been familiarised with the rules in conjunction with their performance review every year – the so-called FOKUS review. All employees



The ethical issues are raised in a variety of contexts within the company to ensure that discussions and awareness of ethical issues remain a live topic.

will be asked in greater detail about the rules governing external contacts in conjunction with their annual FOKUS review.

29 stores completed a training course in 2008, discussing and addressing issues in connection with the rules governing external contacts, and were given the opportunity to review the rules. The training will be provided for all employees, starting next year.

A total 48 managers (11 per cent of all Systembolaget managers) and 1,366 other employees (32 per cent of all non-managerial employees) completed a special training course on Systembolaget's rules governing external contacts in 2008.

Systembolaget has taken action against an employee in one case in 2008 with reference to the rules governing contacts with suppliers. The employee has been given notice for accepting product-related gifts in contravention of the company's rules governing contacts with suppliers. The supplier in question was contacted and took steps in response to the event.

Systembolaget has also contacted one supplier who was handing out brand advertising articles in conjunction with deliveries to stores.

Accused convicted

Ten former Systembolaget Store Managers appeared before the Stockholm District Court on 9th April 2008, charged with bribery-related offences. All of the accused were convicted. The charges were brought in February 2005 for offences committed during the period from 2000 to January 2003. This was the last of the prosecution's cases to be heard in the District Court, during which a total of 77 people who had been employed by Systembolaget were charged with taking bribes. 75 of these individuals were convicted and two found not guilty in the District Court between 2005 and 2008. 14 people from three supplier companies were charged with offering bribes as part of the same prosecution, of whom nine were found guilty in the District Court and five found not guilty.

Risk analysis

The company management implemented a 100 per cent* Group-wide risk analysis in the winter of 2006/2007 with the aid of external consultants. Amongst the risks identified were corruption risks. The risk analysis is deemed still to be valid and it forms the basis for focusing our reviews, within the framework of the internal audit, on the most critical risk areas. Reviews and follow-up activities focusing on corruption risks were carried out in 2007 and 2008 on the basis of the risk analysis.

Results 2008

Employee Satisfaction Index, 2004–2008

Year	Index
04	68
05	70
06	70
07	72
08	74

The Employee Satisfaction Index measures how satisfied employees are with Systembolaget as an employer. The employees' responses, which are given on a scale from 1–10, are recalculated as figures between 10 and 100. The target figure for 2010 is 73, and the result achieved in 2008 was 74.

The following GRI indicators are relevant to this chapter:

Employment conditions and labour conditions	LA 2 LA 14 (LA 1) (LA 4)
Society	SO 2 SO 3 SO 4

See also the GRI report on pages 99–103.

* See the GRI annex to the 2008 Responsibility Report at systembolaget.se



“It’s all about a good flow of goods, from order to shelf-picking. We are spending far too much time at present ticking off the goods that come into the store. This processing system will improve when more suppliers shift over to electronic delivery notifications which will give us more time for the customer.”

*Magnus Jacobsson
Store Manager at Eurostop in Halmstad*

A responsible supplier chain

Systembolaget's drinks supplier chain is a key component of our endeavours to ensure that the drinks we sell in our stores are produced responsibly. The drinks must also comply with our customers' demands and expectations with regard to quality, product range and value for money.

Systembolaget and the Nordic alcohol monopolies in Norway, Finland, Iceland and the Faeroes Islands drew up and agreed a common strategy and action plan for ensuring a responsible supply chain in 2008. The work is one of the focus areas for Systembolaget's social and environmental work over the next five years and which has been defined on the basis of the CSR risk analysis* carried out.

One of the main activities involves conducting a dialogue with our drinks suppliers with the aim of increasing commitment and responsibility. The strategy is based on a common code of conduct which is, in turn, based on the ten principles of the UN Global Compact. It describes how our suppliers and we shall act in the context of our day-to-day work with regard to labour conditions, human rights, the environment and corruption. The Nordic purchasing staff have received training on these issues during the autumn.

Discussions with suppliers in 2008

Five pilot dialogues have been conducted with a range of drinks suppliers during the year. The aim was to increase our know-how before the 2009 supplier dialogues, by gaining an enhanced understanding of the way in which the suppliers work with social and environmental issues, and their expectations of Systembolaget in this area. It emerged that the suppliers welcome clear demands from Systembolaget, partly because it helps them, in turn, to make demands of their suppliers.

From supplier to store shelf and customer

Systembolaget's purchasing routines mean that a great many suppliers are afforded access to the market and that the market is also open to small suppliers and producers. The deciding factor is the quality of the product, not the size of the supplier's operations or the supplier's financial strength. Systembolaget thereby ensures competition between products and between suppliers. Systembolaget launched 1,828 new products in 2008 and had 363 active suppliers.

Annual product range strategy the starting point

The purchasing process begins with a comprehensive analysis of sales and market trends in Sweden and of trends and developments internationally. Systembolaget also carries out numerous customer surveys. This information yielded by the analysis is summarised in an annual product range strategy.

Numerous requests for tender issued

Category strategies that form the basis for the launch plan issued twice every year to inform suppliers of the orientation of future requests for tender are formulated on the basis of the overall framework. A request for tender specifies, amongst other things, the type of product, country of origin, pricing band and taste profile. All registered suppliers (688 in 2008) receive the request for tender and are invited to submit their tenders. A number of products are selected from the correctly submitted tenders and samples requested.

A coordinated dialogue with suppliers, follow-up work and monitoring of the outside world are all important steps as part of our ambition to promote increased responsibility throughout the drinks supply chain, within the framework of the Global Compact principles.

* See the GRI annex to the 2008 Responsibility Report at systembolaget.se

In 2008, Systembolaget received 16,472 tenders and sampled 10,642 products. 6,388 tenders were also received for the exclusive product range, 1,938 of which were bought in.

Tasting panel decides

The product samples for each request for tender are tasted by a tasting panel. The tasting process is blind; that is the panel only sees the samples once they have been poured into tasting glasses, with no idea of the identity of individual brands, suppliers or producers. The panel assesses the products' quality with regard to its country of origin, price band and the taste description provided in the request for tender. The product with the highest rating is bought.

Once the purchasing decision has been taken, the product is also tasted by a complementary characteristic tasting group, which specialises in describing the products. The descriptions of taste and bouquet and the pie-chart ratings for acidity and sweetness, for example, found on shelf-labels or the website, are based on their collective opinion. Finally, Swedish wine columnists are invited to try all of the new products and all of the wines of a new vintage, free of charge, before sale of the products in stores begins.

Several ways in

There are two other ways into the fixed product range, in addition to purchasing after requests for tender. One is purchasing after a decision by an independent panel of consumers. Systembolaget buys 20 per cent of the planned launches in the fixed product range in response to decisions by the consumer panel. Another way into the range involves qualification via the "available for order" range, which means that if an item has achieved a certain volume of sales as part of the "available for order" range, it qualifies for inclusion in the fixed range.

Purchasers monitor quality

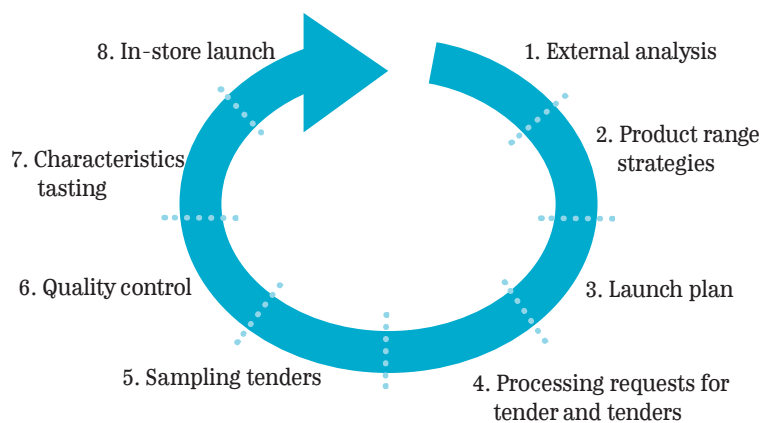
It is important that the product that came out best during tasting as part of the request for tender process is the one that is delivered to the shops. Systembolaget ensures that this is the case by means of sensoric quality control by the purchasers, who compare a shop sample with the reference sample saved from the previous tasting process. We also check that the quality and style correspond to that demanded in the original request for tender by conducting additional tastings three and six months after the product's launch, and then by tasting annually or when the product's vintage changes.

Preventative analysis in our own laboratory

Systembolaget's laboratory in Jordbro, outside Stockholm, is an accredited laboratory and checks to ensure that the quality of the drinks corresponds to that bought in. The laboratory hence acts as an important complement to the sensory quality control process. All new products are analysed before launch and the fixed product range is then checked once a year.

The analytical work is preventative. Suppliers and producers know that Systembolaget conducts comprehensive sensory and chemical checks, both of new launches and of the existing range.

The laboratory also evaluates complaints relating to Systembolaget's products and works in partnership with the Nordic alcohol monopolies, wine and spirits importers, the National Food Adminis-



tration, The Swedish Ministry of Agriculture, Food and Fisheries, and Swedac (the Swedish Board for Accreditation and Conformity Assessment).

Around 3,000 samples pass through the laboratory every year. The analyses carried out also check that the products comply with applicable legislation and that the content corresponds to the information provided on the label.

In-store product range and delivery

The size and composition of the product range in each store is determined centrally. The decision is made on a brand-neutral basis, based primarily on the store's sales, but also on the unique conditions obtaining for each store: its customer structure, the number of stores in the town, and the town's geographical position and size. The most popular items nationwide – approximately 540 of them – are always stocked by every store. The range also includes new launches and the items chosen locally by the store. The smallest store carries around 540 products. Every store receives an order proposal automatically every day. The order proposal is based on sales statistics unique to the items and the store, on forecast sales trends, the current stock situation per item, and the distribution schedule per store and distributor.

Monitoring logistics

Systembolaget's logistics experts work continuously, planning deliveries to the stores. It is vital, in terms of the store's ability to work in a rational manner, that the deliveries arrive on schedule and that the products are correctly loaded. Since October 2008, the various distributors have been receiving feedback reports, detailing compliance with lead times and identifying which, if any, stores have suffered as a result of poor timekeeping. The reports complement the electronic incident system already in place and which provides the distributors with rapid feedback on other problems in relation to the deliveries.

Nationwide delivery requirement

Systembolaget's purchases from the suppliers include delivery to the various Systembolaget stores.

All suppliers must, therefore, have a nationwide distribution system that ensures rapid and reliable deliveries. The suppliers can make the deliveries themselves or use external distributors. In 2008, there were just over ten nationwide distributors who delivered to Systembolaget's stores. Half of them were suppliers who principally distributed their own products, while the other half was made up of external distributors engaged by other suppliers.

Fewer but larger deliveries results in a more rational methodology in the stores and is, therefore, a plus from an environmental viewpoint. In order to limit the number of individual deliveries, we have encouraged the various distributors to use a single transport firm, and the bigger distributors, who have coordinated their deliveries, have successfully reduced the number of individual deliveries to the stores by ca. 25 per cent since 2006.

Two product depots ensure fast service

Systembolaget offers its customers a service that enables them to order products from the whole of Systembolaget's extensive fixed range from an individual store. Two product depots ensure that this service works as intended, one in Örebro and one in Sundsvall, which deliver customer-unique pick orders. The depot in Sundsvall is new and opened in March 2008.

For environmental and financial reasons, the distribution and methodology are based around the geographical location of the destination in relation to the two depots.

Centralised deliveries to agents

We have expanded our agent operations in 2008 and customers can now buy products from our entire fixed range from Systembolaget's 511 agents. This increased freedom of choice is now possible because the agents receive their deliveries from the larger ranges carried by the two product depots, rather than, as was previously the case, from the nearest store. The lead times vary between one and two days from the date when the order was actually placed with the agent.



The product depots delivered 2,617,831 items to stores and agents in 2008, in response to 414,168 separate orders placed.



“As a spirits producer, we believe that we have a very considerable social responsibility. We believe, therefore, that it is important that everyone in the supply chain works actively with environmental and social issues. Systembolaget, in its capacity of a commercial partner, focuses at all times on the customer and stands for comprehensive and professional delivery to the customer.”

*Staffan Liss
President of Diageo Sweden AB,
one of Systembolaget's suppliers*

Key performance indicators, Ladena Distribution

	2007	2008
Volume, no. consignments	8,643,138	8,693,761
Net sales, SEK k	314,708	342,438
Net profit for the year, SEK k	7,929	-15,000

Dry goods deliveries

Systembolaget’s purchases break down into two main groups. The wet goods group comprises deliveries by our drinks suppliers. The dry goods group refers to everything from gift-wrapping to store décor, tools and construction contracts. The biggest 100 suppliers of dry goods to Systembolaget account for 80 per cent of expenditure on dry goods.

We have imposed demands in the fields of labour conditions and health and safety regulations in conjunction with a number of procurement processes in 2008. We have also imposed demands with regard to the right to form or be a member of trade unions and with regard to child labour, in connection with the procurement of gift-bags and gift cartons. We will be reviewing the CSR-related requirements for our so-called dry suppliers in 2009.

Distribution via Ladena

Systembolaget’s subsidiary company, Ladena Distribution AB, transports alcoholic drinks within Sweden. Ladena operates in competition with other independent distributors and distributes alcoholic drinks from producers all over the world to restaurants, wholesalers and Systembolaget stores. In 2008, Ladena distributed ca. 83 million litres of drinks, corresponding to ca. 19.9 per cent of the drinks sold by Systembolaget during that year.

Small volume increase

Ladena posted a loss of SEK 15 million in 2008. Measured in terms of the number of consignments, the volume of deliveries increased by 1 per cent in comparison with 2007. Ladena signed agreements with 14 new customers in 2008 and has allocated resources for further working up of the market. At the same time, competition has increased, and resulted in Ladena losing three of its customers.

New structure to enhance competitiveness

A company-wide action plan is now in progress with the aim of strengthening work processes and quality assuring the goods flow within Ladena. Analyses and evaluations of areas where there is potential for improvement and enhanced efficiency were carried out in 2008 with regard to stock capacity, flow of goods and productivity. These analyses will form the basis for the efficiency-enhancing work that will be conducted in 2009. Ladena’s new structure will mean reducing the workforce by ca. 40 people and reinforcing the organisation with a new CFO and new Director of Logistics.

Trans-shipment

The trans-shipment project launched in 2008 as part of Systembolaget’s endeavours to reduce the number of individual deliveries has led to Ladena gaining new customers. The positive effects on efficiency and the environment generated by consolidating Ladena’s deliveries with those of other customers are substantial.

Results, 2008

Supplier Satisfaction Index

Year	Index
00	65
01	65
03	65
07	70

The Supplier Satisfaction Index measures how satisfied Systembolaget’s suppliers are with their relationship with Systembolaget and the service that Systembolaget provides. The survey was most recently conducted in 2007 and resulted in an index figure of 70.

The following GRI indicators are relevant to this chapter:

Human rights HR 2

See also the GRI report on pages 99–103.



“Working to ensure a sustainable supply chain feels like an incredibly important thing to be doing! We have launched a unique partnership with our Nordic neighbours because we believe that, together, we can be even stronger than we are as individuals. Our success will come about as a result of an intensified dialogue with our suppliers and work to that end will begin in 2009.”

*Sara Norell
Purchasing Manager at Systembolaget*

Ongoing environmental work

Systembolaget focuses its environmental work on reducing its environmental footprint within the areas that have the greatest impact. We reduce our environmental impact by launching more organic products, choosing the most eco-friendly building materials, increasing the efficiency of our energy consumption, encouraging trans-shipment, and avoiding sending waste products to landfill. Systembolaget’s continued and exclusive purchase of electricity that bears the Good Environmental Choice eco-label is a prime example of our efforts in this respect.

The strategic environmental work at Systembolaget is carried out by the Environmental Group, which comprises representatives of different areas within the operations. The Environmental Group works on an ongoing basis with the five focus areas that an environmental audit showed had the greatest impact on the environment:

- Organic products
- Building materials
- Energy consumption
- Transport
- Waste product processing

Surveys have show that Systembolaget’s customers have clear expectations when it comes to the company’s environmental work. The main areas

to which they make reference are recycling potential, organic products and eco-friendly transport.

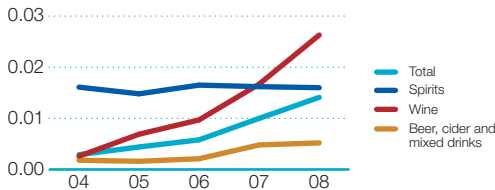
Systembolaget’s environmental policy

Systembolaget shall exceed customers’ expectations by constantly developing the company’s product range, its know-how, its service, and its responsibility in conjunction with the sale of alcoholic drinks. We comply with relevant legislation and work to implement ongoing improvements that reduce our environmental impact. Our environmental work focuses on offering good customer service while:

- offering an organic range of drinks
- working to promote stores built from eco-friendly materials and which use energy efficiently, and
- reducing the environmental impact of transports.

Our operations shall be characterised by an ecocycle-based attitude and preventative environmental work, thereby enabling Systembolaget to contribute to the creation of a long-term sustainable society.

Organic products as a percentage of sales, litres



Increased demand for organic products

Organic cultivation is more energy efficient, promotes biological diversity and results in lower levels of nutrient leakage in comparison with conventional cultivation. By increasing its percentage of organic products, Systembolaget can help reduce its environmental impact. But it is not enough for the products to be organically grown, they must also be competitive in terms of quality.

The organic products sold by Systembolaget comply with EU requirements for organically cultivated products. This means that the cultivation has not involved the use of chemical additives or pesticides and that no artificial fertiliser has been used. The use of a certain amount of copper sulphate and sulphur dioxide is permitted during organic cultivation for wine production.

Sales of organic products are continuing to increase and totalled 1.41 per cent (1.0%) of total sales in 2008. See the "Organic products as a percentage of sales" graph.

Demand for organic drinks continues to be high and more products have consequently been bought in. Systembolaget's goal was to include 50 organic products in its product range by the end of 2009, but this figure had already been achieved by the autumn of 2008. We will, however, continue to complement our organic offering as demand increases, and are aiming to include 60 products in the fixed range by the end of 2009. All stores currently (December 2008) stock at least 14 (12) organic items. 37 (20) new organic products were launched during 2008, with 11 (3) part of the fixed range and 26 (17) as part of the temporary range.

Systembolaget is working actively to enhance its organic range and is keen to see suppliers change over to organic production. It should be noted that non-eco-labelled wines may also have been organically produced.

