

Systembolaget Annual Report 2007



Systembolaget in brief

Our responsibility

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.

Our staff

Systembolaget can only fulfil its mandate with competent and committed employees. Systembolaget had ca. 4,000 employees at the start of 2007, all of whom are familiar with Systembolaget's mandate and all of whom 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.

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

The serving of alcoholic drinks is systemised. Tired of the constant drinking and all the problems it caused, a group of mine-owners in Falun write to King Oscar I asking for permission to assume the right to operate public houses in Falun. Spirits would be sold "without taking into account profit or advantage" – the profits would accrue to the town and be used for public good causes. The first "Systembolaget" had been formed.

1919

Compulsory rationing was introduced throughout Sweden after five years of trials in Stockholm. The ration book involved individual checks, registration and rationing. Only those who conducted themselves in a proper manner would receive a ration book. "Suitability" was often determined by the individual's wealth and position in society with young unmarried men or married women seldom able to obtain a ration book. Unemployment meant the confiscation of an individual's ration book.

1955

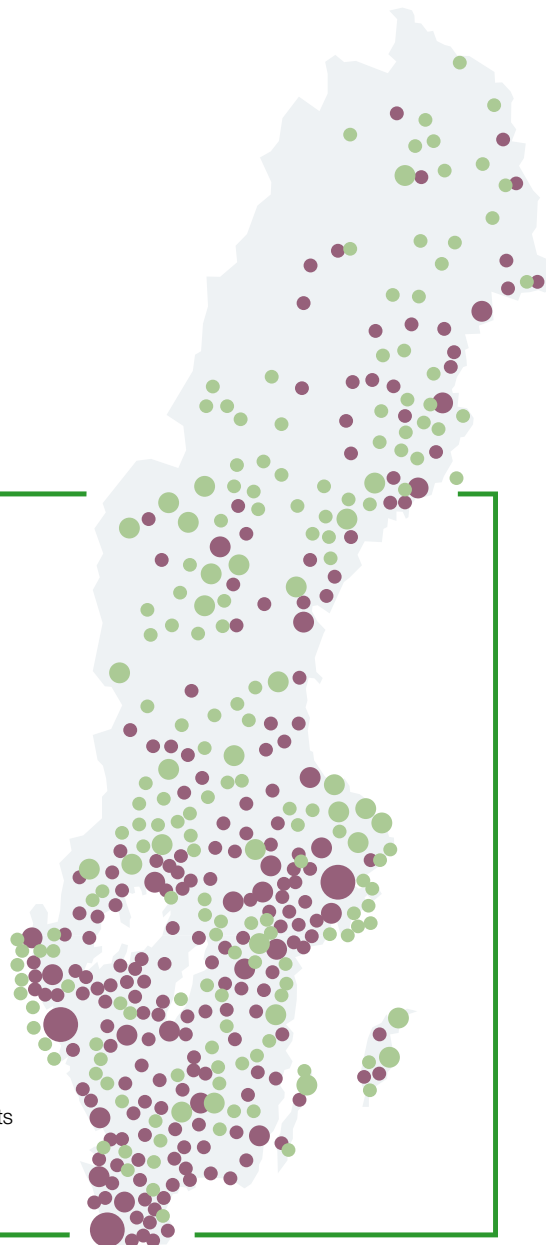
The ration book was abolished and the 41 local Systembolaget companies were merged to form a single, national one – Nya Systemaktiebolaget.

Our product range

Systembolaget's stores have one of the most comprehensive product ranges in the world. The standard range comprised ca. 2,135 brands of spirits, wine, beer, cider, mixed drinks and alcohol-free products at the end of 2007. Our suppliers also carry ca. 4,000 items in stock that are available for order from any Systembolaget store. 1,450 new products were launched in 2007, along with 780 items (small quantities of higher priced goods) in the three wine cellar stores. The entire purchasing process is brand-neutral and has been certified since 2006.

Our stores and agents

Systembolaget had 411 stores and 540 agents at the end of 2007. 292 of the stores had self-service facilities and 119 provided over-the-counter service. The self-service stores account for 87 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. The agents accounted for 0.97 per cent of Systembolaget's turnover in 2007.



1969

The age at which people can buy alcohol is lowered from 21 to 20 in conjunction with a lowering in the age of majority.

1995

Sweden joins the EU. The decision that resulted from negotiations with the European Commission, which had begun in 1993, came into force. All of the monopolies in the alcohol sector were wound up with the exception of Systembolaget's retail monopoly.

1997

The European Court rules that Systembolaget's retail monopoly is compatible with EU law (the Franzén ruling).

2004

The Swedish exemption with regard to personal import quotas is abolished and the EU's indicative values for private consumption come fully into force.

2006

The European Court rules that to avoid paying alcohol taxes in their own country, individuals must personally transport in alcohol from other countries (the Joustra ruling).

The European Court ruled that Sweden's ban on remote sales of alcohol contravened 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).

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The year in brief

More satisfied customers

The Customer Satisfaction Index (CSI) figure rose to 75 (74). The stores amassed a total of 104.9 million (101.3 m) customer visits. *Find out more on pages 4–7*

Increased efficiency

The stores' productivity increased to 775 (767). The profit for the year totalled SEK 295 million (SEK 419 m). *Find out more on page 12*

Public confidence up

The Opinion Index (OPI) rose and showed that 61 per cent (57%) of the public wants to retain the monopoly. *Find out more on page 14*

Increased sales, unchanged consumption

Sales increased by 5.4 per cent to 404.8 million litres (384.0 m litres). Income increased to SEK 20,211 million (SEK 19,039 m). *Find out more on pages 22 and 49*

Employee satisfaction and health improved

The Employee Satisfaction Index (ESI) increased to 75 (74). Absence due to sickness fell to 6.1 per cent (6.5%). *Find out more on pages 35 and 37*

Retail monopoly makes a difference

The findings of a new international research report showed that alcohol consumption would increase by 29 per cent if the retail monopoly were deregulated. *Find out more on page 48.*

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 2007 financial year. The Directors' Report comprises pages 4–101, including Income Statements, Balance Sheets, Cash Flow Statements, Changes in Shareholders' Equity, and Supplementary Information and Notes. Systembolaget's Sustainability Report comprises pages 34–45.

Our mandate

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

- restricting availability through
 - the number of stores
 - opening hours
 - retail rules
- not attempting to maximise our profit
- not promoting additional sales
- being brand-neutral
- providing a high standard of customer service
- being financially efficient

Our vision

Systembolaget shall establish a healthy drinking culture whereby we can enjoy Systembolaget's drinks without harming either ourselves 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.

Sustainable social responsibility combined with good service

Systembolaget's mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health. In practical terms, this means that Systembolaget shall limit the availability of alcohol and shall sell alcoholic drinks responsibly and with consideration for the individual. Systembolaget shall work actively and long-term to implement its mandate in an environmentally, socially and ethically sustainable manner.

Systembolaget's sustainability report is based on the principles of the UN Global Compacts initiative with regard to the environment, human rights, corruption, and working environment. In 2007, Systembolaget began work on developing a platform for its sustainability work. Systembolaget also plays its part in achieving these goals within the framework of alcohol research in Sweden and has a long-standing involvement in alcohol-related issues in the form of the IQ initiative.

An important mandate – the President's Statement

The rise of four percentage points in the public opinion index in 2007 to a record-high 61 per cent shows that more and more people appreciate Systembolaget's focus on responsible selling and good service.

Things are continuing to go well for Systembolaget. Our strategic key ratios are stable or improving – proof that both customers and employees appreciate what we are doing. At the same time, the never-ending changes in the outside world mean that we must never stop developing and delivering on our mandate. The importance of Systembolaget's role is confirmed once more by a new research report known as the Holder Report. The abolition of Systembolaget's monopoly would, according to this report, lead to a steep increase both in alcohol consumption and in alcohol-related harm.

Increased market share

Systembolaget's sales increased by 5.4 per cent in 2007 while total consumption levels remained unchanged, according to The Centre for Social Research on Alcohol and Drugs at Stockholm University (SoRAD), which means that Systembolaget is continuing to take market shares. The percentage of total consumption is now back on a par with levels in conjunction with deregulation in 1995, i.e. 54 per cent. A healthy economic climate with rising private consumption and lower levels of personal imports by travellers were the primary reasons for the increase in sales, and Systembolaget's result consequently exceeded the yield requirement contained in the ownership directive once again in 2007, despite Systembolaget making substantial cuts in its margins in 2006. The result before tax was SEK 366 million, SEK 226 million of which was generated by the retail trade operations.

We are continuing to invest in our development work and in the new self-service store concept. 2007 saw us renovate a further 51 stores. We also sold the 102 Systembolaget-owned stores at the end of the year, and as a result, are now tenants in all of our stores which means we can focus even more intensively on our core operations.

Many challenges

Support for Systembolaget and the retail monopoly continues to grow with the public opinion index rising by four percentage points in 2007 to 61. This shows that more and more people appreciate Systembolaget's focus on responsible selling and good service. But we still face many challenges. We must continue to work on our responsibility and our service and must aim even higher. We have, for example, introduced a more detailed programme of following up on age verification checks in our stores, which will raise our standards even higher.

The qualitative content of our work must constantly improve. In 2007, for example, we worked on developing the store concept for our largest stores in order to improve the customer experience as part of our development work on good customer interaction. We place real emphasis on clear displays, good service and good, personal interaction with the customers.

We must also make sure that we continue at all times to develop our product range, and as part of these endeavours, we commissioned the highly reputed wine journalist, Jancis Robinson, to evaluate our range during the year. Her conclusion overall was that Systembolaget's range can hold its own well in any international comparison.

We have also started to develop a new platform for our sustainability work and have initiated a cooperative partnership with our Nordic sister organisations within the framework of CSR (Corporate Social Responsibility).

One of the important challenges we face in 2008 is how we are to handle the increasing trend towards distance selling. The ability to order online and collect the goods from a Systembolaget store, or from one of our agents, could mean a substantial improvement in the service we offer many of our customers while simulta-

“The ability to balance responsibility and service in the context of our day to day work is one of the reasons why Systembolaget's employees receive by far the highest satisfaction rating in our customer satisfaction surveys.”

neously allowing us to maintain the important age verification checks.

Employees taking responsibility

Systembolaget's employees are fully familiar with the company's mandate. Our annual employee survey shows high figures both for familiarity with our visions and goals (83) and for supporting them (87). The ability to balance responsibility and service in the context of our day to day work is one of the reasons why Systembolaget's employees receive by far the highest satisfaction rating in our customer satisfaction surveys. The quality of our work is also apparent in the Swedish Quality Index findings where Systembolaget's rating has increased substantially to 70.

An important mandate

Our mandate is an important part of our success. Systembolaget's social responsibility is the factor that has the biggest effect on satisfaction levels in our customer surveys. Everyone – employees, the public and customers – must understand why we have a monopoly.

Moulding public opinion is, therefore, an important aspect of our work in the future. We have a strong foundation, but I believe that together, we can make it even stronger.

Anitra Steen
President



”Support for
Systembolaget and
the retail mono-
poly increased by
four percentage
points in 2007.”

Good customer interaction

Systembolaget sells responsibly. Development work on interaction goes by the concept name of “Exemplary customer interaction” within Systembolaget. 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 adopt a healthy approach to alcohol.

Personal interaction

Systembolaget’s employees receive by far the highest satisfaction rating in our customer satisfaction surveys. The staff are experts in food and drink and provide high standards of service for their customers. The work in the stores is brand-neutral, and avoids promoting individual products or producers, which allows the advice to be provided entirely on the customer’s own terms. 104.9 million individual customer visits were made to Systembolaget’s stores in 2007 – the highest number ever.

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. 5,500 control purchases were made by 20–25 year olds in 2007, via an external company. The number of control purchases made varies, depending on the store’s turnover. Every store then receives details of how well it succeeded and can then use this information as a basis for improving its control routines. Systembolaget’s employees requested proof of age in 85 per cent of all control purchases in

2007 – a figure that is considerably higher than that reported for grocery stores in equivalent surveys. The selling rules are also communicated continuously in stores, on the website, on TV and in cinemas.

Systembolaget’s Customer Service Department interacts with customers over the phone and via e-mail. A total of 74,000 phone calls, 17,000 e-mails and a smaller number of letters and faxes were handled in 2007. The quality of our responses are followed up using Bright Index^{®*}, which has identified Systembolaget’s Customer Service Department as one of Sweden’s leading call centres. The unit has also won a number of prizes in recent years for the best phone and e-mail service in Sweden.

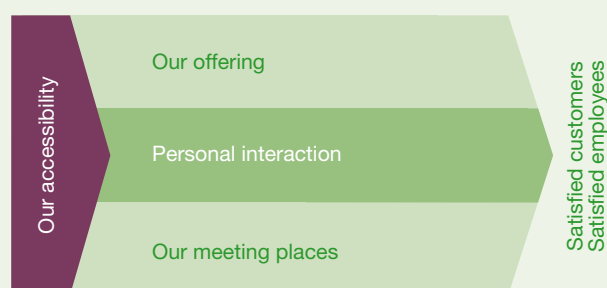
The offering

The offering comprises a wide and quality-tested range of over 2,100 wine, spirit, cider and strong beer items from 46 countries all over the world. The product offering is available nationwide at no extra cost. Those items not held in stock by the local store can be ordered in from Systembolaget’s own product depot, arriving, in most cases, at the store the next day. There are also over 5,100 items in an order range of products held in stock

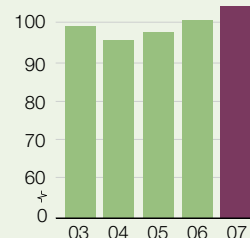
“Systembolaget does not sell alcoholic drinks to anyone under the age of 20, or to anyone who is obviously intoxicated or when there are grounds for suspecting illegal resale.”

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

Good customer interaction – a model



Total number of customer visits, million, 2003–2007





“Systembolaget also has supplementary services that contribute to the development of a healthy drinking culture. Tasting sessions were held in just over 30 stores in 2007.”

by Swedish importers and producers. Virtually any item can also, in principle, be ordered through Systembolaget's Private Imports service.

There are also a number of high quality alcohol-free products that serve as a complement to the range of alcoholic drinks. The alcohol-free products are bought in with the same care as the company's other products. 17 alcohol-free items were held in stock by all of Systembolaget's stores in 2007, and Systembolaget's customers bought 0.8 million litres of them during the year. Sales of alcohol-free products increased by 9.7 per cent in comparison with last year.

Systembolaget also has supplementary services that contribute to the development of a healthy drinking culture. Tasting sessions were held in 32 stores nationwide in 2007 and approximately 10,000 people took part in ca. 700 tasting sessions during the year. The most popular tasting sessions revolved around drinks that go with chocolate, and basic courses in red wines and malt whiskies. Systembolaget also organises drinks auctions twice a year in partnerships with the Stockholms Auktionsverk auction house. The auctions comprise valuable collectors' items and attract considerable interest. The two auctions held in 2007 generated SEK 9.2 million.

An advertising campaign in the spring of 2007 saw Systembolaget announce a competition to submit proposals on how Systembolaget's service could be improved – without increasing alcohol consumption. The winning suggestion involved the opportunity to make an appointment in store for personal advice on drinks. The winner was invited to a dinner with the winner of the

Chef of the Year competition. The new service was tried out in 28 stores in the autumn and will be evaluated in early 2008.

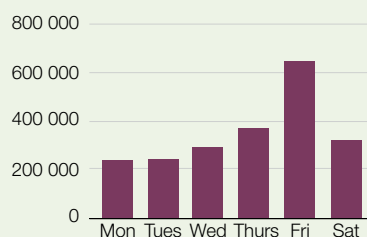
Meeting places

The self-service store concept has been expanded since its introduction in 2001. The goal is for all stores to implement the new concept, which has been undergoing constant development since its inception, by the end of 2010. The focus in 2007 has been on improving the customer experience and increasing the clarity of display in the biggest stores. A large scale test was launched in the Haninge store during the autumn for evaluation in early 2008.

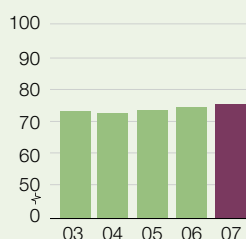
“A healthy drinking culture” and “alcohol & health” were communicated in the stores in 2007 over the course of four big campaign periods. Two editions of Systembolaget's Catalogue were published and four editions of the customer magazine, “Bolaget”, were published in 2007. Activities were also held in connection with the alcohol-free product range and young customers who produced proof of age without being asked were rewarded with a small gift.

Systembolaget's website, www.systembolaget.se, is another meeting place and one that had 10.4 million visits in 2007. 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. The stores' opening hours are another popular function and there is also a large section on the risks associated with alcohol.

Customer visits, by days of the week, 2007



CSI, 2003–2007



Store of the Year - Gällivare

The Store of the Year competition is held every year and is an important part of the work aimed at improving and establishing good customer interaction. The winners are nominated during the autumn in a series of rounds of the competition, with the winner declared in the competition final. February 2007 saw the Gällivare store declared Store of the Year, with the citation "The store welcomes its customers in an orderly and disciplined manner, with shared responsibility and a great deal of pleasure. A positive and committed managerial team create job satisfaction and a team spirit and leave nothing to chance. The store is a shining example of the Systembolaget chain of stores." The entire staff team at the store were treated to a four-day training trip to Spain in September with the company management taking care of the store's customers for one of the days.

Greater and greater customer satisfaction

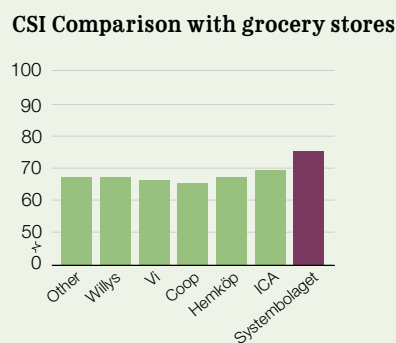
A large-scale customer survey is carried out every year by an external survey company during which over 60,000 customers are given the chance to rate Systembolaget and its stores. The Customer Satisfaction Index (CSI) rose for the third year in succession in 2007, this time by one point to 75. The areas that showed the biggest increases were social responsibility and value for money. No quality area reported 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.

Systembolaget compares well with other retail trade

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

Customers also showed increased support for the monopoly. In the annual Customer Satisfaction Survey, Systembolaget asks its customers if they would vote to retain Systembolaget and the monopoly in a referendum. Support increased by a further three percentage points from last year and by nine points in comparison with 2004, and now has a rating of 56.

"The Customer Satisfaction Index (CSI) increased for the third year in succession by one point to 75 in 2007."



Mandate, goals and strategy

Systembolaget's 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 differs from other companies in that we do not engage in active marketing or attempt to boost sales."

An important mandate

Systembolaget's mandate is to help limit the medical and social harm caused by alcohol and thereby improve public health. Systembolaget's mandate entails limiting total alcohol consumption 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. In other words, we shall implement age verification, shall not sell alcohol to intoxicated persons, and not sell when there are reasons to suspect illegal resale. Systembolaget's operations shall also 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.

Our role 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 private profit motive

If Systembolaget is to carry out its 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. This also means that Systembolaget is brand-neutral, i.e. that no supplier or individual product is either discriminated against or favoured.

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, including, for example, 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 and the retail monopoly may change with them, the critical factor is that the monopoly 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. The strategic plan is a multi-year plan that is revised every third year. The plan forms the basis for the annual work on operational development and budgets. The operating plan breaks down the overall strategies and strategic goals operationally into development projects and strategic activities. In the autumn of 2006, the Board of Directors laid down a strategic plan that runs until 2010. The next revision is scheduled for 2009 and will cover the years up to and including 2013.

Systembolaget's vision, business concept and core values

The basis for Systembolaget's operations lies in its social mandate. The operations are planned and organised on the basis of our vision and our business concept.

Vision

We shall establish a healthy drinking culture, whereby we can enjoy our drinks without harming either ourselves or other people.

Business concept

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

Core values

Systembolaget's core values of consideration, expertise and inspiration guide us in our mandate, in the development of our operations, in our management and in the way we deal with our customers and each other.

Consideration means that we care. We show respect for everyone we encounter in our work. We do not sell to just anyone, specifically, we do not sell to people 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.

Expertise is, when coupled with consideration, what makes Systembolaget unique. Our expertise can be found in our product range, our quality and 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.

"Systembolaget shall be brand-neutral. This means that all products, suppliers, and producers shall have equal opportunities."

Operations

Systembolaget's operations are illustrated by the process chart. A process, whereby goods are bought in, distributed to the stores and sold to the customers, is conducted on the basis of the public's expectations and the customers' requirements.

Public and customer

The concepts, "public" and "customer" are a means of illustrating the requirements for both social responsibility and good service inherent in Systembolaget's mandate. Customers are also members of the public, but there are some members of the public who are not Systembolaget customers. The public concept refers to everyone who has an interest in Systembolaget's operations and who shares in the benefits it provides. Customer satisfaction shall be achieved within the framework of the public's wishes with regard to public health.

Brand-neutrality and responsibility

Systembolaget shall be brand-neutral. This means that all products, suppliers, and producers shall be treated the same. This places special demands on the first part of the primary process, Buying- in and distributing products in a brand-neutral way. The second part of the primary process, Selling responsibly, means selling in full compliance with the requirement for age verification and other retail regulations and ensuring that the no private profit motive principle is applied in other ways too.

Balanced scorecard

Systembolaget's strategic and operational planning is based on a model that incorporates a so-called balanced scorecard, whereby management focuses on four different perspectives: society, customers, employees, and finances.

Society

This perspective comprises Systembolaget's social responsibility and public support for the monopoly. Systembolaget's retail monopoly plays an important part in the sale of alcohol and is designed to minimise the profit motive and competition that would increase both alcohol consumption and harm caused by alcohol. But it is also designed, by means of efficient age verification, to discourage access to alcohol by young people under the age of 20.

Customers

Systembolaget shall be perceived by its customers as a leading retail chain in terms of product range, expertise, service, and responsibility. Given the demands of both our owners and the market, it is important that the company behaves in a businesslike way. This means a continued focus on the customer. It does not, however, mean that Systembolaget should endeavour to increase sales by marketing alcoholic drinks.

Process map, overall



Employees

Systembolaget shall be an attractive workplace and shall offer its employees good opportunities for development. Success depends on the company having competent and committed employees and on our being able to attract, retain, and develop motivated employees.

Finances

The operations shall be profitable, shall generate the scope for corporate development and renewal and shall yield a return in line with the owners' requirements. Profitability shall be achieved by running the operations efficiently and simultaneously meeting customers' demand for good service. The owner's directive states that Systembolaget's return on shareholders' equity shall, in the long-term correspond to the ten-year government bond interest rate plus four percentage points.

Key performance indicators for following up

The Board of Directors has established overall objectives for each of these perspectives. A number of strategic key performance indicators have also been defined for the Parent Company, to enable development and our success in achieving our goals over the years to be measured. Measurements were carried out in 2001 to set the base level for each key performance indicator. The strategic plan specifies target levels to be achieved by 2010 for each key performance indicator.

Steering the stores

The stores' operations are run with the aid of key performance indicators for the four balanced scorecard perspectives. Key performance indicators are structured to ensure that the focus on income is minimised and are followed up continuously to facilitate evaluation and planning of the stores' operations.

Key performance indicators relating to the societal perspective reveal the results of age verification tests in stores. The key performance indicator measures the percentage of instances when proof of age is requested as a percentage of the total number of test purchases. Test purchases are carried out by people aged between 20 and 25.

The financial perspective's key performance indicators include work productivity levels and wastage. Work productivity levels measure how effectively the store adapts its personnel deployment to sales volumes.

The Customer Satisfaction Index (CSI) is the key performance indicator for the customer perspective, whilst for the employee perspective the key performance indicators are the Employee Satisfaction Index (ESI) and absence due to sickness.

The store managers plan the key performance indicators for the coming year every autumn, in consultation with the regional managers. The goal for age verification is always, however, 100 per cent for the stores. These objectives are followed up regularly.

Systembolaget's strategic key performance indicators and targets

Perspective	Strategic key performance indicators	2002	2003	2004	2005	2006	2007	Target level 2007	Target level 2010
Society	Opinion index, %	50	55	53	55	57	61	57	60
	Age verification, %	79	83	84	89	88	85	90	93
Customer	Customer Satisfaction Index (CSI)	73	73	72	73	74	75	74	75
Employees	Employee Satisfaction Index (ESI)	68	69	69	70	70	72	71	73
Financial	Trading margin ex. alcohol tax, %	26.1	25.1	25.2	25.5	24.3	23.1	23.3	23.0

Target achievement

The social perspective

Opinion index – public opinion's confidence in Systembolaget has never been higher since 2001 than it was in 2007. Systembolaget's social mandate is the most important reason for Swedes' desire to retain Systembolaget. In 2001, 49 per cent of the public wanted to retain Systembolaget's retail monopoly. The corresponding figure in 2007 is 61 per cent, which is considerably higher than the target figures set for the year.

Age verification – Systembolaget is engaged in a long-term effort to ensure that people under the age of 20 cannot buy alcohol. A new method involving higher quality requirements for implementation of control purchases was introduced during Q1 2007, and comparability with previous years' figures is, therefore, limited. The target in 2007 was for proof of age to be requested in at least 90 per cent of control purchases made by people aged between 20 and 25. The result was that proof of age was requested in 85 per cent (88 per cent) of the purchases made in stores. The result by age group was as follows: ages 20–21 (93 per cent), aged 21–22 (92 per cent), aged 22–23 (88 per cent), aged 23–24 (80 per cent), and aged 24–25 (77 per cent). The total result for control purchases made from agents was 52 per cent (91 per cent). The weak results for our agents will lead to the implementation of remedial measures including clarifi-

cation of individual agents' responsibilities, training in age verification checks for the agents and more frequent control purchases.

The customer perspective

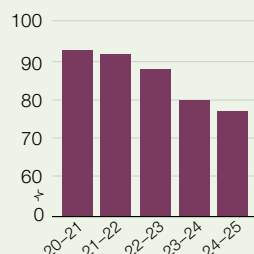
CSI – Levels of customer satisfaction with Systembolaget are measured every year using the Customer Satisfaction Index (CSI). The result for 2007 was 75 (74). Satisfaction levels have increased amongst both customers of both self-service stores and over-the-counter stores. Systembolaget's store personnel are the aspect of the customer relationship most appreciated by the customers and which is awarded the highest rating by customers in the satisfaction surveys.

The aspects that showed the biggest increase were social responsibility, value for money and attitudes towards Systembolaget. Customers also showed increasing support for the monopoly. All of the stores receive detailed results for their individual outlets for use as source data in their improvement work.

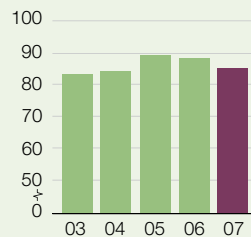
Customer satisfaction levels with regard to Systembolaget's personnel continue to be very high, with a CSI of 75 during 2007, which is one of the highest values in the retail sector as a whole. Systembolaget aims to achieve an even better result in the year ahead.

” Customer satisfaction levels with regard to Systembolaget's personnel continue to be very high, with a CSI of 75 during 2007.”