Using recommended building materials

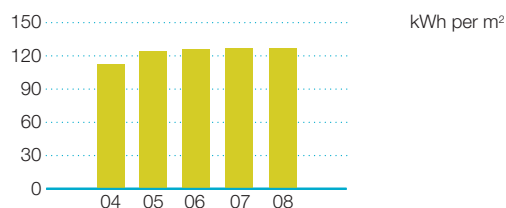
Rebuilding all of Systembolaget's stores as self-service outlets has an environmental impact. The choices we make with regard to building materials, décor, equipment and paint are amongst the most significant in terms of environmental impact. In order to reduce the impact, we use materials recommended from an environmental viewpoint. Only nine out of a total of 200 materials, such as certain carpets and fittings, do not carry this recommendation. The materials that still have a high impact on the environment are constantly being evaluated with the aim of replacing them as soon as possible. The evaluation is based not only on the environmental burden but on other criteria, such as quality, function and cleanability.

More efficient energy consumption

Energy consumption is an important environmental issue and one that has a huge impact on climate change.

The rebuilding of stores as self-service outlets entails an increase in energy consumption, due to an increased requirement for lighting which leads, in turn, to an increased requirement for climate control units. Systembolaget is constantly investigating the potential for increasing the efficiency of its energy consumption.

Electricity consumption in stores



Electricity consumption in 2008 totalled 127 (127) kWh/m² in Systembolaget's stores. (See the "Electricity consumption in stores" graph.) Electricity consumed by the stores* totalled 25,559 MWh, while electricity consumption by the Systembolaget group of companies as a whole totalled 29,707 MWh. Electricity consumption resulted in the emission of 137 tonnes of carbon dioxide.

The electricity that Systembolaget has chosen to buy in 2008 bears the Good Environmental Choice eco-label, i.e. it is produced using the sun, wind and biofuels. By choosing Good Environmental Choice electricity, Systembolaget has reduced its environmental impact. 86 per cent of the electricity consumed by the Group comprised hydro-electricity, while biofuels accounted for 5 per cent. No information is available on the origin of the remaining 9 per cent.

Systembolaget has investigated possible means of saving energy during the year in the form of LED fittings in the shelf-edge lighting. The results of the investigation were positive and a decision has been taken to try out the energy-saving alternative, which is also 100 per cent recyclable.

Trans-shipment yields environmental benefits

Emissions from transports are an environmental issue that has a huge impact on climate change. The majority of Systembolaget's transports occur in conjunction with regular deliveries of goods to stores.

Systembolaget is presently unable to measure the environmental impact of extra-Group transports because the goods are bought in at a price that includes delivery. The suppliers use their own distributors and impose their own demands.

Over the last few years, Systembolaget has been conducting a dialogue with the distributors regarding the advantages of trans-shipment. Three major distributors have implemented trans-ship-

ment throughout most of the country in 2008, which has led to a reduction in the environmental impact, by eliminating a total of 2,500 tonnes of carbon dioxide emissions, corresponding to the energy consumption of 373 detached houses over the course of one year.

Products ordered by customers and which do not form part of their local store's product range, or products ordered from agents, are transported from Systembolaget's product depots in Örebro and Sundsvall. A small percentage of the Group's overall transportation also occurs between the Systembolaget stores. Systembolaget is responsible for this distribution and the environmental impact can consequently be measured. Emissions from these transports in 2008 were measured at a total of 707 tonnes of carbon dioxide.

The Group's direct carbon dioxide emissions derive from the distribution services provided by Systembolaget's subsidiary, Lagenä, using its own vehicles. These emissions totalled 362 tonnes in 2008.

Eco-orientated travel policy

Systembolaget's travel policy encourages its employees to choose the alternative with the least environmental impact when travelling on business. This means that employees should travel by train, rather than flying or driving, and that when renting a car, a "green car" should be chosen in preference to other types of car.

Systembolaget's personnel travelled 1,381,210 kms (1,400,990 kms) by train, 2,314,410 kms (2,569,450) by air, and 247,750 kms (206,150) by rental car and 115,400 kms (109,710 kms) by airport bus, Arlanda Express and airport taxi in 2008. Employees also travelled 27,080 kms by taxi and 1,639,740 kms by company car, and 1,287,710 kms using their own cars for business travel in 2008.

*See the GRI report appendix to the 2008 Annual Report at systembolaget.se

The Group's carbon dioxide emissions as a result of personal transportation totalled 1,677 tonnes.

Efficient in-store waste stations

The best alternative from an environmental viewpoint is to reuse and recycle, and the worst is to send waste to a landfill. The waste stations to be found in all of Systembolaget's stores have collected 7,008 tonnes (5,752 tonnes) of corrugated cardboard, 168 tonnes (157 tonnes) of paper, and 301 tonnes (274 tonnes) of soft plastic during the year. Other fractions in the stores' waste stations comprise glass, fluorescent tubes, batteries, light bulbs, electronic waste, metals, toners, and combustible waste.

The staff of Systembolaget's stores are good at sorting waste products at source. Only 0.4 per cent (0.3%) of the stores' waste products was sent to landfills in 2008. See the "Breakdown of the waste from stores processed" graph.

The Group produced a total of 8,766 tonnes of waste, excluding household waste, 10 tonnes of which were classified as hazardous waste. 8,273 tonnes have been recycled (of which 92% comprised corrugated cardboard, 2% paper, 1% glass

and 5% soft plastic), 342 tonnes have been composted, 115 tonnes have been recycled to produce energy, 28 tonnes have been sent to landfill, and 8 tonnes have been sorted as "other waste" (fluorescent tubes, light bulbs, and batteries).

Recyclable packaging

Systembolaget accepts recyclable glass and creates in its stores or in adjacent grocery stores with which we have a return agreement. Tins and PET bottles are recycled in other stores because it is not thought that Systembolaget's involvement would increase the total level of tins and bottles returned.

The fragmentation facility

Systembolaget has a fragmentation facility in Jordbro outside Stockholm that handles returned goods by separating content from packaging. During the past year, the facility has processed 359 tonnes (332 tonnes) of glass, 572 tonnes (479 tonnes) of cardboard boxes (combustible) and 17 tonnes (30 tonnes) of aluminium cans, resulting in 688m³ (647m³) of liquid. Both the packaging and the liquids are used in new ways.

Breakdown of waste from stores processed, per cent

	2005	2006	2007	2008
Material recycled	97.4	99.0	99.0	98.3
Energy recycling	0.5	0.5	0.6	1.2
Landfill	0.7	0.4	0.3	0.4
Other*	1.5	0.1	0.1	0.1
Total	100.0	100.0	100.0	100.0

* The breakdown refers to that percentage of the stores' waste that is collected by our partner for waste product processing.

We do not, at present, know the total amount because household waste is processed by the local authority in question.

Efficient re-use

Both the packaging and the liquid from our fragmentation facility are used in new ways:

- The crushed glass is used in the manufacture of insulation materials.
- The aluminium cans are transported to smelters and used in the automotive and construction industries, for example.
- The liquid is neutralised and released into the wastewater system, where it benefits the biological beds in the sewage treatment plants. Alternative uses for the liquid have been investigated and the possibility exists of using it to produce biogas. The biogas can then be used to heat residential buildings, for example. Systembolaget hopes to be able to exploit this possibility in the future.
- The boxes are classified as combustible waste and are sent for incineration and energy recycling.

Recycled plastic bags

As part of our environmental work and eco-cycle based approach we supply eco-carrier bags that comprise 90 per cent recycled plastic, 60 per cent of which comprises reused polythene, and 30 per cent factory waste. Using a large percentage of recycled plastic reduces our environmental impact substantially in comparison with using new raw materials, which consume large amounts of energy during the manufacturing process. We also use water-based colours for printing, which is a good idea from an environmental viewpoint.

Results, 2008

Systembolaget's environmental goals for 2009

- To increase the number of organically grown products in the fixed range to 60.
- To launch at least one organically grown product in conjunction with each launch, i.e. ordinary launches of both fixed and temporary range products.

- To reduce the number of materials used in the Store Rebuild programme not recommended from an environmental viewpoint to five.
- To ensure that the amount of waste products from stores sent to landfill does not exceed 0.5 per cent of the total waste produced.

The following GRI indicators are relevant to this chapter:

Energy	EN 4
Emissions to air and water	EN 16
	EN 17
	EN 18
	EN 22
Products and services	EN 26

See also the GRI report on pages 99-103.



“We have already achieved our goal for organically grown products, which is one of our focus areas. And we have set new goals in response to the increase in demand that we are seeing. We are continuing to work with transportation and energy consumption issues and have planned activities for the years ahead that will hopefully result in a reduced environmental impact.”

*Catharina Hamsten
Logistics Expert and Environmental Coordinator
at Systembolaget*

The Board of Directors

Cecilia Schelin Seidegård

Chairman

Born: 18th May 1954

Principal education: PhD in Biochemistry.

Other positions: Chairman of the University Board of the Royal Institute of Technology in Stockholm 2004-, Chairperson of the Vårdal Foundation – for Health Care Sciences and Allergy Research 2008-, Chairperson of Qlucore AB 2008- and BioTap A/S 2008-, and Member of the Boards of the Swedish Centre for Business and Policy Studies, the Swedish Employment Service, Previa AB, and IVA.

Elected to the Board of Systembolaget AB: Chairperson since 2008.

Positions previously held: Hospital Director at Karolinska University Hospital 2003-2007, Member of the Boards of Karolinska Development AB 2003-2007, President of Huddinge University Hospital 2003, Member of the Board of Getinge AB 2003, Vice President in charge of Global R&D Operations at AstraZeneca R&D 1999-2003, Head of Clinical Research and other managerial positions within Astra Draco, most recently as Site Manager 1989-1999.

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

Marianne Nivert

Vice President

Born: 17th August 1940

Principal education: B.A. and telecommunications engineering training.

Other positions: Chairman of the Board of Posten AB, Vice Chairman of Wallenstam AB, Member of the Boards of SSAB, Beijer Alma AB, Member of the Swedish Corporate Governance Board.

Elected to the Board of Systembolaget AB: Member since 2002, Vice Chairman since 2007.



Sven Andréasson

Positions previously held: President and CEO of Telia AB, Member of the Board of the Swedish Save the Children Fund, Member of the Board of the Swedish Tsunami Commission and of the Swedish Commission on Business Confidence.

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

Sven Andréasson

Born: 8th July 1952

Principal education: Doctor of Medical Science, Ass. Professor of Health and Medical Care research.

Other positions: Senior Physician, Addiction Centre, Stockholm. Departmental Manager, Swedish National Institute of Public Health, alcohol and narcotics department. Scientific council for Abuse Issues at National Board of Health and Welfare.

Elected to the Board of Systembolaget AB: 2007.

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.



Cecilia Schelin Seidegård



Marianne Nivert



Johan Gernandt



Carl B Hamilton



Lena Furmark Löfgren



Annika Nilsson

Johan Gernandt

Born: 23rd September 1943

Principal education: LL.B.

Other positions: lawyer and joint-owner of Gernandt & Danielsson Advokatbyrå since 1992, Chairman of the Board of Governors of the Bank of Sweden since October 2006. Chairman of the Board of the Stockholm Chamber of Commerce since January 2006. Chairman of the Svenska Dagbladet Foundation.

Elected to the Board of Systembolaget AB: 2007.

Positions previously held: Expert, Limited Companies Committee (Ju 1990:46) 1990-2000.

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

Carl B Hamilton

Born: 1st January 1946

Principal education: Ph.D. (Economics).

Other positions: Professor of international economics, 1991-, Member of Parliament, 2006- Member of the national party executive of the Swedish Liberal Party, 1999-.

Elected to the Board of Systembolaget: 2007.

Positions previously held: Under-secretary of State at the Ministry of Finance, Member of Parliament, 1991–93, 1997–98, special commissioner, etc. Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

Lena Furmark Löfgren

Born: 11th February 1961

Principal education: B.Sc. national economics/political science. State Registered Nurse.

Other positions: President of Caritea AB.

Elected to the Board of Systembolaget AB: 2007.

Other directorships: Swedish Red Cross Home Foundation.

Positions previously held: Business Development Manager for health and medical care, Microsoft AB, Institute for Future Studies, and Chairman of Swedish Medtech/Slits.

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.

Annika Nilsson

Born: 22nd March 1971

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

Other positions: Association Secretary, ABF (the Workers' Educational Association of Sweden) 2007–.

Elected to the Board of Systembolaget AB: 2006.

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

Independent: The Member should, according to the Nomination Committee, be regarded as independent in relation to the company and the company management.



Maj-Britt Eriksson



Erik Bergström



Patrik Ström



Patrik Olofsson

Employee representatives

Maj-Britt Eriksson

Born: 29th September 1947

Principal education: upper secondary school, general sciences course programme, Komvux (local government-administered adult education) in Kalmar.

Other positions: Summer job, sales team, at Systembolaget since 1981, employed since 1987. Chairman of the South Eastern Sales Personnel Club, Contract Representative Salesperson for the South Eastern Group of Seven, workplace representative, Regional Member of the Board of Unionen Småland, Deputy Member of the Board of Systembolaget's Staff Association. Elected to the Board of Systembolaget AB as a deputy employee representative in 2006 and as a Full Employee Representative in 2007.

Patrik Ström

Born: 14th October 1972

Principal education: 2-year upper secondary course specialising in woodwork. **Other positions:** Employed by Systembolaget on 5th April 1993. Store Manager since 2003. Chairman of Systembolaget AB's Staff Association. Elected to the Board of Systembolaget AB as an employee representative in 2004.

Deputy Members

Erik Bergström

Born: 15th June 1968

Principal education: upper secondary school course in distributive trades/office work. 2-year post upper secondary school course in Purchasing and Sales.

Other positions: Store Manager at Systembolaget since 1999, member of sales team since 1993. Chairman of the Bergslagen Managers' Club, convenor of the Election Committee for Systembolaget's Staff Association. Elected to the Board of Systembolaget AB as an employee representative in 2007.

Patrik Olofsson

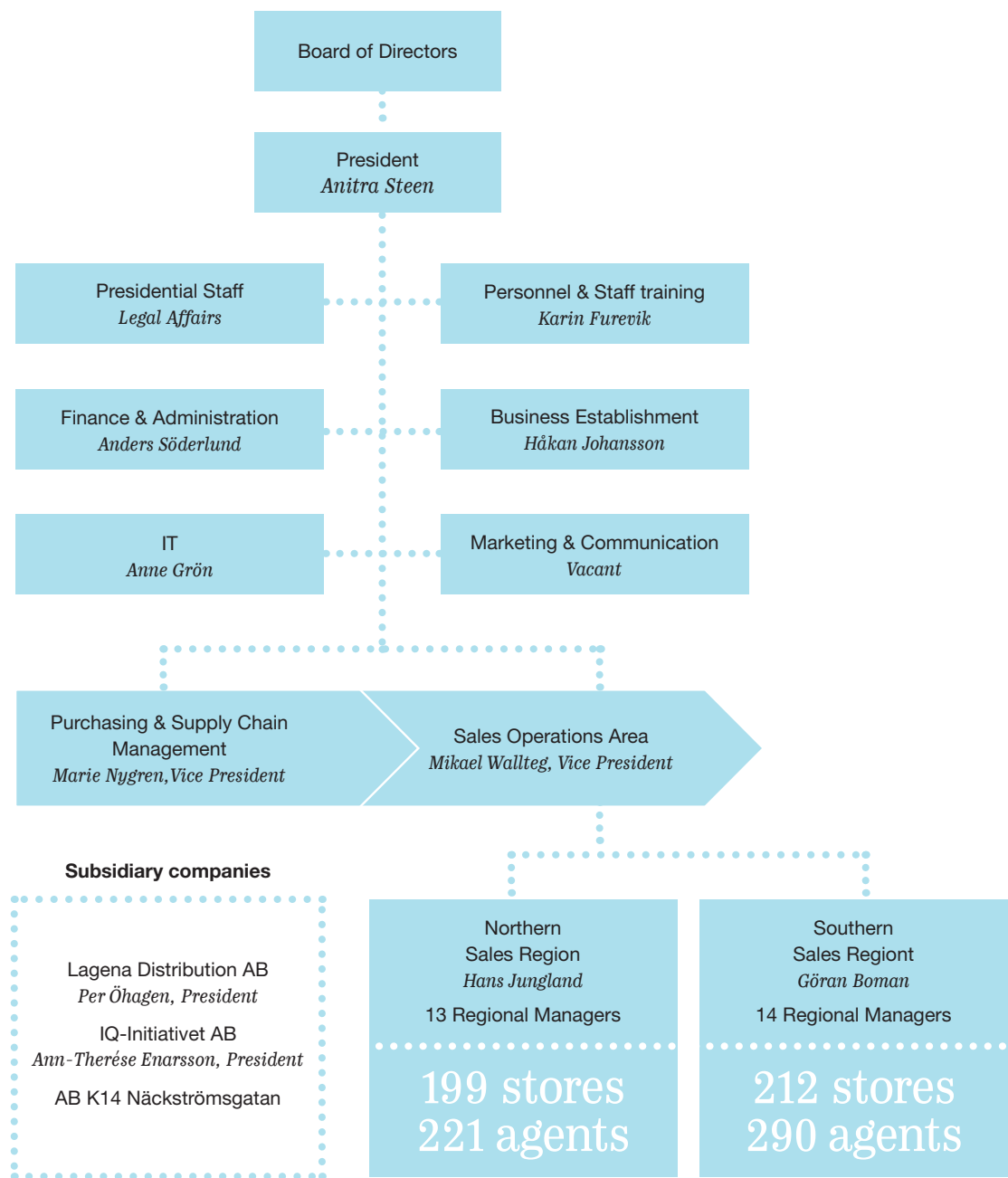
Born: 7th August 1966

Principal education: three-year upper secondary school course in social sciences.

Other positions currently held:

Employed by Lagena Distribution AB in 1996, Club Chairman of the Union of Commercial Employees' club 20-717. Member of the Local Board of Local 20 of the Union of Commercial Employees. Appointed to the Board of Systembolaget as an employee representative in 2008.

Organisation



Organisation chart, 2008

Systembolaget's organisation is process-orientated, with responsibility for the principal process lying with the Sales Operations Area and Purchasing & Supply Chain Management. Purchasing & Supply Chain Management is responsible for product range development and for the supply of goods from the supplier to the stores' shelves and the customer.

The Sales Operations Area is responsible for operations and sales in the stores. Systembolaget's 411 stores are organised into 27 areas with between 10 and 17 stores in each area. Each area

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

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



Company management, upper row, from the left: Marie Nygren, Håkan Johansson, Anders Söderlund and Mikael Wallteg. Lower row from left: Anitra Steen, Karin Furevik and Anne Grön.