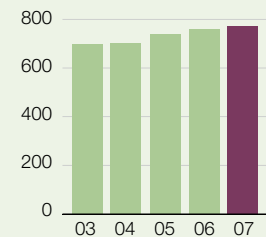
Age verification checks, 2007, per cent
result broken down by the age of test purchasers



Age verification checks, 2003–2007, per cent



Productivity in stores, work units per day's work



The employee perspective

ESI (Employee Satisfaction Index) - the 2007 result is 72 (70), which shows, amongst other things, that employees are satisfied with their opportunities for development and with Systembolaget's goals and visions. ESI is an important indicator of the psychosocial work environment within the company.

The areas reporting the biggest increase in this year's measurement are duties, opportunities for development, the company as a whole and the management index. In the company as a whole, high marks are principally awarded in response to questions about the company's visions and goals and about confidence in the management. Goals and visions are perceived by the employees as being something they can support and which are, in their opinion, communicated clearly within the company. The question of whether the right people are being appointed to managerial positions also showed a substantial increase between 2006 and 2007.

The financial perspective

The owner's directive states that Systembolaget's profit shall, in the long term, correspond to a return on shareholders' equity of four percentage points above the ten-year government bond interest rate. For 2007, this means a return of approximately 8.2 per cent. Systembolaget is not a profit-maximising company and there is hence no reason to strive for a return that exceeds that specified by the owner.

Systembolaget's efficiency has increased in recent years, both in the stores and at Head Office, and this, coupled with a not insignificant increase in sales volumes, has resulted in the company's return substantially exceeding that specified in the government's owner's directive. Systembolaget accordingly decided in 2006, and in accordance with the owner's directive, to reduce its trading margin by cutting prices. Systembolaget's trading margin was cut by a total of ca. 4.5 per cent in 2007. Increased sales have led to a slight increase in in-store staff overheads in 2007. Work productivity reflects the number of units sold per day's work and is measured daily in every store. Efficiency, measured in terms of work productivity has increased from 766 in 2006 to 775 in 2007, corresponding to an improvement in efficiency of 1.2 per cent.

An increase of SEK 46 million in administration costs to SEK 347 million (SEK 301 m) is primarily due to increased IT costs in connection with development projects and to a slight increase in depreciation.

Retail trade sales

Net sales per product category, SEK m	2002	2003	2004	2005	2006	2007
Sprit	6 166	5 864	5 107	4 999	5 026	5 176
Wine	8 161	8 449	8 382	8 765	9 316	10 048
Beer	3 874	3 956	3 560	3 661	3 986	4 246
Cider and mixed drinks	502	604	556	555	586	599
Alcohol-free	13	17	20	22	23	27
Other	92	95	83	81	102	115
Income in SEK	18 808	18 985	17 708	18 083	19 039	20 211
Gross profit	2 552	2 499	2 371	2 461	2 525	2 567
Gross margin, incl. alcohol tax, per cent	13.2	13.2	13.5	13.7	13.3	12.7
Gross margin, excl. alcohol tax, per cent	25.5	25.1	25.2	25.5	24.3	23.1

Public opinion

Public support for Systembolaget and the retail monopoly has strengthened still further in 2007. The public opinion index has risen from 49 per cent in favour in 2001 to 61 per cent in 2007.

There is considerable support in Parliament for a retail monopoly in the sale of alcoholic drinks in Sweden, for public health reasons. The Swedish public's view of the way in which Systembolaget handles this assignment is critical to public acceptance of the monopoly. The aim is, therefore, to develop the operations such that a balance is maintained between service and responsibility in order to retain the efficiency of the alcohol policy instrument and an acceptance thereof amongst the public and customers.

Positive trend

The Opinion Index (OPI) is one of the strategic key performance indicators and is measured every month. The key performance indicator comprises the average value of the year's measurements. The public are asked to answer 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?" Measurements began in 2001, when 49 per cent of the Swedish public chose Systembolaget. The trend since then has been positive and in 2007, 61 per cent answered "Systembolaget" in response to the same question. Support amongst the public strengthened still further during the autumn of 2007, and during the last quarter of the year, the average Opinion Index figure was 62 per cent. Levels of support for the monopoly are slightly higher amongst women than men. Support is also higher in the youngest and oldest age groups (15-29

and 65+, respectively), and in the northern part of the country. The percentage of those who are uncertain remains relatively constant at between 6 and 8 per cent.

Strong support amongst customers

In conjunction with the annual Customer Satisfaction survey, Systembolaget asked 60,000 customers if they would vote to retain the retail monopoly in a referendum. Support for retention of the monopoly strengthened still further in 2007 and is now at 56 (in comparison with 47 the first time measurements were taken in 2002).

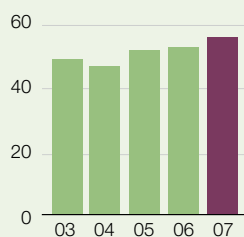
Controlled selling important

The main reasons for the support of those who wanted to retain the monopoly were a desire for alcohol to be sold in a controlled manner – to protect young people and to promote public health – and satisfaction with Systembolaget's product range. The main reasons cited by the just under one third of respondents who wanted the monopoly to be abolished were a dislike of monopolies on general principles and a desire to see an improvement in availability and opening hours. Systembolaget continued to stress the importance of Systembolaget and the retail monopoly in 2007, primarily in advertisements in the daily papers and on the website.

"Public opinion's confidence in Systembolaget has never been as high since it was first measured in 2001 as it was in 2007."

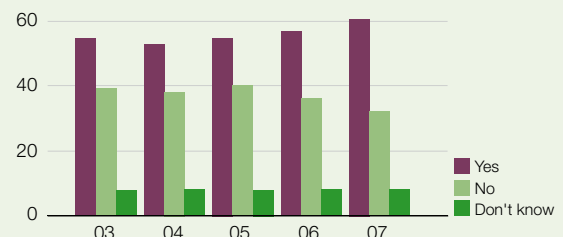
Support in the CSI

"How likely is it, on a scale of 1–10, that you would vote to retain Systembolaget's monopoly?"



Opinion index, average yearly values, per cent

"Do you think that Systembolaget and the monopoly on the sale of strong beer, wines and spirits should be retained (yes), or would you prefer strong beer, wines and spirits to be sold in other stores (no)?"



Vad skulle spriten kosta om den såldes i mataffären?



En internationell forskargrupp visar att om alkoholen såldes i mataffären skulle alkoholkonsumtionen öka och alkoholförbrukningen öka. Detta skulle också innebära att alkoholförbrukningen ökar. Detta skulle också innebära att alkoholförbrukningen ökar.

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(Vill du veta hur forskarna kom fram till sina slutsatser? Hitta du hela rapporten på folkhalsoinstitutet.se)

*Ett av flera studier som visar att om alkoholen såldes i mataffären skulle alkoholkonsumtionen öka och alkoholförbrukningen öka. Detta skulle också innebära att alkoholförbrukningen ökar.

En glad nyhet om sjukdom, misshandel och död.



Harold Holder, internationell forskargrupp har just undersökt vad som skulle hända om svenska alkoholen såldes i mataffären. Detta skulle också innebära att alkoholförbrukningen ökar. Detta skulle också innebära att alkoholförbrukningen ökar.

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Precis som du trodde: Det är inte så effektivt med ett statligt monopol.



Försäljningen av starköl, vin och sprit skulle effektiviseras rejält om monopolstaten försvann. Inköpsstälarna skulle bli många fler, och de flesta skulle ha generösa öppettider. Systembolaget, försäljningen skulle också bli mycket mer aktiv, med lockande priser, erbjudanden och annat. För de flesta varor skulle det här vara enbart positivt, men när det gäller alkohol är det lite mer komplicerat. En internationell forskargrupp har just undersökt vad som skulle hända om starköl, vin och sprit såldes i mataffären. De kom fram till att det skulle ge följande konsekvenser: Ökningen skulle kunna bli större. Men alkoholen såldes i mataffären skulle alkoholkonsumtionen öka och alkoholförbrukningen öka. Detta skulle också innebära att alkoholförbrukningen ökar.

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In August 2007, an international group of alcohol research scientists produced a report on the potential consequences of the abolition of the alcohol monopoly. The research group was headed by American research scientist, Harold Holder. The report showed that alcohol consumption would probably increase by 29 per cent and that alcohol-related harm would increase dramatically. Systembolaget published three advertisements giving details of the report during the autumn.





Good customer interaction in the store

Interacting with customers in Systembolaget's stores is all about selling responsibly. The customer should receive the best possible service without being tempted to buy more than they had initially intended. Systembolaget's sales personnel are the area that receives by far the highest rating from our customers. The advice given is personal and is given entirely on the basis of the customer's own requirements. The selling rules, which require age verification checks of young customers, amongst other things, are an important aspect of the selling work. 104.9 million customer visits to Systembolaget's stores took place in 2007.

Purchasing and supply of goods

Requests for tender are issued for a variety of products on the basis of the launch strategy. In 2007, Systembolaget received 15,886 tenders and sampled 9,716 products.

”Systembolaget launched 1,450 new products in 2007 and had 330 active suppliers.”

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 shall be 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 1,450 new products in 2007 and had 330 active suppliers.

The purchasing process – step by step

Drawing up the product range strategy

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. The analysis is summarised in an annual launch strategy.

Requests for tender issued

Requests for tender are then drafted on the basis of this strategy. A request for tender specifies, amongst other things, the type of product, red wine, for example, and often the country of origin and price band. All registered suppliers (583 in 2007) receive the request for tender and are invited to submit their tenders. If the tender is correct, a number of products are selected and samples are requested. In 2007, Systembolaget received 15,886 tenders and sampled 9,716 products.

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 in terms of taste and bouquet. The product with the highest average rating from each request for tender is bought. The products bought after tasting are then analysed by Systembolaget’s own laboratory in Jordbro before being launched in the stores.

Characteristics established

The products are also tasted by a characteristics tasting group that specialises in describing the products. The descriptions of taste and bouquet and the pie-chart ratings for acidity and sweetness, for example, found in the Catalogue, on shelf-labels, or on the website, are based on their collective opinion.

Wine columnists invited

Before sale of the products selected begins in the stores, Swedish wine columnists are invited to try all the new products and all of the wines of a new vintage, free of charge.

Sensoric quality control

In the days immediately before sale of the products begins in the stores, buyers sample the products delivered to the stores to check that the product delivered is the same as the one tendered and selected.

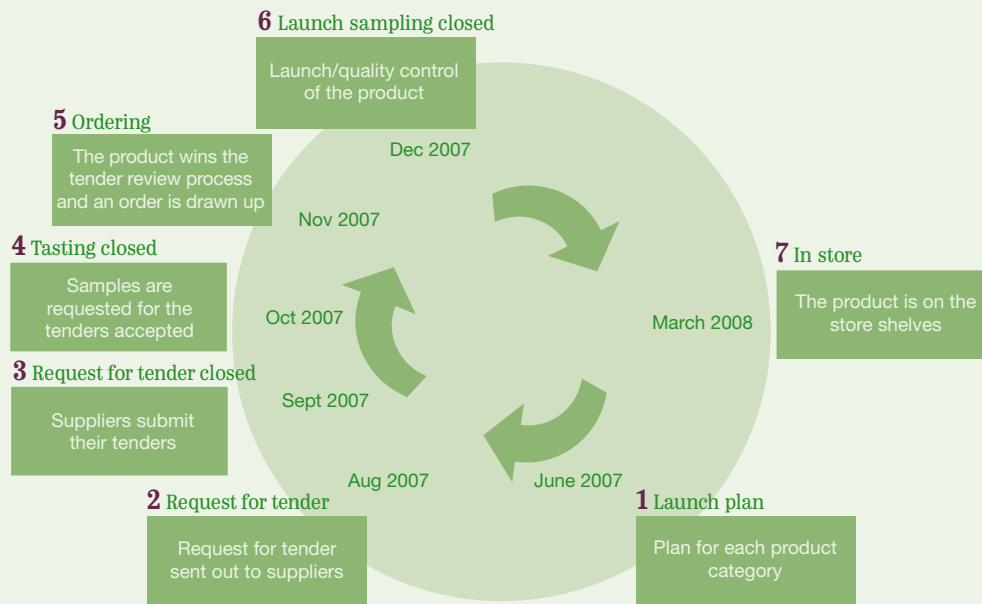
The Jordbro laboratory

Systembolaget’s laboratory is located in Jordbro. The laboratory is accredited and checks the chemical properties of the drinks that make up Systembolaget’s product range. The laboratory is part of Systembolaget’s Purchasing & Supply Chain Management and was established in 1996.

Continuous analysis

New products are analysed before launch and the fixed product range is checked once a year. The laboratory also analyses complaints relating to Systembolaget’s products and carries out external analysis work. The laboratory works in partnership with Alko (Finland), Vinmonopolet (Norway), wine and spirits importers, the National Food Administration, the Swedish Ministry of Agriculture, Food and Fisheries, and Swedac (the Swedish Board for Accreditation and Conformity Assessment).

The purchasing process, a model

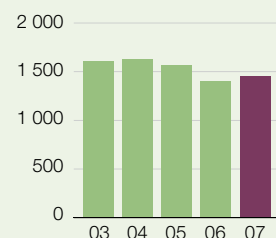


Number of brands in the fixed product range

The number of brands in Systembolaget's fixed product range, 1975–2008 (in January of each year)

Year	Spirits	Wines	Cider and 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

No. new launches, 2003–2007



3,000 samples every year

The laboratory handles approximately 3,000 samples every year. Up to 10 analyses of every sample are carried out, checking for the presence of methanol (wood alcohol) or sulphur dioxide and measuring alcohol and sugar content.

Special analyses are also carried out to discover any residues from pesticides, preservatives, metals, fungicides and colourings.

High quality products

The analysis work is preventative. Suppliers and producers know that Systembolaget carries out extensive chemical checks, so they are careful about quality. The most common fault is a discrepancy in the alcohol strength, although this is very unusual.

Distribution of products to the stores

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.

Automatic ordering suggestions

The store receives an order proposal from the agreed product range automatically every day. The order proposal is based on sales statistics unique to the items and the store, on forecast sale trends, the current stock situation per item, and the distribution schedule per store and distributor.

Ongoing follow-ups

A number of logistical experts work continuously planning deliveries to the stores which can have a substantial effect on the store's ability to work in a rational manner. An electronic event system has been developed and introduced in all of the stores to ensure that information can be received quickly and feedback provided to the distributors.

Nationwide delivery requirement

Systembolaget buys the drinks it sells from the suppliers and the contract includes delivery to the various Systembolaget stores. All suppliers must have a nationwide distribution system that ensures rapid and reliable delivery to every store. The suppliers are free to decide either to use external distributors or to make the deliveries themselves. In 2007, there were just over ten or so nationwide distributors who distributed drinks 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. In order to limit the number of individual deliveries, which is desirable from an environmental viewpoint, Systembolaget has worked actively to encourage the distributors to use a single transport firm for final delivery to the individual store, wherever possible.

Product depot ensures fast service

Systembolaget offers its customers a service that enables them to order products from Systembolaget's entire range from an individual store. The products are delivered to the store within 24 hours at no extra charge to the customer. Deliveries to Gotland or stores north of Sundsvall can take up to 48 hours. Systembolaget has a product depot in Örebro that delivers customer-unique pick orders, to enable this service to be provided. In 2007, the product depot delivered a total of 906,147 bottles via 273,497 orders.

Lagena Distribution AB

Lagena's deliveries to Systembolaget continued to increase in 2007 and accounted for ca. 20 per cent of the total volume of drinks sold. Lagena distributed a combined total of ca. 82 million litres (75 m) of drinks to Systembolaget.

Systembolaget decided to establish a subsidiary company, Lagena Distribution AB, for the transport of alcoholic drinks in Sweden in conjunction with Sweden's accession to the EU in 1995. The aim was to ensure that all suppliers, large and small, could, if they wished, have their products distributed to every Systembolaget store. Lagena operates in competition with other third party logistics companies.

Increased deliveries

Lagena distributed approximately 82 (75) million litres of drinks to Systembolaget in 2007, corresponding to approximately 20 per cent of the total volume of drinks sold. The majority of Lagena's clients are smaller suppliers with the ten biggest suppliers accounting for approximately 50 per cent of Lagena's total volume.

Steep growth in volume

Lagena posted a profit for 2007 of SEK 4.9 million and the volume of products it delivered increased by 9 per cent in comparison with 2006. This steep growth in volume was due to the large number of successful launches at Systembolaget by Lagena's customers during the year.

This growth in volume led to a shortage of picking capacity, warehouse space and picking locations at Lagena. Lagena has complemented its existing facilities with an external warehouse to enable it to meet market demand.

Trans-shipment project

Lagena has been conducting a trans-shipment project for distribution to stores since 2006. Trans-shipment offers substantial advantages from both an efficiency and environmental viewpoint. A number of partnerships with breweries and distributors will be launched within the framework of the project in early 2008. The project will continue to develop during 2008 and 2009, with further implementation of customer volumes. Lagena has approved a number of investments in connection with the project, primarily in relation to eco-friendly vehicles and IT development. The preparatory work for trans-shipment had a negative effect on Lagena's result of SEK 1.7 million in 2007.

Measures to increase capacity

Lagena has implemented a number of measures designed to boost capacity in 2007. The company is, for example, rebuilding its incoming deliveries unit to automate more of the flow directly into the warehouse as part of its efforts to create a more integrated operational flow. This project will enhance both operational capacity and operational quality. Lagena is also investing in a new plastic robot that will shift the flow after consignments are wrapped in plastic to an outgoing loading area with driverless trucks.

The pricing structure has also been reviewed in 2007, leading to some redistribution primarily between volume goods and pick handling.

"Systembolaget's subsidiary, Lagena Distribution AB, transports alcoholic drinks throughout Sweden."

Lagena Distribution AB, key performance indicators

	2003	2004	2005	2006	2007
Volume, no. consignments	7 202 491	6 931 653	7 493 924	8 065 757	8 643 138
Net sales, SEK k	233 580	229 566	269 890	284 133	314 708
Net profit for the year, SEK k	2 542	6 039	18 910	7 661	4 929

Product range

Systembolaget's wide range of spirits, wines and strong beer are one of the most important quality areas in terms of customer satisfaction. 1,450 new products were launched in 2007.

"Systembolaget is actively working to improve the quality of the alcohol-free range."

Fixed and temporary product range

Systembolaget's product range has two components – 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. Anything not held in stock in the local store can be ordered from Systembolaget's product depot in Örebro and is delivered 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.

Ca. 540 items in the smallest store

The entire breadth of our extensive range is available for order in every store. Even the very smallest stores stock approximately 540 of the most popular items, whilst the biggest store – the wine cellar store in Stockholm – always has a range of approximately 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.

1,450 new products in 2007

Systembolaget's range contained a total of 1,450 new launched products in 2007. A further 780 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 – whether they "qualify" – depends entirely on what the customers choose to buy.

Customers satisfied with the range

The annual Customer Satisfaction Index 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.

Increased sales

Systembolaget's sales increased by 5.4 per cent in 2007, measured in terms of litres sold. Increases were repor-

ted in all product groups with the exception of cider and mixed drinks. Sales of alcohol-free products showed the biggest growth at 9.7 per cent. The percentage increase in sales was slightly bigger in the southern provinces (Skåne, Blekinge and Halland) at 6.3 per cent than in the rest of Sweden where sales grew by 5.3 per cent. The increase in the southernmost provinces was most pronounced in Skåne.

Australian wines selling more

Systembolaget's fixed and temporary ranges contain just over 1,700 different wine items from 27 countries worldwide, and a further 3,500 in the 'available for order' range. 159.9 million litres of wine were sold in 2007, corresponding to an increase of 6.0 per cent in comparison with last year. The most popular wine-producing countries overall were Australia, South Africa and Italy. Wines from South Africa, Germany and Australia accounted for the biggest percentage of white wine sales, while wines from Australia, Italy and Spain were the biggest sellers in the red wine category. Both Australia and Italy consequently overtook Spain which has enjoyed the biggest percentage of red wine sales in recent years. Wines from Australia reported a substantial increase in sales in 2007. Wine accounted for 39 per cent of sales by volume in 2007. 55 per cent of red, white and rosé wines were bought in bag-in-box format in 2007, corresponding to an increase of 6.2 per cent in comparison with 2006. Sales of bottled wines primarily increased in the slightly more expensive segments. The biggest increase – one of 21 per cent – was reported in the SEK 100 and upwards pricing band.

Strong beer from 26 countries

207.1 million litres of strong beer were bought at Systembolaget in 2007, corresponding to an increase of 5.9 per cent in comparison with last year and giving the highest sales figures ever for strong beer. Systembolaget's fixed and temporary ranges contain ca. 375 strong beer items from 26 countries and just over 300 more from a further 8 countries are included in the 'available for order' range.

Spirit sales continue to increase

Prior to 2006, spirit sales had fallen steadily over the past 25 years, but in 2006, the trend reversed and sales increased slightly. Sales increased still further in 2007

and Systembolaget sold a total of 19.3 million litres of spirits during the year. This corresponds to an increase of 2.3 per cent in comparison with 2006, which is the biggest percentage increase seen since the early 1980s. The most popular types of spirit were non-spice schnapps/vodka and blended Scottish whiskies while other types of whisky and the most expensive Scottish malt whiskies accounted for the biggest percentage increase.

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 9.7 per cent in 2007 and accounted for approximately 0.2 per cent of sales volumes. Systembolaget is actively working to improve the quality of the alcohol-free range and alcohol-free alternatives are always presented alongside the alcoholic drinks in the stores' food and drink campaigns.

Big increase for organic products

Sales of organic products at Systembolaget have mirrored the general organic trend and have increased substantially in recent years, growing by 71 per cent in 2007. Organically grown products mean that producers and suppliers take responsibility for ensuring that the product is produced in accordance with EU requirements for organic cultivation and that EU-approved labelling is present on the label/packaging. Organic drinks still comprise only a small percentage of total sales volumes at 1.0 per cent in 2007. Systembolaget will renew and expand its range of organic drinks, primarily with regard to wine in the over SEK 70 price group, in order to satisfy this rising level of demand.

Private imports increasing

If a customer wishes to buy a product that is not included in its range, Systembolaget will import the product within the framework of its Private import service. There were a total of 6,855 private imports in 2007, corresponding to an increase of 45 per cent in comparison with last year.



Marie Nygren, Purchasing Director

Marie Nygren has been the new Purchasing Director and Vice President of Systembolaget since 1st September 2007. Marie has worked as a Store and Area Manager at Konsum, been the President of Stor & Liten, and the Purchasing Manager at Coop. Her previous position, prior to joining Systembolaget, was as President of Apoteket's subsidiary, Adara, which is responsible for Apoteket's products that are subject to competition.

Why did you take on the job of Purchasing Director?

Because Systembolaget is an exciting company that has an important role to play in society. It's a company that makes a difference. Working for a company with values that I can personally support has always been vital for me when choosing an employer.

What do your roles as Purchasing Director and Vice President mean?

Generating the preconditions for an even more efficient product flow and developing both the product range and our employees. I'm responsible for over 80 employees in a number of different functions, such as Logistics, Product range, Analysis, Administration, Purchasing, Sensorics & control, and the laboratory at Jordbro. As Vice President, I'm involved in the Board's work and in developing Systembolaget as a company.

What's the first thing you did in your new job?

I started by getting to know the staff. Good relationships amongst employees create enthusiasm and commitment – factors that lay the foundation for positive development. This is something I've learned in my previous jobs. I've also been working with those around me on an analysis of the current position in every area to see what we need to do in the future.

What's your biggest challenge?

Continuing to develop Systembolaget's fantastic range and balancing Systembolaget's important alcohol policy mandate with providing good service for our customers – which is why continuing to work in close partnership with Systembolaget's sales organisation is so important.

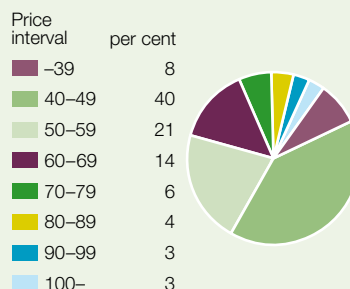
And finally, what's your favourite drink?

Sparkling wine to go with my favourite dish, shellfish.

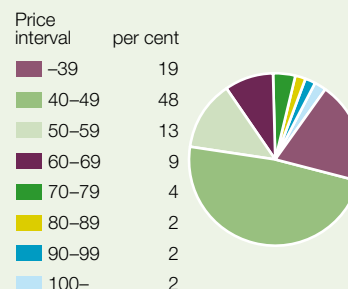
Sales in litres by product group, 2007, per cent



Systembolaget's sales of red wine by the litre in 2007, broken down into price groups (calculated as SEK per 75 cl)



Systembolaget's sales of white wine by the litre in 2007, broken down into price groups (calculated as SEK per 75 cl)



Systembolaget's sales by province per head of population in 2007, compared with 2006 (litres)

Province	Spirits		Wine		Beer		Cider and mixed drinks		Total, pure alcohol	
	Litres	%	Litres	%	Litres	%	Litres	%	Litres	%
Stockholm	2.04	0.2	23.72	3.7	24.76	4.2	1.74	-0.7	5.33	3.6
Uppsala	1.84	1.0	17.67	4.2	21.36	3.4	1.87	-3.4	4.27	3.6
Södermanland	2.29	1.2	18.63	5.3	24.90	5.1	2.34	-2.2	4.80	4.5
Östergötland	1.92	0.8	14.86	5.0	20.41	3.6	1.93	-3.3	3.91	3.9
Jönköping	1.69	1.1	10.36	6.9	18.93	4.5	1.69	0.3	3.13	4.9
Kronoberg	2.07	1.7	11.51	6.7	17.42	4.1	1.69	-2.4	3.33	4.8
Kalmar	2.53	3.3	14.75	8.2	24.16	5.5	2.28	-0.5	4.35	6.2
Gotland	2.91	-1.8	23.21	3.3	29.65	-2.0	3.01	-7.0	5.89	0.7
Blekinge	2.14	1.5	11.91	6.3	16.45	3.7	1.74	-2.9	3.39	4.3
Skåne	1.51	2.5	12.87	6.3	11.26	5.8	1.21	2.6	2.94	5.7
Halland	1.81	0.6	14.41	5.1	15.51	4.8	1.64	-1.2	3.51	4.3
Västra Götaland	2.04	2.6	17.27	5.7	22.00	5.4	1.91	0.2	4.33	5.2
Värmland	3.57	2.0	22.32	6.7	35.43	8.2	2.72	-0.9	6.32	6.1
Örebro	1.96	3.1	13.40	6.4	24.35	6.5	2.21	-0.7	3.97	5.7
Västmanland	2.08	2.5	16.46	5.5	24.79	7.6	2.42	-1.6	4.45	5.7
Dalarna	2.39	4.1	16.14	6.4	28.05	8.9	2.63	-0.2	4.68	6.7
Gävleborg	2.42	3.1	15.73	6.2	26.41	6.4	2.36	-3.3	4.54	5.6
Västernorrland	2.79	1.8	17.02	5.1	26.83	4.9	2.65	-4.8	4.91	4.2
Jämtland	4.21	1.7	23.94	5.4	40.26	5.6	3.41	-3.6	7.10	4.6
Västerbotten	2.64	2.2	16.67	5.7	30.78	4.9	2.84	-6.2	5.00	4.5
Norrbottn	2.26	1.9	15.45	6.9	33.35	5.6	3.28	-4.4	4.88	5.2
Whole country	2.1	1.66	17.39	5.27	22.58	5.15	1.97	-1.53	4.42	4.69
Whole country per inhabitant aged 15+	2.55	1.5	21.09	5.1	27.38	4.9	2.39	-1.7	5.36	4.5

The population figures are for 1st November 2007.