Anitra Steen

President
Born: 1949
B.A. Social and
Behavioural Sciences
Employed: 1999

Marie Nygren

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

Mikael Wallteg

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

Karin Furevik

HR Director
Born: 1954
Management Sociologist
Employed: 2001

Anne Grön

IT Director
Born: 1956
B.Sc. Economics &
Business Administration
Employed: 2008

Håkan Johansson

Business Establishment Director
Born: 1957
Market Economist
Employed: 2001

Anders Söderlund

CFO
Born: 1963
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Employed: 2003

Corporate Governance Report for Systembolaget AB

This Corporate Governance Report has been adopted by the Board of Directors of Systembolaget AB. The report has been divided into six sections. The first five sections have, at the request of the Board of Directors of the company, been reviewed by the company's auditors. The section *Describing internal control of financial reporting* has not been reviewed by the auditors.

Systembolaget's corporate governance is conducted partly on the basis of the external framework imposed by the Swedish Companies Act (2005:551), the Swedish Code of Corporate Governance (the Code), the State's ownership policy, the agreement with the State and the Owner's Directive, and partly on the basis of the internal framework that comprises the Articles of Association, the formal work plan for the Board of Directors, and the instructions for the President.

The Swedish Code of Corporate Governance

The Code is part of the self-regulation of Swedish trade and industry and is designed to improve corporate governance within Swedish trade and industry. The Code addresses the steering and decision-making systems through which the owners exercise their influence, both directly and indirectly. The Code complements the Swedish Companies Act and other mandatory legislation by specifying, over and above the minimum legislative requirements, the norms for what is generally regarded as good corporate governance. Good corporate governance means that the companies are run with their owners' interests as their primary motivating force and that they contribute to the efficiency of trade and industry as a whole, and hence to increased growth and dynamism in the Swedish economy. The Code can be viewed at bolagsstyrningskollegiet.se

Implementation of the Code

Systembolaget applies those sections of the Code that are relevant to the company. See page 67 for details of deviations from the Code.

Responsibility for corporate governance

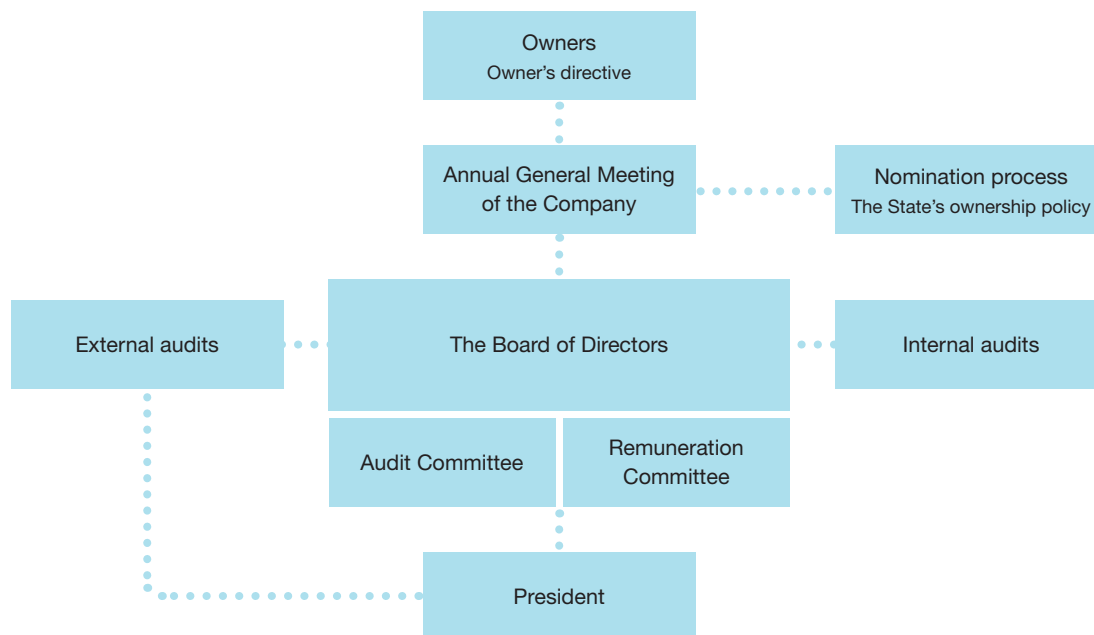
Systembolaget is a company wholly owned by the Swedish State. The ownership is administered by the Government through the Ministry of Health & Social Affairs. Responsibility for Systembolaget's management and control is spread between the owner, the Board of Directors, and the President in accordance with the provisions of the Swedish Companies Act.

Corporate Governance

The basis of Systembolaget's corporate governance

The company's agreement with the state, and the owner's directive in which the owner's requirements of Systembolaget are specified, constitute an important starting point for the work and responsibilities of the Board of Directors. The agreement and the owner's directive form the basis for the company's operations with regard both to the social mandate and to the profitability requirement. The owner's directive stipulates that the retail monopoly has a socio-political objective. It also clarifies Systembolaget's mandate. Under the terms of its mandate, Systembolaget shall limit the availability of alcohol through its control over the stores network and opening hours. Systembolaget shall also comply with the provisions of the Swedish Alcohol Act (1994:1738) and uphold the selling rules specified therein, i.e. age verification, refusing to sell to people who are intoxicated, and counteracting illegal sales onward. Systembolaget also, and in addition to the agreement and the owner's directive, complies with the state's ownership policy.

Responsibility for corporate governance within Systembolaget



The basis of Systembolaget's operations can be found in its social mandate. Systembolaget holds a monopoly on retail sales of spirituous drinks, wines and strong beers in Sweden. This monopoly has an alcohol policy-related objective and restricts total alcohol consumption by limiting the availability of alcohol. This restriction results from the fact that the company, in accordance with both the provisions of the Swedish Alcohol Act and the agreement with the state, not only has control over the start-up of stores and opening hours, but can ensure that alcoholic drinks are not sold to people under the age of 20 or who are noticeably intoxicated, or where there are grounds to assume that the product is being bought with the intention of supplying it to someone illegally.

Another of the starting points for the Board's work, and that of the entire company, is the so-called absence of private profit principle, whereby alcoholic drinks shall be sold without a "for profit" motive, such that the protection of public health objective steers the operations, rather than profit maximisation.

Two meetings are held every year between the owner and the Chairman and President. The Chair-

man has also engaged in a number of ongoing dialogue meetings with the owner at which the Board's work was discussed, due to the lack of any specially designated owner's representatives amongst the Members of the Board of Directors.

Control of social and environmental responsibility

Systembolaget endeavours to ensure that social and environmental responsibility are an integral part of Systembolaget and its operations. This means that the goal is for all of our employees to take decisions on a daily basis that show consideration for the good of the people and the environment. The Board of Directors and the company management have ultimate responsibility for the strategic and operational CSR work on social and environmental issues. They are assisted in this work by a multidisciplinary CSR group whose primary tasks comprise overall coordination, strategic planning and operational support for the operations with regard to social and environmental issues. The group is led by a CSR Coordinator with experience of international work on human rights and CSR work in trade and industry. Issues relating to social and environ-

mental responsibility in the drinks supply chain are conducted within the framework of the Nordic CSR monopoly partnership. Issues relating to the environment and corruption are conducted by Systembolaget's environmental and ethics groups, which are led by an Environmental Coordinator and by Systembolaget's HR Director, respectively.

The owner's goals

Socio-political goals

Systembolaget holds a monopoly on retail sales of spirituous drinks, wines and strong beers in Sweden. This monopoly has a socio-political objective.

Financial goals

The Group's equity/assets ratio, calculated as shareholders' equity as a percentage of the Balance Sheet total, should total ca. 35 per cent.

The long-term return on shareholder's equity shall correspond to the 10-year bond interest rate plus four percentage points. If the return exceeds the return target for an extended period of time, this shall benefit the customers in the long-term by adjusting the trading margin downwards.

Trading margin and efficiency

Systembolaget's mandate states that the operations shall be conducted in a financially efficient manner. When the trading margin is set, the company shall ensure that costs are covered and that the State receives a reasonable return in accordance with the owner's return requirements. It shall achieve these ends by making use of appropriate methods of improving efficiency and productivity and of other such factors subject to the company's influence.

Dividends

The dividend should, subject to it being permissible under the provisions of the dividend-related provisions of the Swedish Companies Act, total an amount corresponding to at least half of the net profit for the year within the Group, taking into account the equity/assets ratio goal.

Annual General Meeting

The shareholders' right to become involved in and take decisions with regard to the company's con-

cerns is formally exercised via the General Meeting, which is the company's supreme decision-making body. Annual General Meetings shall, under the terms of the State's ownership policy, be held no later than 30th April every year and the Board of Directors is responsible for the issue of a notice convening the General Meeting to Parliament's central secretariat no later than four weeks and no earlier than six weeks before the Meeting. The general public shall also be afforded the opportunity to attend the Meeting. The Annual General Meeting shall, amongst other things, appoint the Board of Directors and Auditors, approve fees payable to the same, and adopt the Income Statement and Balance Sheet. The Board of Directors shall also, at the Annual General Meeting, present proposals regarding principles governing remuneration and conditions of employment for the company management.

The 2008 Annual General Meeting

The Annual General Meeting held on 13th March in Stockholm was open to the public and was also broadcast live on Systembolaget's website.

The Meeting resolved to set the number of Board Members elected by the Meeting at seven, and the number of Authorised Public Accountants for the company at one.

The Meeting resolved to appoint Cecilia Schelin Seidegård as the new Chairman of the Board for the period until the next Annual General Meeting. The following persons were re-elected to the Board: Marianne Nivert, Sven Andréasson, Johan Germandt, Carl B Hamilton, Lena Furmark Löfgren and Annika Nilsson. The owner's representative, Iréne Nilsson Carlsson, gave grounds for the composition of the Board and declared that all Members of the Board had been adjudged, by the owner, to be independent in relation to the company and the company's management.

The Meeting approved payment of the following fees to the Board:

- Chairman of the Board: SEK 180,000
- Deputy Chairman of the Board: SEK 109,000
- other Board Members: SEK 87,000
- employee representatives on the Board: no fee payable.

The Meeting resolved to appoint Ernst & Young as the company's auditors, with Torsten Lyth as the auditor in charge, for the period until the 2012 Annual General Meeting. On 6th March, the Swedish National Audit Office appointed Filip Cassel as the company's Authorised Public Accountant, with Authorised public Accountant Lars Nordstrand as his deputy. It was also announced that the Riksdag Board had appointed/re-elected three lay auditors and three deputy lay auditors.

The Board of Directors, through its Chairman, Olof Johansson, presented the Board's proposed guidelines for remuneration and other conditions of employment for the company management, in accordance with the then applicable guidelines regarding conditions of employment for persons in a company managerial position in state-owned companies, issued by the Government on 9th October 2003. The Board furthermore presented the grounds on which the total remuneration payable to the President and other members of the company management were based.

The Meeting approved the proposed remuneration levels and other conditions of employment for the company management proposed by the Board.

The Meeting resolved to adopt the Income Statements and Balance Sheets for the Parent Company and Group, as of 31st December 2007, as submitted by the Board of Directors and the President, and to approve the proposed appropriation of profits and dividend payment totalling SEK 295,545,143 proposed by the Board of Directors and the President. The Meeting further granted the Board of Directors and the President discharge from liability for the financial year.

Extraordinary General Meeting, 2008

The Extraordinary General Meeting was held on 24th November 2008 in Stockholm and was open to the public. The Meeting approved an extra dividend payment totalling SEK 573 million. The extra dividend payment was made due to the sale of Systembolaget's subsidiary company, Systembolaget Fastigheter AB, in March 2008, generating a profit of SEK 573 million. The Meeting also adopted a new owner's directive and the guidelines for conditions of employment for senior executives

in companies under state ownership issued on 3rd July 2008. The new owner's directive entailed, amongst other things, an increase in the equity/assets goal from 30 per cent to 35 per cent.

2009 Annual General Meeting

The 2009 Annual General Meeting will be held in Stockholm on 2nd April and the notice convening the Annual General Meeting will be sent out in early March.

The Board of Directors

Systembolaget's Board of Directors is responsible, under the provisions of the Swedish Companies Act, for the organisation of the company and the administration of the company's affairs. The State's ownership policy states that the Board of Directors of a state-owned company shall be run in a model way in line with legislation and with the owner's long-term interests. The Board of Directors of state-owned companies shall also work to ensure that the company sets a good example on issues relating to sustainable development and social responsibilities, such as ethics, the environment, human rights, equal opportunities, and diversity.

The nomination process

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

Composition of the Board

The State's ownership policy states that the composition of the Board shall be such that the Board at all times possesses industry know-how and ex-

pertise relevant to the company, including that required when the company develops or the outside world changes. The composition of the Board shall be such that a balance is achieved with regard to background, areas of expertise, experience and gender breakdown. The State's ownership policy states that the goal with regard to gender breakdown shall be at least 40 per cent of both sexes.

Systembolaget's Board of Directors comprises seven Members elected by the General Meeting. The staff organisations have also appointed two employee representatives and deputies. None of the Members of the Board are part of the company management. The President, Vice President and CFO attend Board Meetings, and the rest of the company management also attends certain meetings. Systembolaget's Senior Legal Counsel is the Secretary to the Board.

The Board of Systembolaget has a broad composition with regard to industry know-how and the external issues that control the company's development. The gender breakdown of the Board during the year was 57 per cent female and 43 per cent male.

The Chairman of the Board

The Chairman of the Board shall, pursuant to the provisions of the Swedish Companies Act, organise and lead the work of the Board and shall ensure that the Board carries out its duties. The Swedish Code of Corporate Governance (the Code) states that the Chairman of the Board shall also be responsible for contacts on ownership-related issues, shall ensure that the Board receives sufficient source data on which to base its decision-making work, and shall, together with the President, set the agenda for the Board Meetings, check that the Board's decisions are implemented, and ensure that the work of the Board is evaluated annually.

The Chairman consults with the President on an ongoing basis on strategic issues, as they arise, and represents the company on issues relating to corporate governance. The Chairman meets with the company's auditors and the company management twice yearly. The Chairman of the Board has, in addition to his general duties as a Director and

the duties specified above, additional special obligations which are specified in the rules of procedure for the Board of Directors.

The work of the Board

The Board has adopted a formal work plan specifying how the work is to be divided between the Board, committees and the President. The work plan is reviewed annually and was adjusted at the Board Meeting held in April 2008. The work plan states that the Board shall hold at least five meetings per calendar year in addition to the Board Meeting following election. The Board shall coordinate its position with representatives of the owner with regard to major strategic operational changes and acquisitions, mergers or disposals, and to decisions that entail a significant change to the Balance Sheet or risk scenario for Systembolaget.

A collection of documents (Steering documents and overall policies for Systembolaget AB) has been drawn up to support the Board in its work and in which certain legislative texts pertinent to the operations are presented, including documents issued by the EU, a variety of statutory instructions, company-related documentation, owner-related documentation and agreements, investment regulations, accounting principles, the strategic plan, Systembolaget's ethical programme, other policies, and information on subsidiary companies.

All Members of the Board of Systembolaget work actively with the issues that it is incumbent upon the Board to address and otherwise with the issues referred for consideration with the Board. The Board also meets annually with the company's auditors. For additional information on the contacts of the Board of Directors and the Chairman of the Board with the company's auditors, please see "The Board's description of internal control of financial reporting".

The structure of the Board's work is laid down in the Board's work plan, which is revised annually. The work plan forms the basis for the work and stipulates the point during the financial year when special areas of responsibility shall be addressed by the Board. The Board establishes a fixed vision,

the business concept, values, goals and strategies in the form of a strategic plan. The plan also contains an analysis of the company's strengths and weaknesses and of changes in the outside world. The plan is based on Systembolaget's mandate from Parliament and the Government. The strategic plan is a rolling multi-year plan that is revised every three years. The plan then forms the basis for the annual work on drawing up an operations plan and budget. In the autumn of 2006, the Board adopted a strategic plan that extends until 2010. The next revision is scheduled for 2009 and will cover the years up to and including 2013. During the years when a revision of the strategic plan does not occur, a document comprising an updated outside world analysis and a revised sales forecast is drawn up instead.

The strategic plan and the annual operating plan are based on an examination of the operations using a so-called balanced scorecard model, whereby the operations are followed up from an holistic viewpoint, in which every perspective is of equal value. For each perspective, key performance indicators are selected that are important in terms of achieving Systembolaget's goals within the indi-

vidual perspectives. The four perspectives are society, customers, personnel and financial, and their evaluation is designed to ensure compliance with Systembolaget's mandate, its owner's directives, and its agreement with the state. The operations plan for 2008 has been based on these four perspectives:

- Society – responsibility: we must clarify and secure our mandate externally and must develop methodologies/measurement methods for our selling rules.
- Customer – interaction with customers: we must generate preconditions and develop methods that enhance interactions with the customer.
- Personnel – skill development: we must extend our work within the fields of the work environment, strategic competence and managerial supply, and must secure internal communication.
- Financial – increased efficiency: we must increase operational efficiency, improve control/follow up activities, and secure customer benefit.

An overall goal and one or more strategic key performance indicators have been set within each perspective, as shown in the Annual Report. They are: Opinion Index (OPI), Age Verification Checks,

Present at Board Meetings in 2008

Name	Board function	Board meetings ¹	Audit Committee ²	Remuneration Committee ³
Cecilia Schelin Seidegård ^{3,6}	Chairman	8/8		1/1
Marianne Nivert ^{4,6}	Deputy Chairman	7/9	4/4	1/1
Sven Andréasson	Member	7/9		
Johan Gernandt	Member	4/9		
Carl B Hamilton	Member	6/9		
Lena Furmark Löfgren ⁵	Member	8/9	4/4	
Annika Nilsson ⁵	Member	8/9	3/4	
Maj-Britt Eriksson	Employee representative	8/9		
Patrik Ström	Employee representative	9/9		
Erik Bergström	Deputy employee representative	7/9		
Patrik Olofsson ⁷	Deputy employee representative	1/2		
Olof Johansson ⁸	Chairman	1/1		
Maria Åström ⁹	Deputy employee representative	5/7		

¹ Seven ordinary and two extraordinary Board meetings were held in 2008.

² On 17th June, the Board decided to establish an Audit Committee and a Remuneration Committee within Systembolaget. The Audit Committee held four meetings and the Remuneration Committee, one meeting, in 2008.

³ Elected at the AGM held on 13th March 2008.

⁴ Chairman of the Audit Committee.

⁵ Member of the Audit Committee.

⁶ Member of the Remuneration Committee.

⁷ Replacement for Maria Åström. Appointed in October 2008.

⁸ Resigned at the AGM held on 13th March 2008.

⁹ Replaced by Patrik Olofsson in October 2008.

important in ensuring that the company develops in the right direction in relation to the goals and guidelines adopted by the Board of Directors and management.

The goal of the internal reporting is to ensure the existence of a fit for purpose, rapid and correct system for following up on and reporting the way in which the operations have developed in relation to the agreed operating plan and budget. Reports on the company's development are submitted regularly to a number of internal stakeholder groups.