Systembolaget's wine sales (excl. fortified wines) by producing country, 2003–2007 (1,000 litres)

Country	2003	2004	2005	2006	2007	% 2007	Percentage change 2007/2006
Australia	11 011	13 666	14 768	19 357	25 488	16.5	31.7
South Africa	11 172	15 184	19 679	21 940	24 196	15.7	10.3
Italy	28 311	23 106	22 473	22 014	23 690	15.4	7.6
Spain	27 454	23 996	23 840	23 446	22 610	14.7	–3.6
France	18 639	15 069	13 952	14 941	14 897	9.7	–0.3
Chile	12 586	12 527	11 018	10 138	10 935	7.1	7.9
USA	5 110	8 329	9 304	8 692	7 838	5.1	–9.8
Germany	7 040	6 537	6 395	7 087	7 436	4.8	4.9
Hungary	6 310	5 785	5 613	5 608	5 182	3.4	–7.6
Argentina	891	1 137	2 200	3 356	3 859	2.5	15.0
Portugal	2 275	3 126	3 328	3 372	2 723	1.8	–19.2
Bulgaria	1 461	1 453	2 141	2 304	1 983	1.3	–13.9
Sweden	1 705	1 680	1 596	1 476	1 449	0.9	–1.8
New Zealand	178	175	205	296	435	0.3	47.0
Austria	131	130	162	208	277	0.2	33.2
Cyprus	328	284	251	235	225	0.1	–4.3
Romania	453	477	332	266	203	0.1	–23.7
Greece	296	275	187	144	114	0.1	–20.8
Lebanon	64	67	75	64	91	0.1	42.2
Other	291	293	239	321	390	0.3	21.5
Total	135 706	133 296	137 758	145 265	154 021	100.0	6.0

Systembolaget's sales, 1955–2007 (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

* Including cider and mixed drinks

** Systembolaget's monopoly on wholesale operations ceased in 1996.

*** Systembolaget's wholesale operations ceased in 2001.

Stores and agents

Systembolaget has a nationwide retail network comprising 411 stores and 540 agents. Systembolaget's guidelines for opening stores are based on maintaining a balance between availability, service and finances within the store network.

"Systembolaget is rebuilding its store network as self-service outlets in order to increase customer value and the efficiency of the store network."

Opening stores and store concept

Systembolaget is rebuilding its store network as self-service outlets in order to increase customer value and the efficiency of the store network. An evaluation of the store's location from a service perspective is also carried out in conjunction with the renovation work. The annual Customer Satisfaction Survey shows that levels of satisfaction with the self-service stores are eight points higher than those for stores with over-the-counter sales. The aim is an aggressive one – all of our stores shall be renovated by the end of 2010. This means that between 50 and 60 stores are being renovated every year. The new store concept has helped create a better environment for customers and personnel alike and offers every customer the chance to shop at their own pace. Systembolaget's store concept has four component parts:

- The offering – the products and services offered to the customers.
- The store design – the in-store environment, e.g. design and choice of materials.
- The methodology – which is the same in every store.
- Communication – about the products, food and drink and alcohol & health.

Stores from Kiruna to Trelleborg

At the end of 2007, Systembolaget had 411 stores, from Trelleborg in the south to Kiruna in the north. 292 stores were self-service outlets and accounted for 87 per cent of sales and 87 per cent of customer visits. 51 stores were rebuilt in line with the new self-service concept in 2007. The store with the highest net sales is Bromma Center in Stockholm (SEK 272 million), whilst the store with the most customers is Klarabergsgatan in Stockholm (936,000 customers), and the smallest store, whose net sales total SEK 6.9 million, is in Österbymo.

Frameworks for opening hours

The Swedish Parliament sets the opening hours for Systembolaget and has ruled that the 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.

Agents in small communities

Systembolaget has 540 agents in smaller communities where there is an insufficient customer base for an actual store. Customers can order products from the entire range from Systembolaget's agents and the products are delivered within a few days. The agents account for 0.97 per cent of Systembolaget's net sales and keep no products in stock.

Guidelines for opening stores

The guidelines for opening Systembolaget stores state that built-up areas, urban districts and suburbs with a population of more than 16,000 over a 20-year period within a radius of 5 kilometres should have a store. Central locations are prioritised for the first store in a local authority/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 most densely grouped. Systembolaget's contract with the government states that the overall goal, in principle, is to provide a Systembolaget store in every local authority that wants one. And 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 service perspective which means that not all stores are financially self-sustaining, and indeed, 63 stores posted a negative result in 2007. The corresponding figure for 2006 was 40.

Different store formats

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

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 the stores carry 525 of the most popular items in the 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 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 880 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.

The Wine Cellar store comes in the form of three stores located in central Stockholm, Malmö and Gothenburg. 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 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 depot.

There are two *Food Hall stores*, in Hötorgshallen and Söderhallarna in Stockholm. The link between food and drink cannot be made more clearly. The stores form a natural part of the Food Halls' offering and sales are made over the counter.

Systembolaget's five biggest and five smallest stores

	Sales inc. VAT (SEK m)	No. customers (1,000)
The biggest stores		
Stockholm, Bromma Center	272	695
Strömstad, Oslovägen 44	254	518
Eda, Charlottenberg	241	539
Stockholm, Regeringsgatan	230	674
Uppsala, Gränby	207	747
Average Systembolaget store	61	255
The smallest stores		
Norsjö, Norsjö	10,0	42
Ödeshög, Ödeshög	9,9	51
Sorsele, Sorsele	9,8	39
Storfors, Storfors	8,6	43
Ydre, Österbymo	6,9	28

The store network by net sales interval

Sales incl. VAT (SEK m)	No. stores
<20	71
20–45	128
45–80	96
80–120	66
>120	50

Changes in the store network

Renovation, 2007

Bengtsfors	Linköping, Tornby	Stockholm, Odengatan
Dalby	Marieberg	Stockholm, Vällingby
Eksjö	Munkfors	Svalöv
Gnesta	Mullsjö	Söderhamn
Gullspång	Nacka, Sickla	Söderköping
Göteborg, Kungstorget	Nordmaling	Sölvesborg
Hallsberg	Nossebro	Tranås
Hedemora	Orsa	Tumba
Kalixv	Osby	Ulricehamn
Kalmar	Saltsjöbaden	Vilhelmina
Karlskrona	Sorsele	Vänersborg
Karlstad, Bergvik	Surahammar	Vännäs
Kiruna	Sävsjö	Vadstena
Klippan	Stockholm, Bromma Center	Vårgårda
Kungsbacka	Stockholm, Hässelby	Åmål
Kumla	Stockholm, Jarlapan	Örnsköldsvik
Kävlinge		

Closures, 2007

Anderslöv

New establishments, 2007

Göteborg, Sisjön
Skärhamn

Board decisions, 2007

New establishment

Stockholm city
Stockholm, Lindhagen
Stockholm south west
Västerhaninge



ALKOHOL

JOSEPH

6

VITA VINER



VÅRA
NYHETER

VÅRA NYHETER

VITA VINER

3 3

4 4

Upp till 24 h
frysning
i kyl

VITA VIN

A store is rebuilt

51 of Systembolaget's 411 stores were rebuilt in line with the new concept in 2007. Two of these stores were new establishments, 40 were former over-the-counter stores and nine were older self-service stores. The goal is to rebuild all stores as self-service outlets by the end of 2010.

Store organisation

Systembolaget's employees deal with over 100 million customers every year and must balance good customer service with Systembolaget's important alcohol policy mandate.

Systembolaget's 411 stores are divided into two equally-sized 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. Every sales area comprises 14 regional areas with 10–17 stores in each area.

Self-service dominates

292 of Systembolaget's stores are self-service stores and 119 of them are over-the-counter outlets. Every store has a store manager and between 3 and 50 sales staff. The stores' net sales vary between SEK 6.9 million and SEK 27 million. All of Systembolaget's stores will have been rebuilt as self-service outlets in accordance with the new store concept by the end of 2010.

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

104.9 million customers visited Systembolaget's stores in 2007. This is the highest number ever and corresponds to an increase of 3.6 per cent in comparison with 2006. 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. It has also resulted in the development of new services such as booking appointments for advice on drinks – a service that has been trial run in 28 stores in the autumn of 2007. By creating good customer interactions, our employees help ensure that every customer is satisfied with their in-store experience.

A new methodology

Systembolaget's work methodology in the stores is based on 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 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 been established.

A multi-phase change

The change in the 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, routines will have been established for all ongoing work and the store manager will be working in a general, supervisory capacity. No external circumstances can disrupt the flow and the customer plays a key role in every aspect of the store's work. The change process is currently in progress in every single Systembolaget store and while many stores have made considerable progress, others are just beginning their transformation.

Differences in methodology between the stores

An over-the-counter store that is being rebuilt as a self-service outlet also undergoes a renovation 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 employees can spread their work output over the week – lots of products at the beginning of the week and lots of customers at the end. They can also shoulder more of the responsibility, generating a greater sense of commitment to the operations and their own role in the overall scheme.

Different roles and responsibilities

A clear distribution of authority in Systembolaget's stores has been drawn up in order to achieve more and better customer interactions and an enhanced customer experience. Every employee has a defined role. In the larger stores, individual employees are responsible for the red wine, white wine, beer, cider, spirits and fortified wine product groups. Others are responsible

"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."

for administration and campaign material. Clear instructions have been drawn up for those responsible for a particular product group: he or she must provide a constant flow of information for other employees, create space and the right display formats for the products, handle wastage, review product range changes, establish more in-depth knowledge of the products and be familiar with new items and local preferences.

New to an in-store 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.

Developing the roles

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 Korus (Competence And Role Development System). Of the 80 roles defined within the Korus framework, the focus at present is on developing three of the in-store roles. The primary emphasis is on 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, will also be addressed. Role development plans will be drawn up for every role specifying precisely the know-how required. A basic training course must be completed by all sales personnel and store managers, including activities in connection with their role and the size of the store. For those employees with plus roles in store, the basic training will be followed up with in-depth studies in their specific area of responsibility. The employees will study both what Systembolaget, as an employer, and the customers expect of them in their various roles.

Employees will also, in addition to their personal role development training, take part in Systembolaget's annual themed meetings and will attend a number of drinks tasting sessions.

The Store Manager's responsibility


The Store Manager has overall responsibility for the store's operations. He or she is responsible not only for operational planning and development, but for inspiring, organising and following up on employees' activities. Satisfied employees mean satisfied customers. And the higher the level of customer satisfaction, the higher the level of employee satisfaction in store. Every Store Manager must hold a Fokus (Future And Competence) performance review with all of the store's employees during the first quarter of 2008. 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. The Store Manager will undergo his or her own Fokus performance review with the Area Manager during the same period.

Store recruitment

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 and is supported, during the recruitment process and within the framework of Korus, by a number of questions addressing the required competence level. There is considerable interest in working in a Systembolaget store as a Store Manager or member of the sales team. Working for Systembolaget means being able to interact with people and to represent Systembolaget's mandate and values. Systembolaget's social responsibility is often an important factor for those seeking employment in one of Systembolaget's stores. Of the 104 Store Managers recruited in 2007, 77 per cent of them (74%) came from within the organisation and 42 per cent of them were women.

"Working for Systembolaget means being able to interact with people and to represent Systembolaget's mandate and values."





Good customer interaction over the phone

What do you drink with sushi? How can I organise a wine tasting? Does wine keep longer in the fridge once the bottle's been opened? These are just some of the questions with which the staff at Systembolaget's Customer Service Department have helped customers. Many want to prepare a major dinner and need personalised advice over the phone from Systembolaget's food and drink experts while some prefer to mail their menu suggestion and get the information they need that way.

Employees

Systembolaget has focused on developing competence and managerial supply chains within the Korus framework in 2007. Absence due to sickness fell to 6.1 per cent and the ESI increased to 72 during the year. The positive trend with healthier and happier employees has, therefore, continued.

Responsible selling and satisfied customers depend on competent and committed employees. Working for Systembolaget must be an attractive prospect. Management, terms of employment, the work environment and the opportunities for training and development are, therefore, key factors in our success.

Korus – a common methodology

Korus, which stands for Competence And Role Development System, is the name given to Systembolaget's efforts to clarify and streamline the employee process. The work, which began in 2006, aims to ensure that all new employees encounter Systembolaget's values and a common methodology, right from when they are attracted to and recruited by the company, to the time when they choose to leave it.

Competence development

Systembolaget has focused on developing competence and managerial supply chains within the Korus framework in 2007. Systembolaget has defined what constitutes competence within the company and drawn up profiles for the various positions and built up a competence library specifying the competences that are absolutely vital for each profile. Systembolaget's sales teams and managers have also outlined the competences they need at a theme meeting and a management meeting.

28 different competences

A competence library was compiled in 2007 on the basis of ca. 50 interviews with employees throughout the organisation at which the employees were asked about what makes the difference, in terms of an individual's behaviour. The library lists the 28 competences that are important in terms of employees' roles within Systembolaget.

80 roles within Systembolaget

Korus has defined around 80 roles within the company. A role profile describing the different roles and with multiple spheres of use has been drawn up for every role. The profiles make it clear to the person within that role what is expected of them and can be used by managers as a requirement specification in conjunction with recruitment. The role profiles will also act as the source data for the role development plans associated with the role and are part of the new performance review system, Fokus.