Systembolaget's external reporting is designed to provide regular reports on the company's development for a number of external stakeholder groups. Systembolaget's external reporting complies with specific legislative requirements and the requirements imposed by the owner.

Systembolaget's risk management and internal control function follows the COSO model.

The basis for internal control is the so-called control environment, which comprises the culture that the Board of Directors and senior management communicate and on which they base their activities. A good control environment generates the structure on which the other process components are based, such as:

- a risk assessment of things that could go wrong
- control activities, both at overall level and in more detail, and which are designed to prevent, discover and correct errors and deviations
- information and communication on compliance with guidelines and control activities
- monitoring by the Board of Directors and the senior management, and onwards down throughout the organisation, to ensure the quality of the process.

The control environment

Systembolaget's internal control work is designed to identify, evaluate and minimise the risks within the operational sphere. The work includes both preventative and monitoring aspects, and is based on a sound corporate culture and on shared corporate values.

Risk assessment

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

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

The risk analysis identified four critical risk areas:

Personnel/Pensions

Balance Sheet and Income Statement items in connection with personnel and pensions entail risks primarily associated with the volatility, subjectivity, complexity and critical accounting principles criteria.

Asset management/Investment

Balance Sheet and Income Statement items in connection with asset management and investments entail risks primarily associated with subjectivity, complexity and critical accounting principles.

The Board has established a financial policy in which permitted investments, risk management organisation, approved counterparties and routines for monitoring risks are clearly specified. The policy is reviewed annually.

Fixed assets

Balance Sheet and Income Statement items in connection with fixed assets entail risks primarily associated with subjectivity and complexity.

Volume sensitivity

Balance Sheet and Income Statement items in connection with income and cost of goods sold, stocks and accounts payable comprise items related to volume sensitivity. The risks they entail are primarily associated with complexity as a result of a high degree of system dependence and a high transaction volume.

Control activities

The risks identified with regard to financial reporting are handled via the company's control structures, which have been documented in process and internal control descriptions. Examples of the control structures include the strict application of the duality principle, the use of several independent external valuation institutions, and the use of parallel systems for verification of accuracy.

Information and communication

Considerable emphasis has been placed on implementing and quality assuring the internal communication process, with the aim of ensuring that information is disseminated in a structured way throughout the organisation. Information and communication channels have been established

with the aim of, amongst other things, promoting completeness and accuracy in the financial reporting. Steering documents in the form of internal policies, guidelines, manuals and codes for financial reporting are known to the relevant personnel and are available via the company's intranet.

Monitoring

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

The accounts department continuously monitors the administrative processes within the organisation. The work includes ongoing monitoring of significant internal control processes, VAT and tax accounting, internal and external entertainment, and compliance with authorisation and delegation regulations. Financial reporting is monitored continuously.

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

Stockholm, 17th February 2009

Cecilia Schelin Seidegård
Chairman

Marianne Nivert
Deputy Chairman

Sven Andréasson
Member

Lena Furmark Löfgren
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Annika Nilsson
Member

Maj-Britt Eriksson
The Unionen trade union representative

Patrik Ström
The Unionen trade union representative

Anitra Steen
President

Customer Satisfaction Index (CSI), Employee Satisfaction Index (ESI), and Trading Margin. The key performance indicators are monitored by the Board and ongoing reports on the indicators are provided at Board Meetings.

Annual budgets and operating plans are based on the strategic plan and on the outside world analysis and sales forecast. The operating plan is deliberately structured to ensure a clear link to the strategic plan and to facilitate management of the various projects and activities that target the strategic goals.

The work of the Board in 2008

The Board has held a total of seven ordinary Board meetings and two extraordinary meetings during the year. The usual follow-up work, both on economic performance and on a number of operationally strategic key performance indicators, has been carried out on a quarterly basis. These activities aside, the work of the Board has primarily focused on follow-up work in operating activities, work on risk reporting and internal audits, and on future IT investments.

Other issues addressed by the Board include decisions on the rate at which Systembolaget's stores are rebuilt and other establishment issues, the arbitration proceedings against V&S Vin & Sprit AB, the consequences of the Rosengren ruling and other outside world analyses, the sale of locally produced products, the ongoing work on ethical issues, a new website with an ordering service, social responsibility and CSR, and decisions on an extra dividend payment.

Remuneration principles

Directors' fees, as approved by the Annual General Meeting, are payable to the Chairman of the Board, the Deputy Chairman, Members and Deputy Members. The fees shall, under the terms of the State's ownership policy be competitive but not market leading. The Board shall conduct an analysis comparing the fees with the fees paid by comparable companies, prior to the Annual General Meeting.

The Board has decided that the existing remuneration principles can be left unchanged ahead of the 2009 Annual General Meeting, as they are in accordance with the new guidelines.

Evaluation of the work of the Board

The Chairman of the Board has conducted an evaluation of the work of the Board in 2008, using a systematic and structured process. The evaluation revealed that the work of the Board is functioning extremely well. The Chairman of the Board notified the Government Offices of Sweden of the results of the evaluation in December, in accordance with the State's ownership policy. Ongoing evaluations of the Boards of the state-owned companies are also conducted as part of the Government Offices of Sweden's internal work on the nomination process, in addition to the Board's own evaluation.

Audit Committee

On 17th June 2008, the Board of Directors resolved to establish an Audit Committee. The Audit Committee comprises its Chairman, Marianne Nivert, and Members, Lena Furmark Löfgren and Annika Nilsson. Systembolaget's President and CFO also participate in the Audit Committee's meetings. Systembolaget's Senior Legal Counsel is the Secretary to the Committee. The Audit Committee is responsible for preparing the work of the Board with regard to quality assuring Systembolaget's financial and operational reporting. The Audit Committee is a planning organ for the Board and does not assume the statutory legal responsibility of the Board as a whole with regard to financial reporting, accounting and internal checks, for example, nor does the existence of the Committee mitigate the requirement for communication by the Auditor to the Board as a whole. The Audit Committee shall, furthermore, assess the routines for internal control and management of financial and operating risks.

The Audit Committee is also tasked with meeting with Systembolaget's auditors on an ongoing basis to familiarise itself with the orientation and scope of the external audit and in order to evaluate the work and performance of the external auditors, including the scope of any non-audit related engagements on behalf of Systembolaget by the auditors.

The Audit Committee has held four meetings in 2008, one of which was following election. The Committee's activities during the year have included a presentation of a department-based review of Systembolaget, the presentation by System-

bolaget's auditors of significant accounting and audit issues, and of internal control and process issues. Issues in connection with such subjects as internal audits, risk analysis, the annual accounts etc., have also been addressed by the Audit Committee. The Committee's Chairman is responsible for informing the Board of the Committee's work on an ongoing basis.

Remuneration Committee

On 17th June 2008, the Board of Directors decided to establish a Remuneration Committee, comprising the Chairman and Deputy Chairman of the Board, tasked with preparing issues relating to remuneration and other conditions of employment for the company management. Decisions on remuneration and other conditions of employment for the President and on principles governing remuneration and other conditions of employment for other members of the company management are ultimately the preserve of the Board. The Remuneration Committee has held one meeting during the year.

The Company Management

President

The President is appointed by the Board of Directors. The responsibility of the President, pursuant to the provisions of the Swedish Companies Act, is to handle the ongoing administration of the company's operations on the basis of the guidelines and instructions issued by the Board of Directors. The President is also responsible for ensuring that the company's bookkeeping and asset management is conducted in a satisfactory manner. Written instructions, establishing the distribution of responsibility between the Board of Directors and the President, is drawn up every year by the Board of Directors.

President: Anitra Steen

Born: 13th May 1949

Anitra Steen has been the President of Systembolaget AB since 1999. She was formerly an Under-secretary of State at the Ministries of Education and Finance, the Director General of the National Agency for Services to Universities and University Colleges, and of the Swedish Tax Agency.

Positions currently held: Member of the Boards of SAS, the Swedish Trade Federation, Södersjukhuset AB, and Kungsträdgården Park & Evenemang.

Education: B.Sc. in behavioural and social scientific studies from the University of Uppsala.

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

Management and steering structure

Systembolaget's company management comprises, in addition to the President, seven persons appointed by the President in consultation with the Board of Directors (see the management structure model on page 56). The management group meets regularly and its work is headed by the President who, in consultation with the Board, takes company-wide decisions in relation to the operating activities.

Systembolaget has elected to steer its operations with the aid of key performance issues, using a so-called balanced scorecard model. The strategic plan is broken down into subsidiary activities, in order to establish a link between the strategic plan and the operating plan. Action plans are drawn up for each year for all activities. These action plans include, in addition to a description of the activity, a project plan detailing estimated time expenditure and cost. The projects and activities detailed in the annual operating plan have been prioritised in order to ensure that things are done in the correct order. The projects and activities prioritised during the past year have included a new website with an ordering service, the role of store managers and sales personnel, the development of the larger stores, central agent management, and the implementation of the new check-out system solution.

The Board of Directors, which is ultimately responsible for the management of the company, shall produce the reference material for the company management's decision-making activities in the form of a strategic plan, an operating plan, and a budget, etc. The Board also draws up a number of company-wide policy documents based on,

amongst other things, applicable legislation, regulations, and ownership directives.

The President and company management shall, on the basis of the Board's framework documents as described above, produce source data for other managers within Systembolaget, by specifying frameworks for the operating activities in the form of action plans, policy and project documentation, and other internal regulations.

Principles for remuneration to the company management

Systembolaget follows the Government's guidelines regarding remuneration principles and terms of employment for the President and other members of the company's senior management. Systembolaget also complies with Code regulation 9 concerning remuneration to senior executives, which stipulates that the company shall have formalised and published processes for deciding on the remuneration payable to senior executives. The remuneration paid to Systembolaget's President and other members of the company management comprises a basic salary, other benefits, and a pension. No variable or bonus-based remuneration is payable, nor is any remuneration paid in the form of financial instruments. For detailed information, see Note 7* on pages 93–96 of the Annual Accounts.

The Board has decided that the existing remuneration principles can be left unchanged ahead of the 2009 Annual General Meeting, as they are in accordance with the new guidelines.

Assessment of the President

The Board shall, under the provisions of the Code, carry out continuous assessments of the President's performance. This issue shall be discussed at a meeting at which no member of the company management is present, at least once every year. On 17th July 2008, the performance of the President was assessed by the Board of Directors at a Board Meeting.

Internal control

Internal control is usually defined as a process, effected by an entity's board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories (according to COSO**):

- Effectiveness and efficiency of operations.
- Reliability of financial reporting.
- Compliance with applicable laws and regulations.

Systembolaget has formalised processes for both internal and external reporting in order to achieve and maintain a high standard of internal control, with the aim, thereby, of enabling optimum monitoring of the operations. Manuals and routine descriptions in connection with all significant in-store routines have been produced in order to quality assure the stores' administration. Compliance with these instructions is monitored by an internal control group through visits to the stores, where a detailed monitoring programme is carried out. All of Systembolaget's stores have been visited in 2008. The results of the visits are presented in a quality report that highlights any deviations that require rectification. The quality report is sent to the respective Regional Managers on a quarterly basis and the results are also presented to the Board of Directors.

Based on a risk analysis

The Board decided, in 2006, to establish an internal audit function. The work on establishing the function began with a fundamental risk evaluation/risk analysis. The risk analysis was based on guidelines adopted by COSO and employed a broad definition of "risk", that reads as follows: "An event, or activity, that prevents the organization from achieving its goals". The risk analysis was adopted in February 2007 (see description of risks on pages 73–74) and forms the basis for the internal audit work. A review of this risk analysis was carried out in 2008 by the management group and the Audit Committee. The review concluded that this procedure is still relevant and will, therefore, remain unchanged until further notice.

* The reference is only relevant to the unabridged Swedish version.

** Definition according to The Committee of Sponsoring Organization of the Treadway Commission (COSO).

The work of the internal audit unit

The Board of Directors and the senior management monitor compliance with steering documents, process descriptions and guidelines, and the efficiency of the control structures. Follow-up work is carried out both by an externally procured internal audit function, which reports directly to the Board, and by the internal unit for internal control.

The internal audit function began its work in 2007 and an audit programme, based on the risk analysis, was approved by the Board. The audits during the year have focused on the risks adjudged to be most critical – Compliance (with rules and guidelines) and IT availability. No significant deficiencies have been identified. The results of the audit have been reported to the company management and Board and the observations made have been evaluated. Measures have been implemented or are planned where deemed necessary.

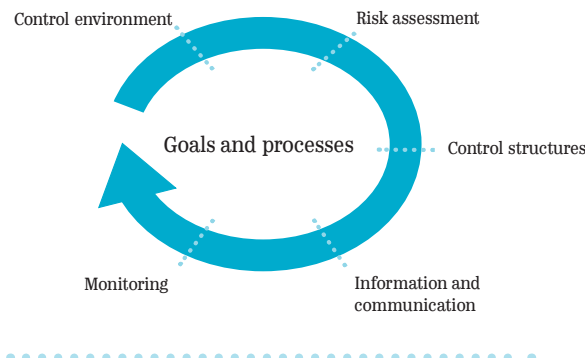
Auditors

The auditor shall, under the provisions of the Swedish Companies Act, audit Systembolaget's annual accounts and bookkeeping, and the administration by the Board of Directors and the President. The auditor is engaged by and reports to the General Meeting and may not allow him- or herself to be guided by the company management or the Board. At the 2008 Annual General Meeting, Ernst & Young were appointed as the new auditors for Systembolaget, with Torsten Lyth as the auditor in charge. On 6th March 2008, the Swedish National Audit Office appointed Filip Cassel as Systembolaget's Authorised Public Accountant, with Authorised Public Accountant Lars Nordstrand as his deputy, for the period up to and including the 2012 Annual General Meeting.

A separate agreement at the 2008 Annual General Meeting approved the payment of auditors' fees for the auditors. For additional information, please see Note 6* of the Annual Accounts.

Deviations from the Swedish Code of Corporate Governance

Systembolaget has deviated from Code regulation



1.1 with regard to the point in time when details of the time and location of the Annual General Meeting shall be published on the company's website together with information on shareholders' right of initiation. The aim of these regulations is to give the shareholders plenty of time to prepare for the Annual General Meeting and to have issues included in the notice convening the Annual General Meeting. There is no reason, in state-owned companies, to observe the Code regulation in question.

Systembolaget has also deviated from Code regulation 1.3 with regard to the requirement for the presence of the Board of Directors at the Extraordinary General Meeting held on 24th November 2008, which means that the Board was not quorate. The rule is designed to enable the Board to conduct a harm assessment with regard to information requested by shareholders.

Systembolaget has also deviated from Code regulations 2, 4.4, 8.1 and 10.1, which is in accordance with the State's ownership policy. The ownership policy details the Government's motivation for the deviations.

Description of the internal control of financial reporting

This section of the Corporate Governance Report has been prepared in accordance with section 10.5 of the Swedish Code of Corporate Governance and with FAR SRS** and the guidance issued by the Confederation of Swedish Enterprise with regard to "The Board of Directors' Report on Internal Control of Financial Reporting".

Systembolaget has formalised processes for its financial reporting and for follow-up work. This is

* The reference is only relevant to the unabridged Swedish version.

** Trade organisation for auditors and financial advisors.

Annual Report



Directors' Report

The Board of Directors and the President of Systembolaget AB, corporate ID no. 556059-9473, hereby present the Annual Accounts and the Consolidated Accounts for the 2008 financial year.

Operations

Systembolaget AB is a state-owned limited company that conducts retail sales of spirituous drinks, wines and strong beer to the general public in Sweden. Systembolaget's mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health. The retail monopoly's most important role is to limit the availability of alcohol by controlling the store network and opening hours. Another important function is to ensure that sales are not increased by the profit motive, and thereby to reduce alcohol consumption and alcohol-related problems. The operations are conducted via 411 stores in 288 of Sweden's 290 local authorities. There are also, in addition to the stores, 511 agents located throughout Sweden and from whom customers can order goods for collection.

The Group's operations are conducted by Systembolaget AB and the wholly owned subsidiary companies, Lagena Distribution AB, IQ-Initiativet AB and AB K14 Näckströmsgatan. Lagena Distribution AB transports alcoholic beverages nationwide. IQ-initiativet AB (IQ) works to provide information and mould public opinion with the aim of preventing and reducing alcohol-related harm and injuries. AB K 14 Näckströmsgatan manages our operational real estate. The former subsidiary company, Systembolaget Fastigheter AB, which owned 102 retail outlet premises, was sold on 31st March 2008.

Systembolaget AB is 100% owned by the Swedish state. There are a total of 360,000 shares in the company.

Significant events during the financial year

Age verification checks, which are intended to prevent access to alcohol by young people under the age of 20. Proof of age was requested in 90 per cent of control purchases

made in 2008, which is on a par with the target level. The figure represents an improvement of five percentage points over the figure for 2007, when a new method of conducting control purchases was introduced. The improved figure is the result of a long-term and successful programme of work designed to ensure that people under the age of 20 cannot buy alcohol.

Public support for Systembolaget and the retail monopoly has never been as strong as in 2008. The Opinion Index, which is measured every month, has increased from 49 per cent in 2001 to 64 per cent in 2008. Systembolaget's social mandate is the most important reason for Swedes' desire to retain Systembolaget.

Systembolaget Fastigheter AB, with its 102 retail outlet properties, was sold to Nordisk Areal I AS on 31st March 2008. The Group's capital gain on the sale totalled SEK 573 million. The stores continued to be tenants of the properties after the sale was completed. An extraordinary dividend of SEK 573 million was approved at an Extraordinary General Meeting held on 24th November 2008.

A new checkout system has been developed and installation in stores began during the year. The installation process is scheduled for completion during 2009.

A new agent solution has been developed and was implemented during the year. Under the new solution, customers who buy from our agents can now choose from our entire product range.

A ruling has been handed down during the year in the arbitration proceedings between V&S Vin och Sprit AB and Systembolaget. Systembolaget has appealed the ruling to the Svea Supreme Court. All costs attributable to the arbitration ruling have been charged to the profit for 2008.

Sales

Systembolaget sold 417.3 million litres (404.8 m) of drinks in 2008, corresponding to an increase of 3.1 per cent in comparison with 2007. Measured in terms of pure alcohol, sales increased by 2.7 per cent. The increase in vol-

ume is primarily attributable to the wine and beer product groups, where sales increased by 4.4 per cent and 2.5 per cent, respectively. Spirit sales fell by 1.0 per cent. Net sales totalled SEK 21,296 million (SEK 20,211 m) in 2008, corresponding to an increase of 5.4 per cent.