Recruitment support

Situation-based interview questions have been drawn up for every individual competence in the competence library to ensure that the candidates applying for the various roles within Systembolaget possess the necessary competence for each role profile. These questions

Full-time and part-time sales staff, women/men, 2003-2007

Per cent	2003	2004	2005	2006	2007
Women	76	76	71	71	70
Men	24	24	29	29	30

Store Managers, women/men, 1st January 2007

Per cent	2003	2004	2005	2006	2007
Women	38	43	44	45	46
Men	62	57	56	55	54

ESI, quality area: duties and opportunities for development

Quality area	2003	2004	2005	2006	2007
Duties	62	63	64	66	68
Opportunities for development	64	64	65	67	69

should be used in the context of structured employment interviews to help managers make better choices.

Fokus performance reviews

Everyone, employees and managers alike, took part in an interactive training programme in the autumn of 2007 to learn how the new Fokus performance reviews work. All employees will take part in a Fokus performance review which is based on the role profile and competence library in early 2008.

Updated interactive training

The theme meetings, of which four were held in 2007, have developed with regard both to content and pedagogic approach in 2007. 35 new Store Managers have completed the five-stage course that was introduced for Store Managers in 2006. Store Managers have also completed a training course on the subject of everyday store management. Just over 250 new members of the sales team have participated in the mandatory sales training course which is held in two stages and lasts six days. Systembolaget's interactive introductory training course has been updated to include, amongst other things, an interactive test of employees' familiarity with the selling rules.

A total of 7,000 training days

Systembolaget's personnel receive ongoing training in food and drink in the form of tasting sessions, courses and study trips. The courses are often held in the store and take the form of tasting sessions and training packages addressing a variety of themes, such as countries and grapes. Every store provided an average of four training packages and ten training tastings during 2007. The combined total number of training hours for all stores was ca. 19,000. If the courses held at Systembolaget's own training centre, Skarpö, and study trips are included, over 7,000 training days were provided by Systembolaget in 2007. This figure is on a par with the figure for 2006.

Hours worked per year

Systembolaget will introduce the hours worked per year system in all of its stores in the spring of 2009, as agreed with Systembolaget's Personnel Association (SPF). This will improve the stores' ability to meet seasonal variations and enable store staff to plan their working hours to a greater extent than is currently possible. The hours worked per year system will increase the abi-

lity of store employees to plan their working hours in line with the store's requirements and to submit requests with regard to their preferred working hours.

New HR policies

New policies have been drawn up for all strategically important issues in the HR work sphere. They are intended to paint an overall picture of HR issues, to indicate the direction that HR work should take and to give it a platform on which to stand. They are of a general nature and cover the following areas: Work environment and health, Equal opportunities and diversity, Leadership, Attract, Develop and Retain, Close, Ethics and Wage formation.

ESI

The ESI rose by two points to 72 in 2007 in a continuation of the index's positive development since measurements began in 2002. Systembolaget's ESI is high in comparison with other companies. The ESI survey is a developmental tool that provides the source data for prioritisation work and shows the work situation areas where there is room for improvement. It is also an important indicator of the psychosocial work environment.

Increased responsibility a plus

The most important parts of the ESI are the way in which the personnel view their developmental opportunities and duties as well as their overall view of Systembolaget. All three aspects have developed positively in recent years, with the way in which the personnel view their developmental opportunities and duties increasing from 62 to 69 and from 61 to 68, respectively between 2002 and 2007. This demonstrates that efforts to ensure more people in the stores have clearly defined responsibilities and special areas for which they are responsible has yielded results.

Clear goals and visions

Employees gave good marks when asked if "our vision and objectives are clearly communicated", whether "they can stand behind the company's objectives and visions", and whether "everyone at Systembolaget is working towards the same goals". Several contributory factors to these high marks is probably Systembolaget's extensive work on the company's selling rules and communication about Systembolaget's mandate and values.

Systembolaget's definition of competence:

"Competence is the ability to perform a task or handle a situation.

Competence comprises a number of behavioural modes that make the difference."

“The total sickness absence fell to 6.1 per cent in 2007 from 6.5 per cent in 2006.”

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. Systembolaget shall also work to ensure equal rights and opportunities irrespective of ethnic origin, sexual preference or disability.

46 per cent female store managers

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 46 per cent in 2007, and the target figure for 2008 is 50 per cent.

Equal pay

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. We have begun working to rectify those differences that do exist.

Measuring ethnic diversity

The ethnic diversity of Systembolaget was measured in 2007. The measurements are intended to provide the source data for active measures designed to improve our diversity. Key performance indicators, similar to those applied to our equal opportunities work, will be drawn up and the measurements will then be carried out every year to see if the key performance indicators have improved.

Increased staff turnover

Staff turnover increased in 2007, principally amongst our sales staff who only work a few hours a week. Many of those who fall into this category are combining their studies with working at Systembolaget. We see the increase as a consequence of the healthy labour market and the greater mobility that this brings.

Work environment and health

Systembolaget has been actively involved in working to prevent ill health for a number of years now. The work is characterised by a proactive approach. Our work on the work environment and health have helped bring about the current situation with a positive sickness absence trend and a generally very good work environment.

Sickness absence

The total sickness absence fell to 6.1 per cent in 2007 from 6.5 per cent in 2006. The positive sickness absence trend is, in other words, continuing. The measures taken in 2006 with the aim of reducing short-term absences has yielded results and will continue, as they are also important in relation to long-term absences. Two other projects designed to reduce long-term sickness absence have been implemented during the year.

- The partnership with Försäkringskassan (the Swedish Social Insurance Agency) in Stockholm county, which has an effective means of reducing long-term sickness absence in the county. The goal is both to incorporate this methodology and to establish similar partnerships with other Social Insurance Agencies nationwide.

Staff turnover, percentage, 1999–2007

Refers to permanent employees and those employed on a trial basis, in stores

Category	1999	2000	2001	2002	2003	2004	2005	2006	2007
Sales staff, part-time	15.8	22.7	20.7	16.9	14.8	14.6	13.0	12.9	16.6
Full-time employed									
store personnel	6.7	4.5	6.5	5.6	5.5	5.1	5.9	4.9	7.3
All store personnel	13.4	17.8	16.7	13.7	12.0	11.8	10.8	10.5	14.6

Sickness absence, total

	2005	2006	2007
Percentage contracted working hours	7.2	6.5	6.1

- A pilot project into rehabilitation training has been carried out. The participants were Area Managers and HR personnel, i.e. the key groups within Systembolaget with regard to handling rehabilitation issues.

Company health care

The corporate health care partnership agreement concluded with Previa in 2006 has led to the development of a useful methodology. All workplaces have been given access to geographically proximate expert support in the fields of work environment and health and a number of new activities have been launched.

- All store employees have completed an ergonomics training course in 2007.
- All managers and health and safety representatives will complete a work environment training course by the spring of 2008. Ca. 300 people also underwent training courses in 16 different locations in the autumn of 2007.
- Feedback was provided on the health profiles produced in 2006 for ca. 1,200 employees. The feedback provides an overall picture of the employees' physical situation and appears to correspond well with the ESI results.

Work Environment Day

All managers and health and safety representatives were given the chance to attend a Work Environment Day in Stockholm during the spring. The day was divided up into two blocks: in the morning, everyone received training in first aid, and in the afternoon, "Stress Doctor" Thomas Danielsson gave a talk on stress management.

Safety

Incident reports

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. The remaining incidents are divided between a number of difficult categories, with truck driving as the second most common incident.

Theme meetings and films

A theme meeting on the subject of security was held in 2007. A film about security has also been produced and shown to every employee. The film, entitled "Is the door ajar?" addresses various different safety-related issues.

At Systembolaget, you make a difference – every day!

We have a mandate that obliges us and inspires us and of which we are proud. Our workplaces are characterised by consideration – for each other and for our customers. Your know-how and experience are valuable, your commitment and your involvement are vital. You make a difference!

(Systembolaget's HR concept.)

Systembolaget won "Employer image, 2006–2007"

Systembolaget won the "Service and services" class in the Employer image survey, 2006-2007. Employer image is a recurring survey carried out by ISI Wlissing and which is based on ratings from over 700 people in leading roles in major Swedish companies.

Sustainable social responsibility and good service

Systembolaget's overall objective is to limit the medical and social harm caused by alcohol and thereby improve public health. In practical terms, this means Systembolaget limits the availability of alcohol and sells alcoholic drinks responsibly and with consideration for the individual. Systembolaget endeavours to fulfil its mandate in an environmentally, socially and ethically sustainable way.

"Systembolaget's sustainability work takes a long-term approach and endeavours to live up to the principles of the UN Global Compacts initiative with regard to the environment, human rights, anti-corruption and labour."

Systembolaget's mandate and sustainability work are based on its core values of consideration, know-how and inspiration. Taking carefully considered decisions on how to structure the operations on the basis of an alcohol-prevention perspective is the core of Systembolaget's operations. When a strategic decision is called for, the company management and employees carry out a so-called consumption consequence analysis to ensure that the decision supports our mandate.

Systembolaget's sustainability work is based on the principles of the UN Global Compacts initiative with regard to the environment, human rights, corruption and the work environment. Systembolaget has begun work on developing a platform for its sustainability work in 2007. Pages 38 to 45 describe Systembolaget's sustainability work in 2007. Pages 34 to 37 summarise our work in the work environment field.

Ethics

Systembolaget's company management has established the company's fundamental ethical values and principles. They state, amongst other things, that:

"Our corporate culture is formed in the interaction between responsible managers and employees and is based

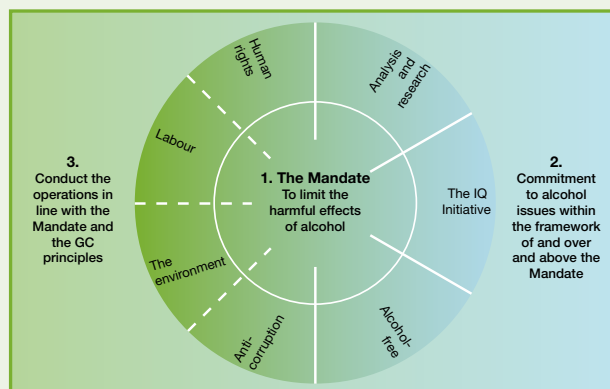
on respect for human worth and dignity, openness and honesty.

"All employees are the company's representatives and shall, both at work and in their leisure time, behave in a professional manner, 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 ethical programme within Systembolaget. She heads an ethics group comprising seven people from different parts of the company, including the Ethics Advisor, who is a store manager highly respected within the organisation.

Live ethics discussions

Ethical issues are raised in a variety of contexts within the company in order to keep the discussion alive and maintain a high level of ethics awareness. Ethical issues are, for example, included in the annual performance review discussions between managers and employees. One day's discussion on ethics and values is also included in the managerial development programme for all of Systembolaget's managers. The company's ethics are



Social responsibility and CSR in Systembolaget

Systembolaget's long-term social responsibility includes its mandate, the Global Compact principles with regard to the environment, the work environment, corruption and human rights, and involvement in alcohol issues.

also included in the internal training provided after employment and in conjunction with promotion. Ethical and value-related issues are also raised in conjunction with all recruitment work

Ethics discussions in management groups

All managers, from individual store managers to the company management team, have met in their respective management groups in 2007 to discuss ethical principles. The discussions deliberately used a form of dialogue whereby everyone is, amongst other things, given the opportunity to put forward their own point of view. The goal is not to convince each other, but rather, to collectively seek an understanding of human needs in the context of the roles of manager and employee. All management groups are to hold these dialogue discussions on a twice yearly basis

Ethics Advisor

In April 2005, an Ethics Advisor was appointed within 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 11 (12) cases in 2007.

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

Guidelines for external contacts

The guidelines for external contacts state, amongst other things, that contact with suppliers of alcoholic drinks shall be handled by personnel from the Purchasing Business Area. The store personnel's contacts are limited to closely regulated study visits to stores by producers or visits to producers for the purposes of training. 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.

The Environment

Systembolaget focuses its environmental work on reducing its environmental impact within the focus areas that have the greatest impact. By launching more organic products, choosing building materials that are best for the environment, increasing the efficiency of energy consumption, encouraging trans-shipment, and avoiding sending waste products to landfill, we will reduce the environmental impact. In 2007, for example, Systembolaget continued to ensure that all of the electricity it bought bore the Good Environmental Choice eco-label.

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

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

Systembolaget's environmental policy

Systembolaget shall exceed customers' expectations by constantly developing its 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 constantly improve 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 eco-cycle-based attitude enabling Systembolaget to contribute to the creation of a long-term sustainable society.

”By increasing its percentage of organic products, Systembolaget can help reduce its environmental impact.”

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. Organic products sold at Systembolaget comply with all of the EU requirements for organically produced 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 1.01 per cent (0.58%) of total sales in 2007, as was, indeed, the goal. 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. The number of organic items in the fixed range has increased from last year and all stores now (December 2007) stock at least 12 (7) organic items. 22 (20) new organic items were launched in 2007 – 4 (8) as part of the fixed range and 18 (12) 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. Systembolaget aims to launch at

least one organic product in conjunction with every new product range launch.

It should be noted that non-eco-labelled wines may also have been organically produced.

Building materials

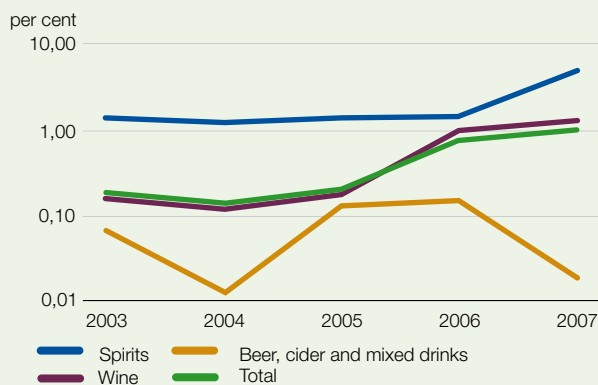
Rebuilding all of Systembolaget’s stores as self-service outlets has an environmental impact. 51 stores have been rebuilt as self-service outlets in 2007, and building materials such as décor, equipment and paint are amongst the most significant in terms of environmental impact. In order to reduce our environmental impact, we choose materials that are recommended from an environmental viewpoint. Only nine out of a total of 200 materials, such as certain carpets and lighting 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.