Households' increased purchasing power is one important reason for the continued increase in Systembolaget's sales. The Swedish krona has also weakened, making it more expensive to travel abroad and buy alcohol there. According to SoRAD's calculations, a total of 9.5 litres pure alcohol per person aged 15 and over were consumed in 2008, corresponding to a fall of 3 per cent in comparison with 2007 (9.8 litres). SoRAD's calculations show that the areas where the main falls occurred were in smuggling and private imports by travellers.

Result

The operating profit for 2008 totalled SEK 135 million (SEK 310 m), representing a fall of SEK 175 million. The gross profit increased by 5.1 per cent to SEK 2,699 million (SEK 2,567 m). Selling costs, which primarily comprise staff overheads for in-store personnel, increased to SEK 2,146 million (SEK 1,999 m), due to the increase in sales volumes. The increase in costs was limited by the improvement in in-store efficiency, measured in terms of work productivity, to 798 work units per day's work in 2008, in comparison with 775 in 2007. Administration costs increased to SEK 421 million (SEK 347 m) due to increased staff overheads, the fact that several large-scale projects have been conducted in parallel in 2008, to provisions made for rental disputes, and to the outcome of the arbitration proceedings in respect of V&S Vin & Sprit AB. The operating profit was also affected by the negative result posted by Lagena Distribution AB during the

year and by the fact that Systembolaget Fastigheter AB was sold on 31st March 2008 and subsequently generated no operating profit for the Group. The profit on the sale is reported under net financial items. The operating margin fell to 0.6 per cent (1.5%).

The profit before tax totalled SEK 833 million (SEK 366 m), with the improvement in the profit due, in every significant respect, to the sale of Systembolaget Fastigheter AB, which was sold on 31st March 2008. The capital gain on the sale totalled SEK 573 million. Net financial items, excluding real estate sales, have improved to SEK 125 million (SEK 56 m), primarily as a result of increased interest rates and a larger investment portfolio resulting from the settlements from real estate sales.

Cash flow

The cash flow from operating activities totalled SEK 640 million (SEK 706 m). The cash flow from investment activities totalled –SEK 10 million (–SEK 426 m) and was affected primarily by the sale of Systembolaget Fastigheter AB which yielded SEK 598 million, but also by the Group's gross investments, which totalled SEK 609 million (SEK 460 m). Gross investments principally comprise the rebuilding and establishment of stores and net investments in financial assets. The cash flow from financing activities totalled –SEK 868 million (–SEK 210 m) and refers, in its entirety, to dividends paid.

Financial position

Shareholders' equity totalled SEK 2,069 million on 31st December 2008, which is SEK 94 million less than on 31st December 2007. The change corresponds to the profit for the period, less the dividend paid to the owner. The equity/assets ratio was 38.1 per cent and the owner's

The operations in relation to the owner's directive and financial requirements of the operations

Per cent	2008	2007	2006	2005	2004	2003
Return on shareholders' equity	36.6	13.9	20.6	17.7	11.5	10.0
Level in owner's directive	7.9	8.2	7.7	7.4	8.4	8.6
Equity/assets ratio (the Group)	38	39	40	38	40	33
Level in owner's directive	35	30	30	30	30	30
Proposed dividend as a percentage of the Group's profit after tax	100*	100	50	100	51	144*
Minimum level in the owner's directive	50	50	50	50	50	50

* Includes dividend approved by the Extraordinary General Meeting.

target equity/assets figure is 35 per cent. The return on shareholders' equity over the past twelve month period totalled 36.6 per cent, including the capital gain on real estate sales. The return on shareholders' equity, excluding the capital gain on real estate sales, totalled 11.0 per cent. The ownership directive states that the long-term profit shall correspond to a return on shareholders' equity that is 4 percentage points above the 10-year government bond rate. For 2008, this corresponds to a return of 7.9 per cent. Systembolaget does not, as a company, attempt to maximise its profits. If the long-term return exceeds the owner's requirement, it shall benefit the customers in the form of a reduced trading margin.

Financial risks

The Group's operations are exposed, to a limited extent, to financial risks such as interest, credit and liquidity risks. Systembolaget is self-financing, thanks to a high rate of stock turnover that matches purchasing and payment terms. The Group has no interest-bearing liabilities. Systembolaget's sales are made for payments in cash or by credit card and Systembolaget hence has no significant accounts receivable. Systembolaget's product purchases are made in Swedish kronor and the drinks suppliers are responsible for the import of alcoholic drinks and reporting alcohol tax. The company has no currency exposure and its exposure to exchange rate and currency risks is low. The financial risk management is steered by Systembolaget's financial policy. Information on the Group's management of financial risks is provided in Note 16*.

Significant risks and uncertainty factors

Risks and uncertainty factors are assessed continuously. The risk analysis work is based on the definition of a risk as an event or activity that prevents Systembolaget from achieving its goals. Identified risks are divided into the following categories: "External risks" – risks that arise externally and over which Systembolaget has no control but to which it must adapt its behaviour to the best of its ability; "Process risks" – risks that arise within Systembolaget's own operations; and "Risks in information for decision makers". The 30 most significant risks have been identified and eleven of which have been prior-

itised as critical risks. The latter are referred to as key risks. Two of the key risks are external risks and nine of them are process risks.

The two external risks refer to:

Legislation and regulations – the risk that applicable legislation and regulations will change in a manner deleterious to Systembolaget. The risk involves either an abolition of the monopoly or changes to the preconditions under which Systembolaget operates and which would mean that Systembolaget can no longer manage its social mandate in the same way as at present.

Political – the risk that political decisions will reduce Systembolaget's ability to manage its mandate. The risk refers primarily to the level of taxes on alcohol in different EU member states. Lower alcohol taxes in neighbouring countries make it harder for Systembolaget to manage its mandate to protect public health and maintain control over sales.

The nine process risks are:

Compliance – the risk that employees will fail to comply with prescribed regulations and guidelines. The biggest risk element would entail Systembolaget, in the event of a failure to comply with internal regulations and guidelines, e.g. by purchasing and/or sales affecting the range in individual stores, being in breach of the brand neutrality that is part of the social mandate.

IT availability – the risk that an interruption to service will bring the operations to a halt, either partially or completely. Systembolaget has previously experienced an interruption to services within the system and believes it likely that this will be repeated.

Personnel, retention – the risk that Systembolaget is unable to retain competent employees. The risk includes difficulties in retaining skilled and competent employees in the stores if they do not find their jobs to be sufficiently developing for them as individuals, and the difficulties that arise when key individuals within the organisation leave the company.

* The reference is only relevant to the unabridged Swedish version.

Reputation – the risk that a deterioration in Systembolaget's reputation with the general public may make it extremely difficult to continue with the operations in their current form. The biggest threat posed is a negative impact on Systembolaget's reputation resulting from a failure to manage our social mandate, e.g. by failing to implement age verification in conjunction with the purchase of alcohol in stores, by failing to provide information on the risks associated with alcohol, or by failing to maintain our brand neutrality.

Customer satisfaction – the risk that Systembolaget fails to live up to customers' expectations, which could have a negative impact on public perception of the company.

Knowledge capital – the risk that Systembolaget fails to take advantage of and/or manage the knowledge within the organisation and becomes dependent on a number of key individuals.

External communication – the risk that our external communication fails to function as intended.

Personnel, recruitment – the risk that Systembolaget fails to recruit personnel with the right know-how, skills and experience.

Leadership – the risk that employees are not offered optimum leadership and support.

The risk analysis indicates that Systembolaget's potential for influencing the majority of the process risks is good.

The Board's proposed principles regarding terms of employment for senior executives

At an Extraordinary General Meeting held on 24th November 2008, it was resolved that Systembolaget should continue to follow the guidelines for remuneration principles and terms of employment for persons in company management positions, as laid down by the Government on 3rd July 2008. Systembolaget also complies with Code rule 9 concerning remuneration to senior executives, which states that the company shall have formalised

and published processes for decisions on remuneration to senior executives. The remuneration comprises a basic salary, other benefits and a pension. Neither variable nor bonus-based remuneration, nor remuneration in the form of financial instruments, is payable. Systembolaget's Board of Directors will propose to the Annual General Meeting that these principles remain unchanged. The principles are presented in Note 7*.

Personnel

The total absence due to sickness within Systembolaget AB fell from 6.1 per cent in 2007 to 5.9 per cent in 2008. A new process for managing rehabilitation and absence due to sickness has been developed. A new alcohol and drugs policy was also adopted in 2008. It is designed to give our employees an insight into the fact that we operate in a potentially risky workplace and to give managers and employees the knowledge required to interpret signs of alcohol and drug abuse.

Staff turnover during the year remained largely unchanged in comparison with 2007. The biggest turnover occurs amongst sales personnel with a low number of hours worked per week.

Systembolaget is working to establish a more even gender breakdown at all levels. The percentage of female store managers increased to 48 per cent in 2008 and the goal is for 50 per cent of store managers to be female by the end of 2009.

Systembolaget has continued in its programme of providing all new employees with information on ethics/corruption, and all Systembolaget managers have held ethics dialogues during the course of the year. A total of 48 separate dialogues were conducted.

Other sustainability issues

Systembolaget carried out a risk analysis in 2008, in which we identified and prioritised sustainability risks. The risk analysis was restricted to our primary process – the purchase and sale of drinks. We have developed an overall platform for Systembolaget's long-term social responsibility, based on the results of the risk analysis and focusing on our work with social and environmental issues. We have chosen the UN Global Compact initiative's

* The reference is only relevant to the unabridged Swedish version.

four areas as the framework for our work. These areas are based on ten principles in the fields of human rights, labour conditions, the environment, and corruption. The platform formulates why Systembolaget should work with CSR, what the goals of our CSR work are, and how we shall carry out the work. One of the focus areas for Systembolaget's CSR work over the next five years is our efforts to ensure that the alcoholic drinks we sell in our stores are produced under responsible conditions that are both human- and eco-friendly. Information on the Group's sustainability reporting is presented in the GRI report on pages 99-103.

Our work in the environmental sphere has primarily been conducted with our focus areas, namely organic products, building materials, energy consumption, transport, and waste material handling.

Significant events after the closing day

Magdalena Gerger has been appointed as the new President of Systembolaget AB. Magdalena Gerger will take over her new position in May 2009.

Future outlook and expectations

The uncertain economic climate and uncertainty regarding levels of private consumption and the trend in alcohol consumption in Sweden make it difficult to forecast sales volumes and income. Sales are expected to remain unchanged or to fall slightly in 2009. Major investments will continue to be made in the years ahead: Systembolaget's web services will, for example, continue to be developed. Overall, the company believes that it will meet the owner's returns requirement in the coming financial year.

The Parent Company

The Parent Company's net sales increased over the past year by 5.4 per cent in comparison with last year, totalling SEK 21,296 million (SEK 20,211 m). The Parent Company's operating profit totalled SEK 9 million (SEK 83 m) and the profit before tax was SEK 723 million (SEK 333 m). The Parent Company's gross investments totalled SEK 495 million (SEK 320 m).

Appropriation of profits

See page 92 for the proposed appropriation of profits.

Consolidated ten-year overview

	2008	2007	2006	2005	2004*	2003**	2002**	2001**	2000**	1999**
Profit/loss (SEK m)										
Income	21,296	20,211	19,039	18,083	17,708	18,985	19,132	18,241	17,368	16,625
Gross profit/loss	2,699	2,567	2,525	2,461	2,371	2,499	2,562	2,414	2,321	2,143
Operating profit/loss	135	310	559	477	197	172	165	159	165	451
Net financial items	698	56	43	36	43	29	37	38	32	19
Profit before tax	833	366	602	513	240	202	202	197	196	470
Net profit/loss for the year	774	295	419	330	178	138	142	133	108	338
Balance Sheet (SEK m)										
Fixed assets	2,997	2,720	2,605	1,943	2,101	1,502	1,345	1,360	1,270	1,210
Current assets	2,440	2,830	2,627	3,235	2,246	2,615	3,359	2,435	2,944	2,932
Shareholders' equity	2,069	2,163	2,071	1,989	1,749	1,348	1,409	1,348	1,294	1,395
Liabilities	3,368	3,387	3,161	3,196	2,598	2,768	3,295	2,447	2,920	2,747
Balance Sheet total	5,437	5,550	5,232	5,185	4,347	4,116	4,704	3,795	4,214	4,142
Cash Flow Statement (SEK m)										
Cash flow from operating activities	640	706	363	1,039	198	170	1,508	211	501	791
Cash flow from investment activities	-10	-426	-637	-318	-190	-342	-174	-267	-361	-165
Cash flow from financial activities	-868	-210	-330	-90	-80	-302	-216	-802	-50	-122
Cash flow for the year	-238	70	-604	631	-72	-474	1,119	-858	90	504
Key performance indicators										
Trading margin, incl. alcohol tax, %	12.7	12.7	13.3	13.7	13.4	13.2	13.2	13.2	13.4	12.9
Trading margin, excl. alcohol tax, %	22.6	23.1	24.3	25.5	25.2	25.1	25.5	26.7	27.7	27.1
Operating margin, %	0.6	1.5	2.9	2.6	1.1	0.9	0.9	0.9	1.0	2.7
Return on shareholders' equity, %	36.6	13.9	20.6	17.7	11.5	10.0	10.3	10.1	8.0	48.4
Return on capital employed, %	42.2	19.7	31.9	29.7	15.6	15.3	15.1	15.5	17.0	70.8
Equity/assets ratio, %	38.1	39.0	39.6	38.4	40.2	32.7	30.0	35.5	30.7	33.7
Earnings per share before and after dilution, SEK	2,151	821	1,164	917	494	384	393	370	300	938
Equity per share, SEK	5,747	6,008	5,753	5,525	4,858	3,744	3,915	3,743	3,595	3,875
Cash flow per share, SEK	1,778	1,961	1,008	2,886	550	472	4,189	585	1,392	2,198
Dividend per share, SEK ***	2,151	821	583	917	250	556	222	222	222	139
Work productivity	798	775	766	743	708	701	662	659	619	644
Rate of stock turnover, multiple	23.2	22.3	21.3	20.5	19.9	21.9	24.7	27.6	26.8	26.9
Product wastage, SEK m	22.8	19.2	16.0	18.4	18.2	22.0	21.3	11.6	5.7	5.7
Wastage, ‰	1.28	1.25	1.13	1.40	1.05	1.15	1.16	0.68	0.33	0.34
Age verification checks, %	90	85	88	89	84	83	79	81	81	80
Average no. employees	3,232	3,049	3,026	2,960	3,127	3,334	3,350	3,403	3,440	3,246

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

** Not according to IFRS.

***2008 dividend per share, as proposed by the Board of Directors.

Consolidated Income Statement

SEK m	2008	2007
Income	21,296	20,211
Cost of goods sold	-18,597	-17,644
Gross profit/loss	2,699	2,567
Other income	345	370
Selling expenses	-2,146	-1,999
Administrative expenses	-421	-347
Other expenses	-342	-281
Operating profit/loss	135	310
Financial income	758	107
Financial expenses	-60	-51
Profit/loss before tax	833	366
Tax	-59	-71
Net profit/loss for the year	774	295
There are no minority interests, and hence 100% of the net profit/loss accrues to the Parent Company's shareholders.		
Earnings per share before and after dilution, SEK*	2,151	821
No. shares at the period end	360,000	360,000
Average no. shares during the period	360,000	360,000
Total proposed dividend, SEK m	201	295
Proposed dividend per share, SEK	559	821
Dividend approved and disbursed during the year, SEK m	573	–

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

Income Statement

Income increased by SEK 1,085 million in 2008 to SEK 21,296 million. The increase in net sales is due to the increase of 3.1 per cent in sales volumes, primarily within the wine and strong beer product groups, where sales increased by 4.4 per cent and 2.5 per cent, respectively. One of the main reasons for the increase in sales was the increase in household's purchasing power. The Swedish krona has weakened, making it more expensive to buy alcohol abroad. But the increase in Systembolaget's sales notwithstanding, the consensus to emerge from SoRAD's research is that alcohol consumption in Sweden has fallen slightly. The operating profit fell during the year by SEK 175 million to SEK 135 million.

The trading margin for the year totalled 12.7 per cent (12.7%), including alcohol tax. Selling expenses increased by SEK 147 million, primarily due to the higher sales volumes, increased costs and depreciation for the new checkout and agent systems made operational in 2008, and to the rebuilding of over-the-counter stores as self-service outlets. Administrative expenses have increased by SEK 74 million, primarily due to increased costs in connection with IT-related projects, provision made for a rental dispute, and the result of the arbitration proceedings in relation to V&S Vin & Sprit AB.

Consolidated Balance Sheet

SEK m	31-12-08	31-12-07
ASSETS		
Fixed assets		
Buildings and land	186	195
Equipment, fixtures and fittings	728	585
Construction work in progress	199	169
Intangible assets	108	102
Pension assets	754	621
Deferred tax receivables	8	9
Other long-term securities holdings	1,008	1,032
Other long-term receivables	6	7
Total fixed assets	2,997	2,720
Current assets		
Stock-in-trade	787	783
Accounts receivable and accrued income	55	65
Prepaid costs	49	77
Tax receivables	28	–
Other receivables	19	1
Short-term investments	334	167
Liquid assets	1,167	1,405
Total current assets	2,439	2,498
Disposal group intended for sale	1	332
TOTAL ASSETS	5,437	5,550

Fixed assets

The value of equipment, fixtures and fittings and of installations and construction work in progress increased collectively by SEK 173 million. The increase was principally due to the rebuilding of stores as self-service outlets.

Current assets

Stock-in-trade totalled SEK 787 million, which corresponded to ca. 32 per cent of current assets. Short-term investments and liquid assets collectively fell in value by SEK 71 million.

SEK m	31-12-08	31-12-07
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Share capital	360	360
Profits brought/carried forward	935	1 508
Net profit/loss for the year	774	295
Total shareholders' equity	2,069	2 163
Provisions		
Short-term provisions	9	11
Total provisions	9	11
Long-term liabilities		
Deferred tax liabilities	198	177
Total long-term liabilities	198	177
Current liabilities		
Accounts payable and accrued costs	3,022	2 960
Prepaid income	–	7
Tax liabilities	–	1
Other liabilities	139	195
Total current liabilities	3,161	3,163
Total liabilities	3,368	3,351
Liabilities linked to disposal group intended for sale	0	36
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	5,437	5 550
Pledged assets and contingent liabilities		
Pledged assets	–	–
Contingent liabilities	3	12

Shareholders' equity

The consolidated shareholders' equity fell by SEK 94 million and the change comprises the net of the dividend of SEK 868 million paid to the owners and the net profit for the year of SEK 774 million. The equity/assets ratio was 38.1 per cent (39.0%), which exceeds the requirement stipulated in the owner's directive of 35.0 per cent. The return on shareholders' equity totalled 36.6 per cent, including the profit on the sale of Systembolaget Fastigheter AB, excluding the

real estate sale, totalled 11.0 per cent (13.9%), which exceeds the requirement stipulated in the owner's directive of 7.9 per cent.