Energy consumption

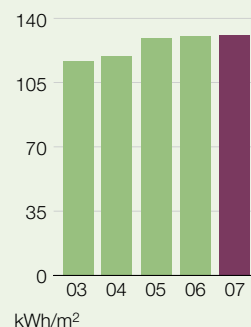
Energy consumption is an important environmental issue and one that has a huge impact on climate change.

The rebuilding of stores as self-service outlets entails an increase in energy consumption, due to an increased

Organic products as a percentage of sales, litres



Electricity consumption in stores



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 2007 totalled 127kWh/m² (127) in Systembolaget's stores. (See "Electricity consumption in stores" graph.) The electricity that Systembolaget has chosen to buy in 2007 bears the Good Environmental Choice eco-label, i.e. is produced using hydroelectricity and wind power. By choosing Good Environmental Choice electricity, Systembolaget has reduced its environmental impact.

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.

Transport

Emissions from transport 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 effect 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. Two major distributors have implemented trans-shipment throughout most of the country in 2007, which has led to a reduction of 676 tonnes of CO₂ in 2007. Additional trans-shipment programmes are currently under development.

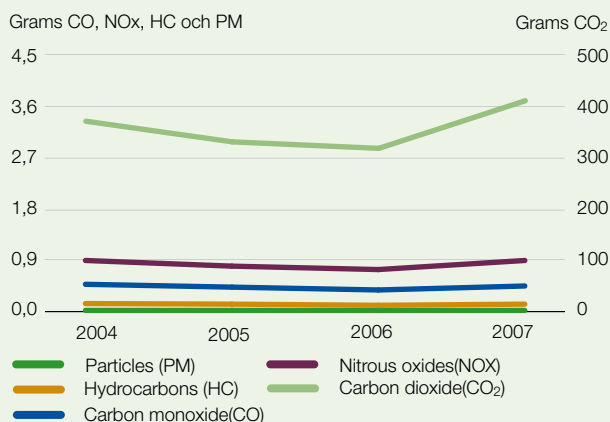
Products ordered by customers and which do not form part of their local store's product range are transported from Systembolaget's product depot in Örebro. Systembolaget is responsible for this distribution and the environmental impact can consequently be measured. Emissions per transported bottle from the product depot have increased in 2007 in comparison with 2006 due to changes to internal routines. See the "Customer orders, emissions per transported bottle" graph.

Personnel transport

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 1,400,990 kms (1,234,070 kms) by train, 2,569,450 kms (3,678,950 kms)

Customer orders, emissions per bottle transported*




* The term, bottles, also refers to other packaging units such as aluminium cans and boxes

Breakdown of waste from stores processed, per cent*

	2004	2005	2006	2007
Other**	1.0	1.5	0.1	0.1
Landfill	0.8	0.7	0.4	0.3
Energy extraction	3.2	0.5	0.5	0.6
Material recycled	95.0	97.4	99.0	99.0

* 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 domestic waste is processed by the local authority in question.

** The Other category includes fluorescent tubes, light bulbs, batteries and electronic waste.



by air and 206,150 kms (231,110 kms) by rental car in 2007, and 109,710 kms (99,690 kms) by airport bus, Arlanda Express and airport taxis. Travelling by train, rather than flying (when this has been an option) has reduced carbon dioxide emissions by the equivalent of 96,663 kgs (80,716 kgs).

Waste product handling

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 5,732 tonnes (6,140 tonnes) of corrugated cardboard, 157 tonnes (190 tonnes) of paper and 274 tonnes (267 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 0.3 per cent (0.4%) of the stores' waste products was sent to landfills in 2007. See the "Break-down of the waste from stores processed" graph on page 41.

Packaging recycling in stores

Systembolaget accepts recyclable glass and crates in its stores or in adjacent grocery stores with whom 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 that handles returned goods by separating content from packaging. During the past year, the facility has processed 332 tonnes (380 tonnes) of glass, 479 tonnes (446 tonnes) of cardboard boxes and 30 tonnes (18 tonnes) of aluminium cans, resulting in 647m³ (617m³) of liquid. Both the packaging and the liquids are used in new ways.

Did you know that

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

- Crushed glass is used in the manufacture of insulation materials.
- Wine boxes are classified as cardboard packaging whose fibres can be reused in paper mills after sorting.
- The aluminium tins 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 plant. Alternative spheres of use for the liquid have been investigated in 2007 and there is a possibility that it can be used to produce biogas. The biogas can then be used to heat domestic buildings, for example. Systembolaget hopes to be able to make use of this potential in future.

Alcohol-prevention partnerships

Systembolaget has a long-term commitment to the alcohol question and contributes to alcohol-related research through its own council (the SRA), for example. A partnership with the police in connection with our work on selling rules has developed in recent years and our work aimed at promoting alcohol-free alternatives led to the establishment many years ago of a partnership with Föreningen Fruktdrycker (the Fruit Drinks Association). In 2005, Systembolaget launched its IQ Initiative aimed at further intensifying the focus on the alcohol issue. The total cost of this work in 2007 was SEK 26 million.

Systembolaget's Alcohol Research Council – SRA

Systembolaget provides financial support every year for alcohol research through the medium of its Alcohol Research Council (SRA). Support can be provided for both 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 2007, 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 what is, in relation to Systembolaget, an independent review of applications for grants received based on the projects' scientific merits and societal relevance. 41 applications were received in 2007, of which 26 were approved. Research projects approved included studies of alcohol habits and of the way in which hereditary factors influence harmful alcohol usage. SRA's administration is handled by the Swedish Council for Information on Alcohol and other Drugs, CAN (www.can.se).

Anti-bootlegging 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 since the spring of 2006.

The partnership is based on employees in Systembolaget's stores and the police meeting and exchanging experiences. Over the past year, the police have visited 150 stores and held information meetings with Systembolaget's staff to discuss how fake ID can be detected, alcohol-related problems in the area and which groups are most likely to be involved in bootlegging. The aim of Systembolaget's partnership with the police is to reduce drunkenness amongst young people and thereby to reduce violence and the risks of young people being the victims of or committing crimes. In some areas, the partnership has also involved a police presence in the store and the surrounding area in conjunction with big sales days. The aim, then, has been to arrest bootleggers.

The Fruit Drinks Association

Systembolaget works actively to promote alcohol-free alternatives in its stores and its communication. It is within this framework that Systembolaget has developed its partnership with the Fruit Drinks Association. Systembolaget provides an annual grant of SEK 100,000 to the Fruit Drinks Association to carry out tastings of alcohol-free products for the general public.

The IQ Initiative

The aim of the IQ initiative is to highlight good examples, both large and small, that lead to a smarter attitude towards alcohol and which prevent or reduce alcohol-related problems.

The good examples that IQ highlights are concrete measures and projects carried out by private individuals, companies, organisations and associations in order to prevent or reduce alcohol-related problems. Every good example is an IQ project with its own IQ number. Communication is the most important tool and it is on this that the operations focus. IQ talks about the IQ projects in the public media, such as TV, and on the website at www.iq.se. IQ also launches its own initiatives and carries out campaigns designed to encourage a change in people's behaviour in connection with alcohol.

"IQ incorporated
483 new IQ projects
in 2007."

IQ – a popular movement with its roots in Systembolaget

Systembolaget launched IQ in 2005 with the aim of generating a new focus for the alcohol issue. IQ-initiativet AB is a subsidiary of Systembolaget and its operations are financed by Systembolaget, which is investing SEK 100 million over a five-year period. The money is used to communicate the IQ projects, to carry out campaigns and to run the website at www.iq.se.

IQ 2007 – many good new examples

IQ collected 483 new IQ projects in 2007 and was able to present 728 projects in total on www.iq.se by the end of the year. Many people got in touch as a result of IQ's campaigns for alcohol locks in taxis, buses and trucks and of our investment in youth football – IQ United. A

number of larger companies working internally to prevent alcohol problems amongst their employees also became IQ projects in 2007.

Film about the two faces of alcohol

A film entitled "Say no", whose objective was to create a sense of recognition and, above all, to make people think, was launched and shown on TV and at the cinema in the spring and autumn. The film moves from being a positive depiction of happiness and partying to a negative one in which alcohol leads to reduced control, both of oneself and of the situation.

Campaign focusing on young people and football

The IQ United campaign was launched in the autumn of 2006. The campaign is aimed at youth football teams and is being conducted by IQ in partnership with the Swedish Football Federation. A so-called IQ United team agrees to keep alcohol out of youth football. And that applies to the whole team – players, managers and trainers. The number of IQ United teams quadrupled in 2007 from 123 to 497.

Continued and expanded alcohol lock campaign

The alcohol lock campaign for school runs in 2006 was evaluated in the spring of 2006 with positive results. 80 taxi and bus companies that do school runs have applied and become IQ projects. The alcohol lock campaign was expanded during the autumn to include the haulage sector and heavy goods traffic under the concept title of "Professional drivers against DUI". 97 haulage companies were registered as IQ projects by the end of the year.

Project of the Month at www.iq.se

Every month, an IQ project is declared the "Project of the Month" and is presented on the website in words and pictures. Projects of the Month included the "Every other one water" project by Gotland Municipality, Blekinge Technical College and the IQ United teams. "IQ collected 483 new IQ projects in 2007."



In November 2007, IQ ran a campaign on alcohol in traffic in cooperation with the Swedish Association of Road Haulage Companies. 97 hauliers applied to become IQ projects.

IQ projects

Blekinge Technical College – IQ project no. 14

The Student Health Care system at Blekinge Technical College is working on an ongoing basis with the student union there to reduce drinking in the heaviest-drinking age group – young people aged between 18 and 25. May Gulis is responsible for student health care and is the Project Manager for the alcohol prevention work programme.

What is the goal of the IQ project?

"50 per cent of young people attend universities and colleges of further education, so student health is an important arena for alcohol prevention work. Our goal is to reduce binge drinking amongst students. It's not about completely forbidding alcohol in connection with student activities: it's more about providing a supportive environment in which students can learn to handle alcohol responsibly and to drink moderately."

Can you give us any concrete examples of the project's work?

"Every year, we train the ca. 70 people who work in the student pubs about serving alcohol responsibly. And every year, one hundred or so mentors receive a similar programme of training. We have also drawn up an alcohol policy and action plan and have an alcohol-prevention partnership with the police and the county administrative board, amongst others."

Is the project making a difference?

"We've measured student consumption over time and it's clear that binge drinking and the frequency of accidents in conjunction with alcohol consumption have both declined and that the number of alcohol-free days has increased."

IQ No 14

Korsnäs – IQ-project no. 625

Korsnäs Gävle works with alcohol issues on a number of levels, including both preventative work and early intervention and rehabilitation. Monica Linder is the HR Manager at Korsnäs Frövi and the Project Manager for the alcohol prevention work.

What is the main reason why Korsnäs is working with alcohol prevention?

"For us, as an industrial operation, it's ultimately a safety issue. But it's also about our desire to create a good working environment. We see this as a form of health care."

How are you working with the alcohol issue?

"The starting point of the work is for all 1,900 employees to be treated the same. And we make it very clear that this is not about control: it's about safety, fellow-feeling and the work environment. Taking our alcohol policy and our action plan as our starting point, we are working continuously in training and information for all employees, we have random, unannounced drug testing and we have just decided to introduce alcohol locks in all vehicles."

Has the work yielded results?

"The alcohol and drug prevention work is now seen by our employees as an important part of the overall safety work. The disease concept has also been accepted as a result of the training and information we have provided on the alcohol issue. This has, in turn, made it easier to act in conjunction with any alcohol-related problems."

IQ No 625

"Every year, we train the ca. 70 people who work in the student pubs about serving alcohol responsibly."

Good customer interaction online

Many customers visit our website at www.systembolaget.se to prepare their purchases. The website allows people to search the product range, to see what's in stock at different stores and to obtain detailed information about the products. The "Drinks key" contains more than 500 recipes with links to the product range held in the customer's local store. There is also a section with useful information about alcohol and health, how to resist teenagers' attempts to obtain alcohol and much more besides.





Systembolaget and the outside world

An international research report, the Holder Report, shows that if Systembolaget's monopoly were to be abolished, alcohol consumption would increase dramatically, resulting in an increase in alcohol-related harm as well.

Alcohol has so many pleasant associations for so many people that they often find it hard to take on board information and statistics about alcohol-related harm and problems. But the facts are there to be seen. Alcohol is associated with sixty or so different diseases and numerous social problems. An increase in total alcohol consumption in society means an increase in harm and disease. Research in recent years has strengthened this link. But it is not a law of nature. Many alcohol-related medical problems have increased in Sweden in tandem with the increase in total consumption over the last decade – but not to the extent previously expected. Many acute diseases have, however, increased in precisely the manner expected.

Two instruments – tax and monopoly

Many factors influence how much alcohol is drunk, including norms, habits, attitudes, availability and price. A high price, due to high alcohol taxes and the use of a retail monopoly to control availability have been shown to be effective methods of limiting both consumption and harm and disease*. But if high taxes and a monopoly are to be maintained, the majority of the population must both support them and find these restrictions acceptable. Systembolaget's mandate involves, therefore, maintaining a balance between availability and good service.