Liabilities

Accounts payable and accrued costs increased by SEK 62 million, corresponding to 90 per cent of the Group's total liabilities.

Change in shareholders' equity, the Group

SEK m	Share capital	Reserves	Profit carried forward	Total equity
Opening shareholders' equity, 1st January 2007	360	-7	1,718	2,071
Change in financial assets that can be sold	-	7	-	7
Total items booked directly to shareholders' equity	-	-	-	7
Net profit/loss for the year, 2007			295	295
Total income and expenses during the year	-	-	295	302
Dividend			-210	-210
Total transactions with owners			-210	-210
Closing shareholders' equity, 31st December 2007	360	-	1,803	2,163
Net profit/loss for the year, 2008			774	774
Total income and expenses during the year	-	-	774	774
Dividend*			-868	-868
Total transactions with owners			-868	-868
Closing shareholders' equity, 31st December 2008	360	-	1,709	2,069

* The dividend in 2008 comprises the ordinary dividend on the net profit/loss for 2007, totalling SEK 295 million, and the dividend approved at an Extraordinary General Meeting resulting from the sale of Systembolaget Fastigheter AB and totalling SEK 573 million.

Consolidated Cash Flow Statement

SEK m	2008	2007
Operating activities		
Profit/loss before tax	833	366
Adjustments for items not included in the cash flow		
Depreciation and write-downs	226	193
Capital gain/loss	-565	-10
Other	-73	-93
Cash flow from changes in operating capital		
Change in stock-in-trade	-4	62
Change in receivables	17	23
Change in liabilities	276	283
Cash flow from operating activities after changes in operating capital	710	824
Tax paid	-70	-118
Cash flow from operating activities	640	706
Investment activities		
Sale of subsidiary company	598	–
Acquisition of tangible fixed assets	-363	-261
Sale of tangible fixed assets	1	34
Acquisition of intangible assets	-42	-55
Acquisition/sale of financial assets	-104	-29
Acquisition of pension assets	-100	-115
Cash flow from investment activities	-10	-426
Financial activities		
Dividend	-868	-210
Cash flow from financial activities	-868	-210
Cash flow for the year	-238	70
Liquid assets at the beginning of the year	1,405	1,335
Liquid assets at the end of the year	1,167	1,405

Cash flow from operating activities

The cash flow from operating activities fell by SEK 66 million to SEK 640 million. The change is primarily due to the profit/loss for the year before tax being lower than in the previous year and to less tax being paid in 2008.

Cash flow from investment activities

The cash flow from investment activities totalled SEK –10 million, corresponding to a fall of SEK 416 million from 2007. The change is primarily due to the sale of Systembolaget Fastigheter AB. The purchase price totalled SEK 598 million and was paid in its entirety in the form of liquid assets. The sale included tangible fixed assets with a value of SEK 275 million, operating receivables totalling SEK 52 million, and operating liabilities totalling SEK 327 million. Investments in tangible fixed assets, which refer primarily to the rebuilding of stores from over-the-counter outlets to self-service ones, have increased during the year. Net investments in financial assets – the net of the acquisition and sale of securities – were greater in 2008 than in 2007.

Cash flow from financial activities

The cash flow from financial activities refers in its entirety to the dividend. SEK 295 million of this sum comprises the profit dividend for 2007 approved by the Annual General Meeting and which was disbursed on 31st March 2008, while SEK 573 million comprises an extra dividend occasioned by the sale of Systembolaget Fastigheter AB, which was approved by an Extraordinary General Meeting held on 24th November 2008 and which was disbursed on 1st December 2008.

Income Statement, Parent Company

SEK m	2008	2007
Net sales	21,296	20,211
Cost of goods sold	-18,597	-17,644
Gross profit/loss	2,699	2,567
Selling expenses	-2,244	-2,123
Administrative expenses	-439	-370
Other operating income	2	9
Other operating expenses	-9	0
Operating profit/loss	9	83
Income from participations in Group companies	600	204
Income from other securities and receivable that are fixed assets	95	18
Interest income	11	15
Interest income from Group companies	10	14
Interest expenses	-2	-1
Interest expenses to Group companies	0	0
Profit/loss after financial items	723	333
Tax	-36	-38
Net profit/loss for the year	687	295

Balance Sheet, Parent Company

SEK m	31-12-08	31-12-07
ASSETS		
Fixed assets		
Intangible fixed assets		
Capitalised expenses	101	96
Total intangible fixed assets	101	96
Tangible fixed assets		
Buildings and land	37	39
Equipment, fixtures & fittings	704	567
Construction work in progress	199	154
Total tangible fixed assets	940	760
Financial fixed assets		
Participations in Group companies	15	15
Receivables from Group companies	113	408
Deferred tax receivables	24	25
Other long-term securities holdings	1,008	1,032
Other long-term receivables	12	14
Total financial fixed assets	1,172	1,494
Total fixed assets	2,213	2,350

SEK m	31-12-08	31-12-07
Current assets		
Stock-in-trade	786	783
Receivables		
Accounts receivable	7	24
Receivables from Group companies	7	2
Tax receivables	39	–
Other receivables	10	3
Prepaid costs and accrued income	48	74
Total receivables	111	103
Short-term investments	334	167
Cash and bank balances	1,167	1,405
Total current assets	2,398	2,458
TOTAL ASSETS	4,611	4,808

SEK m	31-12-08	31-12-07
SHAREHOLDERS' EQUITY & LIABILITIES		
Shareholders' equity		
Restricted equity		
Share, capital	360	360
Statutory reserve	72	72
Total restricted equity	432	432
Non-restricted equity		
Profit/loss carried forward	267	854
Net profit/loss for the year	687	295
Total non-restricted equity	954	1,149
Total shareholders' equity	1,386	1,581
Provisions		
Long-term provisions	72	74
Short-term provisions	9	10
Total provisions	81	84
Long-term liabilities		
Long-term liabilities to Group companies	–	17
Deferred tax liabilities	18	18
Total long-term liabilities	18	35
Current liabilities		
Accounts payable	2,809	2,749
Current liabilities to Group companies	21	3
Tax liabilities	–	0
Other liabilities	126	190
Accrued costs and prepaid income	170	166
Total current liabilities	3,126	3,108
TOTAL SHAREHOLDERS' EQUITY & LIABILITIES	4,611	4,808
MEMORANDUM ITEMS		
Pledged assets and contingent liabilities		
Pledged assets	6	8
Contingent liabilities	11	18

Change in shareholders' equity, Parent Company

SEK m	Share capital	Statutory reserve	Fair value fund	Profit carried forward	Net profit/loss for the year	Total equity
Opening equity, 1st January 2007	360	72	-7	805	259	1,489
Change in financial assets that can be sold			7			7
Transfer to non-restricted reserves				259	-259	–
Net profit/loss for the year, 2007					295	295
Total income and expenses during the year	–	–	7	259	36	302
Dividend				-210		-210
Closing equity, 31st December 2007	360	72	–	854	295	1,581
Transfer to non-restricted reserves				295	-295	–
Net profit/loss for the year, 2008					687	687
Total income and expenses during the year	–	–	–	295	-295	687
Dividend*				-868		-868
Group contribution				-20		-20
Fiscal effect of Group contribution				6		6
Closing equity on 31st December 2008	360	72	–	267	687	1,386

* The dividend in 2008 comprises the ordinary dividend on the net profit/loss for 2007, totalling SEK 295 million, and the dividend approved at an Extraordinary General Meeting resulting from the sale of Systembolaget Fastigheter AB and totalling SEK 573 million.

Cash Flow Statement, Parent Company

SEK m	2008	2007
Operating activities		
Profit/loss after financial items	723	333
Adjustments for items not included in the cash flow		
Depreciation and write-downs	197	168
Capital gain/loss	-590	5
Other	-39	-25
Cash flow from changes in operating capital		
Change in stock-in-trade	-4	62
Change in receivables	34	68
Change in liabilities	-4	213
Cash flow from operating activities after changes in operating capital	317	824
Tax paid	-69	-45
Cash flow from operating activities	248	779
Investment activities		
Acquisition of tangible fixed assets	-353	-238
Sale of tangible fixed assets	1	2
Acquisition of intangible fixed assets	-38	-53
Acquisition/sale of financial assets	-104	-29
Sale of subsidiary company	598	-
Change in financial receivables from subsidiaries	278	-183
Cash flow from investment activities	382	-501
Financial activities		
Dividend	-868	-210
Cash flow from financial activities	-868	-210
Cash flow for the year	-238	68
Liquid assets at the beginning of the year	1,405	1,337
Liquid assets at the end of the year	1,167	1,405

Supplementary Information

Accounting principles

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

General

The consolidated accounts comprise the Parent Company, Systembolaget AB, the wholly owned subsidiaries, Lagen Distribution AB and IQ-Initiativet AB, and the subsidiary group, AB K14 Näckströmsgatan. The Systembolaget Fastigheter AB subsidiary company was sold on 31st March 2008. The companies are referred to throughout as the Group or Systembolaget. The annual accounts comprise the Parent Company.

The Parent Company, Systembolaget AB, is a wholly government owned company whose registered offices are in Stockholm and which is registered in Sweden. The address of the head office is Kungsträdgårdsgatan 14, SE-103 84 Stockholm, Sweden.

The consolidated and annual accounts for the 2008 financial year were approved for publication by the Board of Directors and the President on 17th February 2009 and will be submitted to the Annual General Meeting on 2nd April 2009.

Bases for preparation

Amounts

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

Date

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

Consolidated accounts

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

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

Annual Accounts

The annual accounts have been prepared in accordance with the Swedish Annual Accounts Act and recommendation RFR 2.1 issued by the Swedish Financial Reporting Board. RFR 2.1 entails the application by Systembolaget AB of all standards and statements issued

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

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

Future standards, addenda and interpretations

The following standard and addendum will affect Systembolaget:

- Amendment to IAS 1 Presentation of Financial Statements – the amendment means that items previously reported under shareholders' equity but which do not constitute transactions with shareholders, shall be presented in an augmented income statement or separate report.

The following interpretations will probably not affect Systembolaget:

- IFRS 8 Operating Segments. The standard comes into force on 1st January 2009.
- IFRIC 13 Customer Loyalty Programmes. The amendment comes into force for financial years commencing 1st July 2008 or thereafter.
- IAS 23 Borrowing Costs. The amendment comes into force on 1st January 2009.
- IFRS 2 Share-based Payment, Amendments: Vesting Conditions and Cancellations. The amendment comes into force for financial years commencing 1st January 2009 or thereafter.
- Amendment to IFRS 1 and IAS 27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate. The amendment comes into force for financial years commencing 1st January 2009 or thereafter.
- IAS 39 Financial Instruments: Recognition and Measurement, Eligible Hedged Items. The amendment has not been approved by the European Commission. The amendment comes into force for financial years commencing 1st July 2009 or thereafter.
- IFRIC 15 Agreements for Construction of Real Estate. The amendment has not been approved by the European Commission. The amendment comes into force for financial years commencing 1st January 2009 or thereafter.
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation. The amendment has not been approved by the European Commission. The amendment comes into force for financial years commencing 1st January 2009 or thereafter.

Important estimates and assessments

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

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

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

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

Important assessments

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

Consolidated accounts

Subsidiaries

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

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

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

Consolidation principles

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

Transactions between Group companies

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

Internal pricing

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

Foreign currencies

Transactions in foreign currencies are converted to the functional currency at the exchange rate applicable on the transaction date. Monetary assets and liabilities expressed in foreign currencies are reported in the Balance Sheet after conversion at the rate applicable

on the closing date. Exchange rate differences arising in conjunction with conversion are reported in the Income Statement.

Segment reporting

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

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

Revenue recognition

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

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

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

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

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

Cost accounting

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

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

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

Leasing

Leasing agreements where the lessor, in every significant respect, retains the economic risks and benefits associated with ownership, are classified as operational leasing. The vast majority of the Group's leasing agreements are exclusively operational.

Lessors

The Group's letting of properties is classified as operational leasing. Assets for which operational leasing agreements have been entered into are reported in the Balance Sheet by asset type. The leasing income is periodised and recognized as revenue linearly over the

term of the leasing agreement, while costs, including depreciation, are recognised when they arise.

Lessees

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

Income tax

Reported tax comprises the combined sum of current and deferred tax calculated on the basis of the profit/loss for the period. Current tax is the tax that is payable or receivable during the current period, including adjustments to current tax for previous periods.

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

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

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

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

The Parent Company

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

Information on related parties

Systembolaget defines Group companies, pension funds, the Swedish state, government-owned companies in which the government has a controlling influence, senior executives, Members of the Board and close family members of these persons as related parties.

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

Tangible fixed assets

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

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

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

Intangible assets

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

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

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

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

Depreciation

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

Asset	Useful life
Buildings	25–50 years
Machinery and fixtures & fittings	3–5 years
Rebuilding in store	7 years
Intangible assets	5 years

Expenses attributable to improvements in another party's premises are depreciated over the planned rental period which is normally assumed to be 20 years. Land is not depreciated.

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

Write-downs

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

A calculation is carried out on every closing day to determine whether there is any indication that a previous write-down, either

wholly or in part, is no longer justified, and in such cases, the recoverable value of the asset is calculated and a reversal occurs. The reversal increases the reported value of the asset. The reported value may not exceed the value that would have been reported, after depreciation, if no write-down had ever occurred.

Remuneration to employees

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

Defined benefit pension plans in the Group

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

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

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

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

Defined contribution pension plans in the Group

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

Parent Company pensions

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

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

Severance payments

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

Financial instruments

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

Reporting in and removal from the Balance Sheet

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

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

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

Valuation

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

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

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

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

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

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

Classification

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

Financial assets valued at their fair value via the Income Statement

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

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

Loan receivables and accounts receivable

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

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

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

Financial liabilities valued at the accrued acquisition value

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

Liquid assets

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

Net profit and net loss

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

Stock-in-trade

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

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

Fixed assets held for sale and liquidated operations

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

A fixed asset or disposal group shall be reclassified when an assessment made indicates that the sale is very probable, which means that a decision shall have been taken at management level, there shall be an active programme aimed at completing the sale,

Categories

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

the sale price shall have been set at a reasonable level in relation to the fair value, and the sale shall normally take place within one year of the decision having been made.

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

Provisions

A provision is defined as a liability that is uncertain with regard to the due date or the amount. Provisions are reported in the Balance Sheet when the Group has an existing legal or informal undertaking as a result of an event that has occurred, and for which it is likely that a disbursement of resources will be required to clear the commitment and the amount can be reliably estimated. Provisions are valued at the amount that is the best estimate of the amount which, on the closing day, is required to clear the existing commitment. When the effect of the point in time at which payment is made is significant, the current value of anticipated future cash flows is calculated. Provisions are reviewed as of every closing day and, if necessary, adjusted to reflect the current best estimate.

Contingencies/contingent liabilities

In the Group, this item is referred to as "contingencies" and in the Parent Company, as "contingent liabilities". A contingency/contingent liability is reported when a possible commitment exists deriving from events that have occurred and whose incidence is only confirmed by one or more uncertain future events, or when there is an existing

commitment that is not reported as a liability or provision because it is not likely that a disbursement of resources will be required, or because the size of the commitment cannot be calculated with sufficient reliability.

Cash Flow Statement

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

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

Events after the closing day

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

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

Proposed appropriation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 954,053,933, are allocated as follows:

Dividend (SEK 559 per share)	201,240,000
Carried forward	752,813,933
Total	954,053,933

It is proposed that the dividend be disbursed on 15th April 2009.

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

Group's consolidation requirements, liquidity and position in general, and is compatible with the owner's requirements and expectations.

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

Stockholm, 19th February 2009

Cecilia Schelin Seidegård
Chairman

Marianne Nivert
Deputy Chairman

Sven Andréasson
Member

Lena Furmark Löfgren
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Annika Nilsson
Member

Maj-Britt Eriksson
The Unionen trade union representative

Patrik Ström
The Unionen trade union representative

Anitra Steen
President

Audit Report in respect of the Annual Accounts

**To the Annual General Meeting of Systembolaget AB,
corporate identity 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 2008. The company's annual accounts are shown on pages 71–112* of this printed document. These accounts, the administration of the company, the application of the Swedish Annual Accounts Act, and compliance with international accounting standards, IFRS, as adopted by the EU, 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. Those standards require that we plan and perform our audit so as to obtain reasonable assurance, but not absolute certainty, 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 con-

solidated 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 in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements have been prepared in accordance with international accounting standards, IFRS, as adopted by the EU, and the application of the Swedish Annual Accounts Act, and thereby give a true and fair view of the financial results and position of the Group. 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 Directors' Report, and that the Members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 19th February 2009

Ernst & Young AB

Torsten Lyth
Authorised Public Accountant

Filip Cassel
Authorised Public Accountant
appointed by the Swedish National Audit Office

* The reference is only relevant to the unabridged Swedish version.

Review Report in respect of the Annual Accounts

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

On behalf of Swedish Parliament's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2008 financial year.

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

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

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

Stockholm, 19th February 2009

Margareta Andersson

Lars U Granberg

Rolf Gunnarsson

The Auditors' Report on the Corporate Governance Report

In an extension of our audit engagement, as reported in the form of our Audit Report dated 18th February 2008, we have also, at the request of the Board of Directors, conducted a review of the Corporate Governance Report for Systembolaget AB for 2008, as shown on pages 58 to 69 of the printed version of this document. We have not reviewed the component part of the

report entitled "Description of the internal control of financial reporting". No circumstances have emerged from our review that give us reason to believe that the Corporate Governance Report, as shown on page 58-69, has not been prepared in accordance with the guidelines laid down in the Swedish Code of Corporate Governance.

Stockholm, 19th February 2009

Ernst & Young AB

Torsten Lyth
Authorised Public Accountant

Filip Cassel
Authorised Public Accountant
appointed by the Swedish National Audit Office

Certification of the Sustainability Report

To the readers of Systembolaget AB's Sustainability Report

Introduction

We have been engaged by the Board of Directors to perform an assurance engagement related to Systembolaget AB's sustainability report for 2008. It is the Board of Directors and the executive group management that are responsible for the continuous activities regarding the environment, the work environment, quality, social responsibility and sustainable development, and for the preparation and presentation of the sustainability report in accordance with applicable criteria. Our responsibility is to express a conclusion on the Sustainability Report, based on our examination.

The scope of the review

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

respect of 2008. We have not reviewed information and figures for previous years and are hence unable to comment on whether this information and these figures are comparable with and correspond to those for 2008.

Since this constitutes a combined assurance engagement, our opinion regarding the audit and the review will be presented separately.

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

1. Our review comprises the information presented in the GRI list of contents on pages 101-103 and the pages in the responsibility report referred to in this list of content.
2. Our audit included the following information:
 - a. Key performance indicators for carbon dioxide emissions in relation to the transports conducted using the Lagen AB subsidiary company's own vehicles, GRI indicator EN 16.
 - b. Key performance indicators for the sale of organic products, GRI indicator EN 26.
 - c. HR statistics, GRI indicator LA 2.
 - d. Percentage with regard to risk of corruption, GRI indicator SO 2.
 - e. Customer Satisfaction Index, GRI indicator PR 5.

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

We have not reviewed the information presented by Systembolaget AB on its website at systembolaget.se

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

Our review has included the following review procedures.

The most important procedures in our review comprised the following:

- a. Updating our knowledge and understanding of Systembolaget AB's organisation and activities.
- b. Assessing the suitability and application of the criteria in relation to the stakeholders' need for information.
- c. Assessing the result of the company's stakeholder dialogues.
- d. Conducting interviews with responsible management, at group level, subsidiary level and at selected business units, with the aim of determining whether the qualitative and quantitative information contained in the Sustainability Report is complete, correct and sufficient.
- e. Studying internal and external documents to determine whether the information reporting is complete, correct and sufficient.
- f. Evaluating the design of the systems and processes used to obtain, manage and validate sustainability information.
- g. Evaluating the model used to calculate carbon dioxide emissions.
- h. Conducting an analytical review of reported information.

- i. Reconciling financial information with the company's Annual Accounts for 2008.
- j. Evaluating the company's stated application level with regard to GRI guidelines.
- k. Considering the overall impression given by the Sustainability Report, and its format, with regard to the mutual correspondence between the information and the criteria applied.
- l. Reconciling the reviewed information with the sustainability information contained in the company's 2008 Annual Report.

Audit procedures:

Our audit has included the following audit procedures:

- a. Examining the design and function of relevant internal controls within the systems and processes used to obtain, handle and validate information in respect of the selected indicators during the period to which the report refers.
- b. Reconciling reported information with internal and external source documentation and conducting detailed tests of selected indicators, namely EN 16, EN 26, LA 2, SO 2, PR 5, in the sustainability report.

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

Conclusions

Our conclusion based on our review

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

Our conclusion based on our audit

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

Stockholm, 19th February 2009

Ernst & Young AB

Göran Tyréus
Authorised Public Accountant

Torsten Lyth
Authorised Public Accountant

GRI Report

Complementary information regarding delimitations, application level, the goal of the Nordic CSR partnership, and comments on the GRI indicators is provided in the GRI annex to the 2008 Responsibility Report on Systembolaget's website, systembolaget.se

The scope of the report

The Sustainability Report for the 2008 financial year comprises the Parent Company, Systembolaget AB, and the wholly owned subsidiary companies, Lagen Distribution AB, IQ-initiativet AB and AB K14 Näckströmsgatan, and refers to all of the company's operations within Sweden. Information concerning Systembolaget Fastigheter AB is presented up to and including 31st March 2008. These are operations where Systembolaget exercises control over financial and operating policies and routines. The underlying principle is that all of these units are represented in every performance indicator. Where this is not the case, details are given on Systembolaget's website.

Systembolaget has limited influence over our suppliers via our agreements and B2B relationships with them. When we talk of our suppliers in the present context, we refer primarily to our drinks suppliers, in that they account for the biggest purchases by us and can hence be regarded as the most significant from a sustainability viewpoint. In order, therefore, to present a comprehensive picture of Systembolaget's efforts to ensure sustainable development within the drinks supply chain, we will present the work in descriptive form.

Changes since the previous year's presentation of our CSR work include the fact that we have chosen a number of performance indicators by means of a selection process implemented in 2008. Some of these indicators have been presented in part in previous years. Another change since last year is that we now include the entire corporate Group in the report on our social responsibility. Systembolaget accordingly regards 2008 as a base year for

the indicators report and certain comparative figures for previous years are hence not provided.

Definition of the content of the report

The choice of the factors whose inclusion on the GRI report is deemed important is based on an analysis of stakeholders, sustainability investigations (2008 CSR strategy and risk analysis and the 2001 Environmental Report) and Systembolaget's long-term strategy.

Systembolaget has drawn up an overall strategy for the Group's long-term social responsibility, based on the risk analysis conducted in January 2008, and focusing on work in connection with social and environmental issues. The work is based on the four areas of the UN Global Compact initiative – human rights, labour conditions, the environment and corruption – which revolve, in turn, around ten principles spread over these areas. Our strategy formulates why Systembolaget should work with CSR, what we aim to achieve through our CSR work, and how we shall carry out this work.

One of the focus areas of Systembolaget's CSR work over the next five years involves working to ensure that the alcoholic drinks we sell in our stores are produced responsibly in a way that is both human- and eco-friendly. The drinks supply chain is key to that work.

Our work in the environmental sector focuses on five areas, chosen in line with the results of an environmental survey conducted in 2001. The focus areas are organic products, building materials, energy consumption, transport and waste product handling.

A working group with expertise in environmental and social issues, ethics, market communication and reporting has identified the Systembolaget stakeholders who affect or are affected by our operations. The direct stakeholders comprise customers, employees, the public/society, suppliers and owners. The indirect stakeholders include voluntary organisations and governmental organi-

sations with specific interests in Systembolaget. We are planning to conduct an augmented dialogue with stakeholders in 2009 during which we will, amongst other things, discuss the stakeholders' expectations and the issues they want us to cover in our reports.

Relevant performance indicators have been selected to measure and monitor Systembolaget's social responsibility on the basis of the stakeholder analyses and sustainability investigations.

Risk analysis for current future sustainability risks

Systembolaget conducted a risk analysis in 2008, using external consultants, and in which we identified and prioritised current and future sustainability risks for Systembolaget, based on such factors as the degree of actual environmental or social impact.

We elected to delimit the risk analysis to the "bottle route", from producer to consumer. The analysis comprised the various links in the chain from the cultivation and production of raw materials and drinks to the sale of alcoholic drinks to the customers in Systembolaget's stores. The mapping focused, with regard to countries of origin, on the main countries from which Systembolaget imports its products, namely South Africa, Australia,

Spain and the USA. The mapping was also based on the Global Compact's ten principles for responsible enterprise.

Summary of the results

The cultivation of grapes, hops, grain, sugar and other raw materials entails an environmental impact and environmental effects that are largely the same throughout the agricultural sector. Associated issues include the use of fertiliser and pesticides, water shortages, biological diversity, soil erosion and genetically modified crops. Systembolaget's suppliers import drinks from all over the world, resulting in long transport routes from the producer countries to Systembolaget's stores. This, in turn, has a substantial climatic impact. Agriculture suffers, in many parts of the world, from problems in connection with the violation of human rights and unacceptable labour conditions. One overall observation in the context of the risk analysis is, however, that the cultivation of grapes, cane sugar and hops specifically intended for use in drinks production has not been reviewed to the same extent as the rest of the agricultural sector when it comes to labour law and human rights. Problems associated with the use of the workforce in connection with wine cultivation and sugar production may, for example exist.

Materiality	Stakeholder analysis	GRI indicators
Human rights	Suppliers, society	HR2
Work environment	Employees	LA1, LA2, LA4, LA14
Corruption	Suppliers, employees	SO2, SO3, SO4
Organic products	Customers, environment	EN26
Energy consumption	Environment	EN4
Transport	Environment	EN16, EN17, EN18
Waste products handling	Environment	EN22
Building materials	Environment	
Customer Satisfaction	Customers	PR5
Product responsibility	Customers	PR6
Economic value	Owners	EC1
Responsibility for local community	Society	EC9, SO1

List of contents for GRI

The scope of the report and the page references are only shown for those indicators we have chosen and for the information required in accordance with level C.

	Reported wholly or in part	Page reference
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2 The organisational profile		
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2.2	Primary brands, products and services	Wholly Tab, 2, 8, 26, 30–31
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2.6	Nature of ownership and legal form	Wholly 58–59, 86
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2.8	Scale of the reporting organisation	Wholly 77, 78, 106 m fl
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3.7	Limitation of scope or boundary of report	Wholly 99, GRI annex
3.8	Reporting principles for jointly owned companies, subsidiaries, etc.	Wholly 99, GRI annex
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3.11	Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report	Wholly 99, GRI annex
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3.12	Table identifying the location of the Standard Disclosures in the report	Wholly 101–103, GRI-annex
3.13	Policy and current practice for external assurance	
4 Governance, Commitments, and Engagement		
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4.1	Governance structure	Wholly 54–55, 57, 58–66
4.2	The role of the Chairman of the Board	Wholly 54–55, 57
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4.4	Mechanisms for shareholders' and employees' to provide recommendations etc., for the Board	Wholly 36, 58–66
4.5	Remuneration to senior executives	
4.6	Avoiding conflicts of interest within the Board	
4.7	Process for determining the qualifications of Board Members	
4.8	Mission or value statements, code of conduct, etc.	
4.9	The Board's monitoring of sustainability work	
4.10	Processes for evaluating the work of the Board	

		Reported wholly or in part	Page reference
4	Control, undertakings and engagements, cont.		
	Commitments to external initiatives		
4.11	Application of the precautionary approach or principle		
4.12	Externally developed statutes, principles and initiatives		
4.13	Membership of organisations		
	Stakeholder engagement		
4.14	Stakeholder groups	Wholly	1, 16–17, 99–100
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EC3.	Coverage of the organisation's defined benefit plan obligations		
EC4.	Significant financial assistance received from government		
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EC7.	Procedures for local hiring and proportion of senior management hired from the local community		
	Indirect economic impacts		
EC8.	Investments in infrastructure and services for public benefit		
EC9.	Description of significant indirect economic impacts, including the extent of impacts	Partially	4, 27–28, 108, GRI-annex
6	Environmental Performance Indicators		
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EN3.	Direct energy consumption by primary energy source		
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EN5.	Energy saved due to conservation and efficiency improvements		
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	Biodiversity		
EN11.	Location and size of land used in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas		
EN12.	Significant impacts on biodiversity in protected areas and areas of high biodiversity value outside protected areas		
	Emissions, effluents and waste		
EN16.	Total direct and indirect greenhouse gas emissions by weight	Wholly	50, GRI-annex
EN17.	Other relevant indirect greenhouse gas emissions by weight	Partially	50, GRI-annex
EN18.	Initiatives to reduce greenhouse gas emissions and reductions achieved	Wholly	50, GRI-annex
EN19.	Emissions of ozone-depleting substances by weight		
EN20.	No, SO and other significant air emissions by type and weight		
EN21.	Total water discharge by quality and destination		
EN22.	Total weight of waste by type and disposal method	Partially	50–51, GRI-annex
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	Reported wholly or in part	Page reference
6 Environmental Performance Indicators, cont.		
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EN26. Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	Wholly	32, 48–49, GRI-annex
EN27. Percentage of products sold and their packaging materials that are reclaimed by category		
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EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations		
7 Social Performance Indicators		
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LA2. Total number and rate of employee turnover by age group, gender and region	Wholly	38, 109–110, GRI-annex
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LA5. Minimum notice period(s) regarding operational changes, including whether it is specified in collective agreements		
LA7. Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region		
LA8. Education, training, counselling, prevention and risk-control programmes in place to assist workforce members, their families, or community members regarding serious diseases		
LA10. Average hours of training per year per employee by employee category		
LA13. Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity		
LA14. Ratio of basic salary of men to women by employee category	Partially	38, 109
Human Rights Performance Indicators		
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HR2. Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken	Partially	42, 44, 46, GRI-annex
HR4. Total number of incidents of discrimination and actions taken		
HR5. Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights.		
HR6. Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour.		
HR7. Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour.		
Society		
SO1. Nature and scope of the routines that assess the impacts of operations on communities, including entering, operating and exiting.	Partially	2, 4, 8, 19, GRI-annex
SO2. Percentage and total number of business units analysed for risks related to corruption.	Wholly	40, GRI-annex
SO3. Percentage of employees trained in organisation's anti-corruption policies and procedures.	Wholly	40, GRI-annex
SO4. Actions taken in response to incidents of corruption.	Wholly	40
SO5. Public policy positions and participation in public policy development and lobbying.		
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.		
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PR1. Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures.		
PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements.		
PR5. Practices related to customer satisfaction, including results of surveys measuring customer satisfaction.	Wholly	24, GRI-annex
PR6. Programmes for adherence to laws, standards and voluntary codes related to marketing communications, including advertising, promotion and sponsorship.	Wholly	8, GRI-annex
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.		

Tables and diagrams

Retail sales

Net sales per product category, SEK m	2002	2003	2004	2005	2006	2007	2008	07/08
Spirits	6,166	5,864	5,107	4,999	5,026	5,176	5,187	0.2%
Wine	8,161	8,449	8,382	8,765	9,316	10,048	10,617	5.7%
Strong beer	3,874	3,956	3,560	3,661	3,986	4,246	4,725	11.3%
Cider & mixed drinks	502	604	556	555	586	599	629	5.0%
Alcohol-free	13	17	20	22	23	27	29	7.4%
Other	92	95	83	81	102	115	109	-5.2%
Income in SEK	18,808	18,985	17,708	18,083	19,039	20,211	21,296	5.4%
Gross profit	2,552	2,499	2,371	2,461	2,525	2,567	2,699	5.1%
Gross margin, incl. alcohol tax	13.2%	13.2%	13.5%	13.7%	13.3%	12.7%	12.7%	0.0%
Gross margin, ex. alcohol tax	25.5%	25.1%	25.2%	25.5%	24.4%	23.1%	22.6%	-2.2%

Alcohol taxes, 1st January 2008

Beer		
Alcohol content, % by volume	Max.	Tax in SEK per litre for every 1% alcohol by volume ¹⁾
Over		
—	—	—
—	2.8	0
2.8	—	1.66

Spirituos drinks		
Alcohol content, % by volume	Max.	SEK per litre pure alcohol
Over		
—	—	—
—	2.25	0
2.25	4.5	7.58
4.5	7	11.20
7	8.5	15.41
8.5	15	21.58
15	18	45.17

Wine (cider. etc.)		
Alcohol content, % by volume	Max.	SEK per litre
Over		
—	—	—
—	2.25	0
2.25	4.5	7.58
4.5	7	11.20
7	8.5	15.41
8.5	15	21.58
15	18	45.17

Intermediate products (fortified wine etc.)		
Alcohol content, % by volume	Max.	SEK per litre
Over		
—	—	—
—	1.2	27.20
1.2	22	45.17

¹⁾ The alcohol tax for a brand of beer with an alcohol strength of 5.0 per cent by volume is 5.0x1.47=7.35.

Direct economic value*

Amount in SEK m	2007	2008
Direct economic value, generated		
Income	20,689	22,400
Direct economic value, delivered		
Operating expenses	18,774	19,858
Remuneration to employees	1,301	1,418
Financial expenses	261	929
Taxes	118	70
Social investments	4	4
Economic value retained	231	121

* Layout in accordance with GRI requirements.

Systembolaget's pricing model

Spirits & other, SEK	2.70
Wine	3.50
Beer	0.85
Alcohol-free	—
Packaging-related correction factor per unit, SEK	
Small packaging	-1.75
Boxes & cardboard packaging	0.75
Variable surcharge on purchase price, excluding alcohol tax	19%

Systembolaget's sales by province per head of population in 2008, compared with 2007 (litres)

Province	Spirits		Wine		Beer		Cider & mixed drinks		Total, pure alcohol	
	Litres	%	Litres	%	Litres	%	Litres	%	Litres	%
Stockholm	1.96	-4.28	23.87	0.59	24.79	0.12	1.75	0.97	5.31	-0.37
Uppsala	1.77	-3.98	18.01	1.90	21.44	0.33	1.86	-0.22	4.29	0.42
Södermanland	2.21	-3.45	19.19	2.99	25.03	0.51	2.36	0.62	4.85	0.95
Östergötland	1.86	-2.78	15.43	3.85	20.56	0.72	1.92	-0.67	3.97	1.47
Jönköping	1.66	-1.54	10.87	4.92	19.25	1.70	1.74	3.00	3.20	2.25
Kronoberg	2.00	-3.34	11.93	3.65	17.57	0.82	1.65	-1.97	3.36	0.96
Kalmar	2.51	-0.70	15.58	5.64	24.57	1.66	2.31	1.45	4.47	2.75
Gotland	2.89	-0.89	24.39	5.09	30.14	1.65	3.06	1.74	6.06	2.83
Blekinge	2.16	0.82	12.85	7.89	17.17	4.37	1.81	4.01	3.56	4.95
Skåne	1.50	-0.07	13.61	5.77	11.70	3.91	1.27	5.54	3.07	4.11
Halland	1.78	-1.54	15.31	6.22	16.10	3.86	1.68	2.65	3.64	3.84
Västra Götaland	2.00	-1.73	18.09	4.75	22.69	3.14	1.96	2.76	4.46	2.94
Värmland	3.51	-1.56	23.16	3.74	36.64	3.40	2.84	4.09	6.47	2.36
Örebro	1.96	-0.15	14.07	4.95	24.74	1.59	2.22	0.58	4.07	2.56
Västmanland	2.03	-2.57	17.07	3.67	25.33	2.17	2.45	0.89	4.54	1.98
Dalarna	2.38	-0.44	16.79	4.04	28.99	3.35	2.68	2.09	4.80	2.73
Gävleborg	2.36	-2.48	16.27	3.44	26.59	0.68	2.33	-1.16	4.59	1.13
Västernorrland	2.69	-3.50	17.58	3.26	26.67	-0.59	2.58	-2.54	4.93	0.36
Jämtland	4.10	-2.57	24.24	1.26	41.08	2.02	3.49	2.48	7.13	0.49
Västerbotten	2.59	-2.01	17.02	2.08	30.42	-1.18	2.70	-5.11	5.00	-0.09
Norrbottn	2.36	4.43	16.24	5.10	33.53	0.54	3.22	-1.91	5.02	2.94
Whole country	2.06	-2.16	17.96	3.31	22.91	1.47	1.99	1.12	4.49	1.62
Whole country per inhabitant aged 15+	2.47	-2.30	21.51	3.16	27.43	1.32	2.39	0.97	5.37	1.47

Systembolaget's wine sales (excl. fortified wines) by producing country, 2004–2008 (1,000 litres)

Country	2004	2005	2006	2007	2008	Percentage change	
						% 2008	2008/2007
Australia	15,184	19,679	21,940	24,196	26,775	16.6	10.7
South Africa	23,106	22,473	22,014	23,690	26,272	16.3	10.9
Italy	13,666	14,768	19,357	25,488	25,003	15.5	-1.9
Spain	23,807	23,643	23,220	22,399	22,023	13.7	-1.7
France	15,069	13,952	14,941	14,897	15,048	9.4	1.0
Chile	12,527	11,018	10,138	10,935	11,348	7.1	3.8
USA	8,329	9,304	8,692	7,838	7,781	4.8	-0.7
Germany	6,537	6,395	7,086	7,436	7,424	4.6	-0.2
Hungary	1,137	2,200	3,356	3,859	5,471	3.4	41.8
Argentina	5,785	5,613	5,608	5,182	4,916	3.1	-5.1
Portugal	3,126	3,328	3,372	2,723	3,193	2.0	17.3
Bulgaria	1,453	2,141	2,304	1,983	2,120	1.3	6.9
Sweden	1,680	1,596	1,476	1,449	1,365	0.8	-5.8
New Zealand	175	205	296	435	519	0.3	19.3
Austria	130	162	208	277	362	0.2	30.7
Cyprus	284	251	235	225	220	0.1	-2.2
Romania	477	332	266	203	216	0.1	6.4
Greece	189	197	226	211	165	0.1	-21.8
Lebanon	275	187	144	114	161	0.1	41.2
Other	360	314	386	481	529	0.3	10.0
Total	133,296	137,758	145,265	154,021	160,911	100.0%	4.5%

Systembolaget's sales, 1955–2008 (1,000 litres)

Year	Spirits	Fortified wine	Wine*	Strong beer	Alcohol-free
1955	48,376	7,858	7,799	8,102	
1960	43,007	9,509	14,975	9,646	119
1965	51,605	10,712	22,410	20,136	207
1970	53,028	10,655	40,331	30,574	395
1975	61,245	12,110	55,321	24,901	590
1980	57,787	11,628	67,609	70,529	538
1985	44,141	9,590	88,059	77,954	542
1990	37,837	8,387	96,393	106,793	646
1995**	29,654	6,249	104,165	107,902	604
2000	23,402	5,792	123,968	142,361	400
2001***	23,396	5,696	132,157	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
2005	18,786	5,271	154,789	179,044	719
2006	18,860	5,260	163,518	195,654	735
2007	19,302	5,504	172,112	207,118	807
2008	19,101	5,558	179,379	212,369	860

* Including cider and mixed drinks.

** Systembolaget's monopoly on wholesale operations ceased in 1995.

*** Systembolaget's wholesale operations ceased in 2001.

Number of brands in Systembolaget's fixed product range

Year	Spirits	Wine	Cider & mixed drinks	Strong beer	Alcohol-free	Total
1975	198	418		35	17	668
1980	189	447		33	22	691
1985	193	584		41	21	839
1986	197	563		49	20	829
1987	208	534		53	19	814
1988	214	549		55	22	840
1989	207	567		76	24	874
1990	210	595		76	23	904
1991	212	643	1	83	22	961
1992	220	665	1	89	23	998
1993	235	879	7	128	29	1,278
1994	271	909	12	164	30	1,386
1995	332	1,325	21	197	30	1,905
1996	389	1,633	27	286	34	2,369
1997	417	1,761	50	341	44	2,613
1998	385	1,762	90	303	46	2,586
1999	367	1,775	67	287	35	2,531
2000	370	1,812	63	280	29	2,554
2001	352	1,817	63	259	28	2,519
2002	373	1,570	65	273	42	2,323
2003	371	1,500	66	280	33	2,250
2004	479	1,877	65	269	36	2,726
2005	466	1,991	73	283	18	2,831
2006	424	1,525	71	257	21	2,298
2007	382	1,370	65	254	15	2,086
2008	346	1,402	60	258	17	2,083
2009	356	1,551	56	275	20	2,258

Financial position

The operations in relation to the owner's directive and financial requirements of the operation

Per cent	2008	2007	2006	2005	2004	2003	2002
Return on shareholders' equity (the Group)	37.1	13.9	20.6	17.7	11.5	10.0	10.3
Level in owner's directive	7.9	8.2	7.7	7.4	8.4	8.6	8.3
Equity/assets ratio (the Group)	38	39	40	38	40	33	30
Level in owner's directive	35	30	30	30	30	30	30
Dividend as a percentage of the Group's profit after tax	100	100	50	100	51	144*	56
Minimum level in owner's directive	50	50	50	50	50	50	50

* Includes dividend approved by the Extraordinary General Meeting.

Systembolaget's five biggest and five smallest stores

	Sales inc. VAT (SEK m)	No. customers (1,000)
The biggest stores		
Stockholm, Bromma Center	282	701
Strömstad, Oslovägen 44	266	524
Eda, Charlottenberg	257	557
Stockholm, Regeringsgatan	227	671
Täby, Arninge	219	580

The smallest stores		
Sorsele, Sorsele	10.3	40
Ödeshög, Ödeshög	10.1	52
Bjurholm, Bjurholm	9.9	31
Storfors, Storfors	9.3	45
Ydre, Österbymo	7.0	28

The store network by net sales interval

<20 MSEK	64 stores
20-45 MSEK	118 stores
45-80 MSEK	106 stores
80-120 MSEK	66 stores
>120 MSEK	57 stores

Board decisions, 2008

New establishment

Södermalm, Stockholm

Mandate to close if necessary

Tensta, Stockholm

Sales network

No. communities with stores	322
Stores	411
Agents	511

Changes in the store network

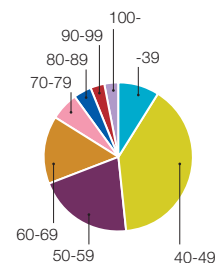
Rebuilding

Arvidsjaur	Hörby	Slite
Borgholm	Höör	Smedjebacken
Boxholm	Knalleland, Borås	Sollentuna
Ekerö	Källered, Göteborg	Storuman
Ersboda, Umeå	Laholm	Birsta, Sundsvall
Filipstad	Malmköping	Sveg
Forum Nacka, Stockholm	Malung	Svenstavik
Färjelanda	Mariestad	Säffle
Gamelestad, Göteborg	Markaryd	Tibro
Gnosjö	Mjölby	Torshälla
Gullmarsplan, Stockholm	Mölnvik, Stockholm	Vasagatan, Stockholm
Hageby, Norrköping	Norrtälje	Vaxholm
Hallstahammar	Olofström	Vellinge
Drottninggatan, Helsingborg	Örminge	Viksjo
Hällefors	Perstorp	Vindeln
Hässleholm	Salem	Åkersberga
Högsby	Sigtuna	Ätvidaberg
Höllviken	Skoghäll	Örkelljunga

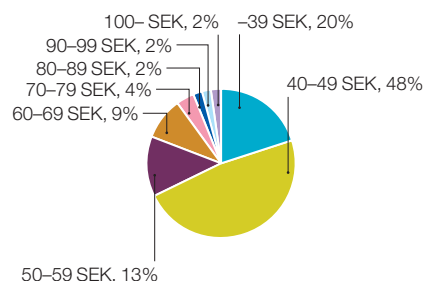
Closures, 2008

None

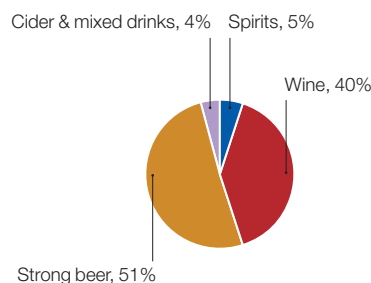
Systembolaget's sales of red wine by the litre in 2008, broken down into price groups



Systembolaget's sales of white wine by the litre in 2008, broken down into price groups



Systembolaget's sales 2008 by product group



Full-time and part-time sales staff, women/men, 2003-2007

Per cent	2004	2005	2006	2007	2008
Women	76	71	71	70	71
Men	24	29	29	30	29

ESI, quality area: Systembolaget as a whole and Opportunities for development

Subsidiary question	2004	2005	2006	2007	2008
Progress to new roles	*	*	*	60	64
Can support Systembolaget's goals and vision		74	81	83	87
Are proud to work for Systembolaget	*	*	*	84	85

* No comparative figures available.

Store managers, women/men, 31st December 2008

Per cent	2004	2005	2006	2007	2008
Women	43	44	45	46	48
Men	57	56	55	54	52

Staff turnover, percentage, 2004-2008

Refers to permanent employees and those employed on a trial basis*

	2004	2005	2006	2007	2008
All store personnel	12	11	11	15	14

* From 2008, the figure refers to all personnel, incl. HQ.

Absence due to sickness, total

	2006	2007	2008
Percentage of hours worked	6.5	6.1	5.9

Staff turnover, separate presentation, Sales personnel*

	Total	Full time	Part time, <20%	Part time, >20%
Sales personnel	15	4	33	9

* Refers to permanent employees and those employed on a trial basis

Relative pay scales*

	Women	Men
Systembolaget	**	**
Sales personnel	101	97
Store Managers	95	106
Caretakers	101	95
HQ personnel	**	**
IQ	***	***
Lagena	100	100

* Refers to the median salary key performance indicator for the Group/median salary for both groups.

** Not reported as HQ comprises far too many different positions for the report to be meaningful.

*** Not reported because the category comprises 100% women.

Number of employees*

	Total	Permanently employed		Employed on a temporary basis		Full-time employees		Part-time employees	
		Number	%	Number	%	Number	%	Number	%
<i>Systembolaget</i>	4,740	3,838	81	902	19	1,090	23	3,650	77
Sales personnel	3,930	3,046	78	884	22	398	10	3,532	90
Store Managers	404	403	100	1	0	393	97	11	3
Caretakers	84	78	93	6	7	1	1	83	99
HQ personnel	322	311	97	11	3	298	93	24	7
<i>IQ</i>	3	3	100	0	0	3	100	0	0
<i>Lagena</i>	221	203	92	18	8	221	100	0	0
TOTAL	4,964	4,044	81	920	19	1,314	26	3,650	74

*Refers to all employees on 31st Dec. 2008.

Staff turnover as a percentage*

	Total	Women	Men	Full-time	Part-time	<30 yrs old	>30 yrs old
<i>Systembolaget, total</i>	14	13	16	7	17	28	10
Sales personnel	15	14	17	4	17	29	11
Store Managers	5	4	6	5	8	8	5
Building Managers**	100	100	100	0	100	0	100
Caretakers	12	11	13	0	12	25	11
HQ personnel	13	9	19	14	9	10	13
<i>IQ</i>	0	0	0	0	0	0	0
<i>Lagena</i>	44	9	35	44	0	25	19

*Refers to permanent employees and those employed on a trial basis.

**The position of Building Manager ceased to exist in 2008.

Collective bargaining agreements

100% of Systembolaget's employees are covered by collective bargaining agreements.

Ten years in brief

	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Sales per inhabitant aged 15+, by product group (litres)										
Spirits	2.5	2.5	2.5	2.5	2.6	3.0	3.2	3.2	3.2	3.2
Wine	21.6	20.9	19.9	19.1	18.7	19.2	18.6	17.0	16.1	15.6
Strong beer	27.5	27.1	25.9	23.9	23.3	24.3	23.3	21.4	19.6	17.9
Cider & mixed drinks	2.4	2.4	2.4	2.3	2.3	2.5	2.3	1.9	1.8	1.8
Total as pure alcohol	5.4	5.3	5.1	4.9	4.8	5.1	5.0	4.6	4.4	4.2

Sales in millions of litres, by product group										
Spirits	19.1	19.3	18.9	18.8	19.2	22.1	23.3	23.4	23.4	23.3
Wine	166.5	159.5	150.5	143.0	138.7	141.8	136.5	124.2	116.6	112.5
Strong beer	212.4	207.1	195.7	179.0	172.9	179.1	170.5	156.0	142.4	129.6
Cider & mixed drinks	18.5	18.1	18.3	17.0	16.8	18.7	17.1	13.7	13.2	12.8
Alcohol-free	0.9	0.8	0.7	0.7	0.7	0.5	0.4	0.4	0.4	0.4
Total as pure alcohol	41.6	40.5	38.4	36.4	35.6	37.4	36.4	33.6	31.7	30.2

From the Consolidated Income Statement (SEK million)

Income	21,296	20,211	19,039	18,083	17,708	18,985	19,132	18,241	17,368	16,625
Gross profit	2,699	2,567	2,525	2,461	2,371	2,499	2,562	2,414	2,321	2,143
Operating profit/loss	135	310	559	477	197	172	165	159	165	451
Net profit/loss for the year	774	295	419	330	178	138	142	133	108	338

Retail network

No. communities with stores	322	322	322	322	323	322	315	314	310	304
Stores	411	411	410	560	576	580	590	579	575	575
Agents	511	540	552	560	576	580	590	579	575	575

Definitions

Age verification

Age verification measures the number of occasions when proof of age has been requested as a percentage of control purchases. The control purchases are made by people in the 20–25 age group. Systembolaget engages an external consultancy company to conduct the purchases. A total of ca. 6,000 control purchases are made per year. Age verification is measured and reported every month.

Average number of employees

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

Average number of shares

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

Capital employed

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

Cash flow per share

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

CSR (Corporate Social Responsibility)

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

Customer Satisfaction Index (CSI)

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

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

The customers' answers, which are given on a scale from 1 to 10, are converted to a figure between 10 and 100. Systembolaget engages an external consultancy company to conduct the survey. The survey base comprises a total of ca. 60,000 randomly selected customers, spread over all of the stores. The CSI is measured and reported once a year.

Dividend per share

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

Earnings per share

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

Employee Satisfaction Index (ESI)

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

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

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

Equity/assets ratio

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

Global Compact

A UN initiative and framework for sustainable enterprise. Global Compact is based around ten principles within the following four areas: human rights, labour conditions, the environment, and corruption.

GRI (Global Reporting Initiative)

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

Income/net sales

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

Operating margin

Operating profit/loss as a percentage of income.

Opinion Index (OPI)

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

- Do you think that Systembolaget and the monopoly on the sale of strong beer, wines and spirits should be retained, or would you prefer strong beer, wines and spirits to be sold in other stores?

Systembolaget engages an external consultancy company to conduct the survey. A total of 1,500 randomly selected individuals aged between 15 and 74 are interviewed every month. The Opinion Index is measured and reported every month.

Product wastage

Wastage of goods, as established during stocktaking, per one thousand of income.

Return on shareholders' equity

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

Return on capital employed

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

Shareholders' equity per share

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

Stock turnover rate

Income divided by the average stock value at sale price.

Supplier Satisfaction Index (SSI)

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

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

The survey was conducted for the fourth time in 2007 and the target group at this time comprised drinks suppliers with products in Systembolaget's fixed product range in 2006.

Trading margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

Wastage

Wastage, as established during stocktaking, per one thousand of income, including both product and cash.

Work productivity

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

This is Systembolaget

A clear mandate

Systembolaget’s mandate is based on consideration for public health. Systembolaget provides information on the risks associated with alcohol consumption and refrains from engaging in active marketing designed to generate additional sales. Our goal is to create a healthy drinking culture whereby everyone can enjoy Systembolaget’s drinks without harming either themselves or other people. Systembolaget shall use its expertise on its customers’ behalf, both with regard to the taste characteristics of individual drinks and with regard to their effects on people’s health, and shall thereby inspire our customers to make informed choices about drinks and to adopt a healthy approach to alcohol. Alcohol-related problems are reduced if alcohol sales are not driven by a profit motive.



Systembolaget does not sell alcoholic drinks to anyone under the age of 20, nor to anyone who is obviously intoxicated or to anyone whom we believe will sell the products illegally. The sales rules are communicated constantly in stores, on the website, on TV and at cinemas.



Multi-dimensional responsibility

When we implement our alcohol policy-based mandate, we affect people and the environment, both in Sweden and globally. It is consequently important to Systembolaget and only natural for us to act in a socially, environmentally and ethically responsible manner in our stakeholder relationships. We use CSR, Corporate Social Responsibility, as a collective term for this approach. Working towards the establishment of a socially and environmentally sustainable drinks supplier chain is an important part of this work.

Knowledgeable staff

Systembolaget can only fulfil its mandate with competent and committed staff. Systembolaget had ca. 4,700 employees at the end of 2008, all of whom are fully familiar with Systembolaget’s mandate and who apply the sales rules in the course of their day-to-day work. They receive ongoing training that enables them to provide expert advice in the fields of food and drink. Systembolaget’s Employee Satisfaction Index (ESI) shows that levels of employee satisfaction are constantly rising, and our staff are also the “quality area” that receives the highest rating from our customers in our Customer Satisfaction surveys.



A wide product range

Systembolaget’s stores have one of the most comprehensive product ranges in the world. The standard range comprised ca. 2,700 brands of spirits, wine, beer, cider, mixed drinks and alcohol-free products at the end of 2008. Our suppliers also carry ca. 7,110 items in stock that are available for order from any Systembolaget store. 1,828 new products were launched in 2008, along with 819 items (small quantities of higher priced goods) in the three wine cellar stores. The entire purchasing process is brand-neutral and has been quality certified since 2006.

A nationwide service

Systembolaget had 411 stores and 511 agents at the end of 2008. 332 of the stores had self-service facilities and 79 provided over-the-counter service. The self-service stores account for 93.7 per cent of Systembolaget’s turnover. The agents do not carry items in stock, but the entire product range can be ordered through our agents.

Our history

It all started in 1850 with the formation in Dalarna of a company that was granted exclusive rights to operate outlets for the sale and serving of alcoholic drinks. This was the world’s first ever alcohol monopoly and it worked so well that the model spread nationwide. In 1955, the various local monopolies were merged to form a single one – Systemaktiebolaget.

1850

“Systembolaget” is formed by a group of mine-owners in Falun. Spirits would be sold “without taking into account profit or advantage” and the surplus would accrue to the town and be used for public good causes.

1919

Ration books are introduced nationwide after five years of trials in Stockholm. Only those who conducted themselves in an “appropriate” manner would receive a ration book. “Appropriateness” was often determined by the individual’s wealth and position in society.

1955

The ration book was abolished and the 41 local Systembolaget companies were merged to form a single, national one – Nya Systemaktiebolaget.

1967

Sales of strong beer in grocery stores are trialled in three counties. The trial was brought to a premature end when sales increased by just over 1,000 per cent.

1965

Class II B mid-strength beer is introduced and sold in grocery stores. Mid-strength beer sales increased dramatically during the 1960s and the first half of the 1970s. The sale of mid-strength beer in grocery stores was banned in 1977.

1995

Sweden joins the EU. All alcohol monopolies are abolished with the exception of Systembolaget’s retail monopoly.

2004

The Swedish exemption with regard to tax-free personal import quotas is abolished for travellers and the EU’s indicative values for private consumption come fully into force.

2007

The European Court rules that Sweden’s ban on remote sales of alcohol contravenes EU law, which means that alcohol can be ordered from other countries, e.g. online, but that Swedish alcohol taxes will still be payable (the Rosengren ruling).

2006

The European Court rules that to circumvent paying alcohol taxes in their own country, individuals must personally transport in alcohol from other countries (the Joustra ruling).

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