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

	Specialist stores	Food stores
Alcohol-related diseases, deaths	430	1 000
Fatal accidents	120	250
Suicide	130	290
Murder	20	40
Total deaths	700	1 580
Reported cases of violence/abuse	6 700	14 200
Days claiming sick leave	7 300 000	16 100 000

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

Systembolaget more important than ever

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 increase 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 the partial lifting of the ban on alcohol advertising in 2003. 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. The “not for private profit” principle, which means that Systembolaget's selling is not governed by a need to make a profit, allows alcohol consumption and alcohol-related harm and disease to be limited. Availability is limited. Systembolaget neither promotes additional sales nor actively markets alcohol. Quite the contrary – Systembolaget provides information on the risks associated with alcohol. Systembolaget has a social responsibility and maintains strict selling rules.

The Holder Report

An international group of researchers, headed by Harold Holder at the Prevention Research Center in California has, 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 average consumption per person aged 15 and over would, according to the researchers, increase by 1.4 litres, given the specialist stores scenario, and by 2.8 litres, given the food store scenario. This would mean an increase in alcohol-related harm and disease. The research group estimated the increase in certain types of death, in violence and abuse, and in days off sick, and used these as its indicators (see table on page 48).

The study also found that consumption and alcohol-related harm and disease would increase both amongst young people and amongst alcohol abusers.

* According to, amongst others, “Alcohol. No ordinary commodity” published in 2003 by Thomas Babor and fourteen other world-leading researchers.

The study examined the way in which five different factors, whose effect on consumption is known from previous research, would change if the monopoly was abolished. These five factors were: the number of retail outlets, opening hours, price, marketing and substitution with personal imports by travellers.

Alcohol consumption in Sweden

The Centre for Social Research on Alcohol and Drugs at Stockholm University, SoRAD, has been commissioned by the government to chart alcohol consumption in Sweden. Total alcohol consumption is broken down into a statistically monitored section (Systembolaget, restaurants, and class II beer) and a non-statistically monitored section (personal imports by travellers, smuggling, and home-produced alcohol). The unregistered section is charted through interview-based surveys.

Alcohol consumption has increased in Sweden since the turn of the century, but fell once more in 2005 and 2006. According to SoRAD's preliminary calculations, total consumption in Sweden remained unchanged in 2007 in comparison with 2006, totalling 9.8 litres per head of population aged 15 and above. This corresponds to a 5 per cent reduction from the highest figure noted – 10.5 litres in 2004.

Systembolaget's sales have increased and personal imports by travellers have decreased. Systembolaget enjoyed a 54 per cent market share (the highest share since 1995), while personal imports by travellers accounted for 19 per cent. This is a positive trend because it means that an increasing amount of the alcohol consumed in Sweden is now being sold in a controlled way.

"On-farm sales"

The retail monopoly regulation is designed to limit the availability of alcohol by ensuring that only the monopoly is permitted to sell alcoholic drinks to consumers in Sweden. Swedish producers of alcoholic drinks have, however, submitted a request to be allowed to sell their own products directly to consumers at the production site. If local manufacturers were to be permitted to sell directly to consumers, it could lead to a break-up of the retail monopoly. It would pose a threat to the retail monopoly in that a solution of this kind would probably contravene EU law if producers in other countries were not also granted the same rights as Swedish producers to sell to Swedish consumers. Finland, which has permitted "on-farm sales" of wine since joining the EU in 1995 has received repeated reminders on this issue from

the European Commission, which believes that there are no grounds to justify this discriminatory treatment of similar products from other member states. The dialogue between Finland and the Commission is still ongoing.

EU

The Franzén ruling

The European Court of Justice reviewed the retail monopoly in 1997 in what was known as the Franzén case. The Court's finding was that Systembolaget's monopoly was compatible with EU law.

The ruling stated that the Court of Justice does not require the abolition of government-owned commercial monopolies; rather the requirement is that the monopoly be adapted to become non-discriminatory. The Court, stated that Systembolaget was not discriminatory and did not treat imported products unfairly. The Court noted that the purpose of Systembolaget was to protect public health from the harmful effects of alcohol

Imports for private consumption

The Swedish legislation that bans the import of alcohol from other countries for private consumption was deemed by the European Court, in its ruling on the so-called Rosengren case in June 2007, to contravene EU law.

The European Court stated that the prohibition on imports for private consumption was not a function of the monopoly and, rather, that it constituted an illegal restriction on the principle of the free movement of goods. The Court also stated that the ban could not be justified by a desire to protect young people by maintaining age verification checks because it had not been demonstrated to the Court that age verification checks could not work equally well in conjunction with distance trading.

Swedish alcohol tax is also payable on imports for private consumption, according to EU rules, and this was confirmed by the European Court in the form of its ruling on the so-called Joustra case, amongst others. The only exception to this is when the traveller personally transports the products across the border.

Changes in alcohol taxes on beer and wine

The European Commission has stated that Swedish alcohol taxes favour domestic products in that the tax on beer, which is mainly manufactured in Sweden, is too low in comparison with the tax on wine, which is mainly manufactured in other member states. The

"Total consumption has remained, in principle, unchanged in 2007. Systembolaget's sales have increased while personal imports by travellers have fallen."

“Personal imports by travellers and smuggling account for ca. one third of total alcohol consumption in Sweden.”

Swedish Government has decided, therefore, to equalise the difference and as of 1st January 2008, the tax on beer has been raised from SEK 1.47 per litre to SEK 1.66 per litre for every percentage point by volume of alcohol. The tax on wine, meanwhile, has been reduced from SEK 22.08 per litre to SEK 21.58 per litre. Sweden's taxes on beer and wine are now lower than those in the UK and Ireland.

The EU's alcohol strategy

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

Warning texts on packaging

France has introduced warnings texts on alcoholic drink packaging, detailing the risks associated with alcohol consumption during pregnancy. Finland has also decided to introduce warning texts as of 2009. Ireland, too, has decided to introduce warning texts on packaging, describing the risks associated with alcohol consumption during pregnancy.

Alcohol prices

According to a comparison carried out by the European Commission's statistics organisation, Eurostat, Sweden had the seventh highest prices for alcoholic drinks in 2006. The highest prices were found in Norway and Iceland. The comparison is based on an index of the price level in 2006 with the average figure in the 27 European member states set at 100. See the “Price level index for alcoholic drinks, 2006” table.

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 two per cent, three per cent and 30 per cent, respectively. Households' disposable income has risen by over 30 per cent during the same period. See the graph on page 53.

Imports/cross-border trade

Imports by travellers and smuggling, account for approximately one third of the total consumption of alcohol in Sweden, according to the survey-based investiga-

tions by the Centre for Social Research on Alcohol and Drugs at Stockholm University, SoRAD.

The free importation of alcohol by travellers for personal use imposes a strong downward pressure on alcohol taxes when differences exist between neighbouring countries' tax levels. Denmark and Finland have 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 to be for personal use. The level for alcoholic drinks is set at 10 litres of spirits, 20 litres of intermediate products, 90 litres for wine and 110 litres for beer.

Review of the Swedish Alcohol Act

The Government has 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, clarifying the identity of an authorised supervisory authority and legal authority for assessing the marketing of alcoholic drinks. The review shall also analyse the consequences of changing the law to allow so-called “on-farm sales” and “if no negative consequences are deemed to exist with regard to a restrictive alcohol policy and, if it is deemed compatible with EU law, to submit proposals to the Government” (quotation from the Committee directive).

Price level index for alcoholic drinks, 2006

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

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

Alcohol taxes, 1st January 2008

Plus VAT

Beer

Alcohol content, % by volume		Tax in SEK per litre for every percentage point by volume of alcohol ¹⁾
over	max.	
—	2.8	0
2.8	—	1.66

Intermediate products (fortified wine etc.)

Alcohol content, % by volume		SEK per litre
over	max.	
1.2	15	27.20
15	22	45.17

Wine (cider etc.)

Alcohol content, % by volume		SEK per litre
over	max.	
—	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

Spirits

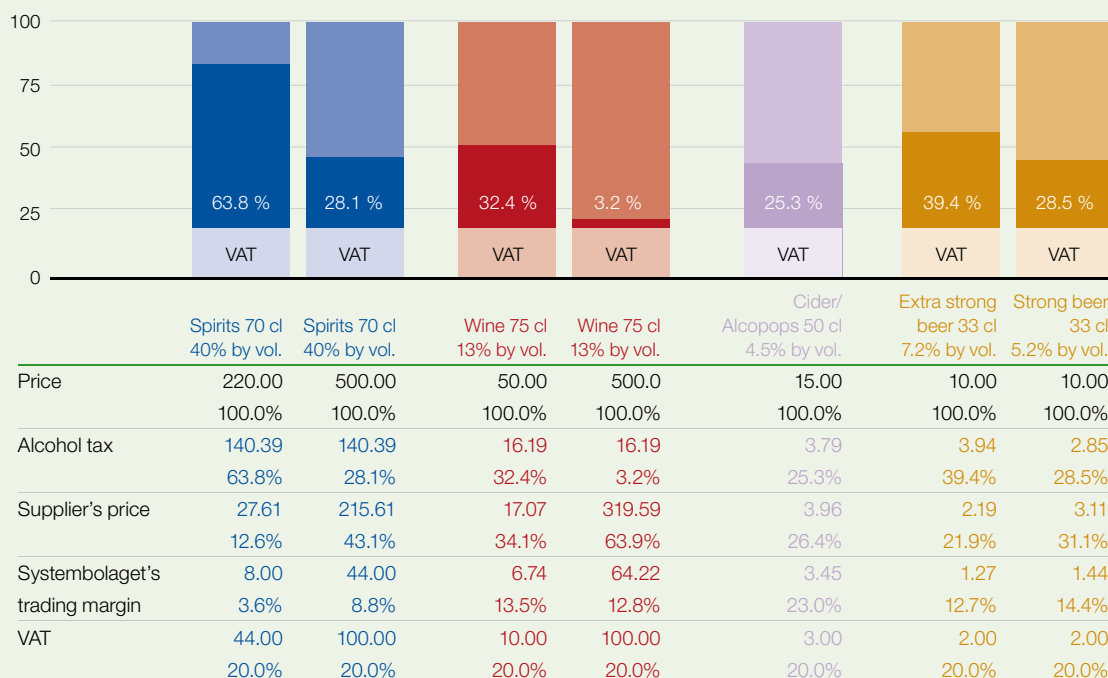
SEK per litre pure alcohol
501.41

1) The alcohol tax for a brand of beer with an alcohol strength of 5.0 per cent by volume is $5.0 \times 1.66 = 8.3$ per litre.

Systembolaget's pricing model

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

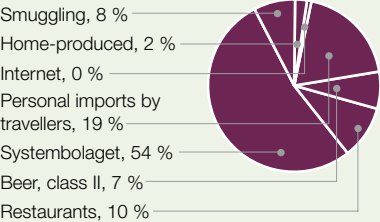
Alcohol tax as a percentage of the price of spirits, wine and beer in January 2008, examples



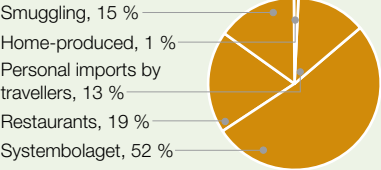
Consumption of alcohol by registered and unregistered sales

Percentage of consumption measured per head of population aged 15+ in 2007

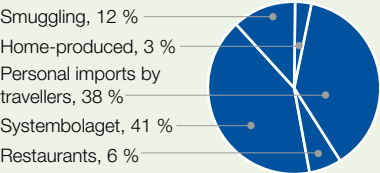
Total



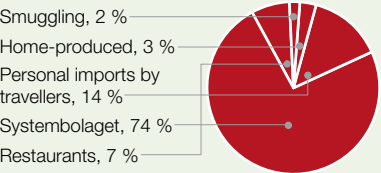
Strong beer



Spirits



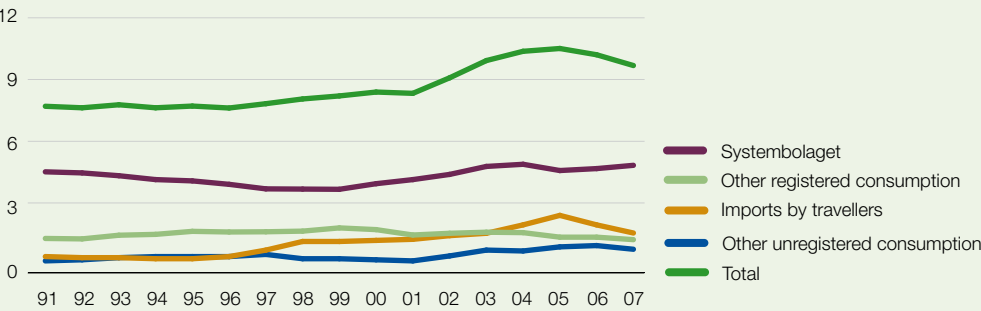
Wine



Source: SoRAD

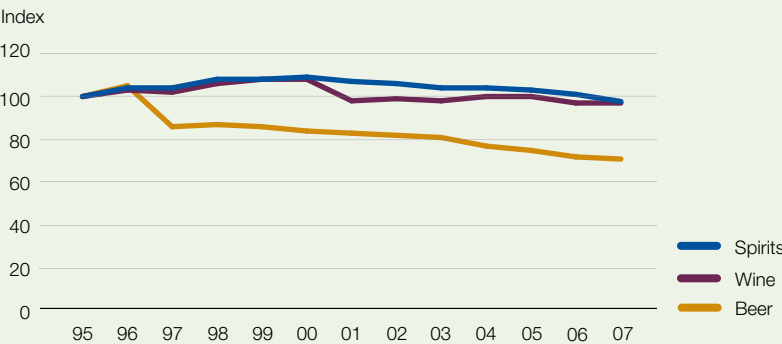
Trend in alcohol consumption, by registered and unregistered sales

Alcohol consumption, 1991–2007 (litres of 100 per cent alcohol per person aged 15 and over)



Source: SoRAD

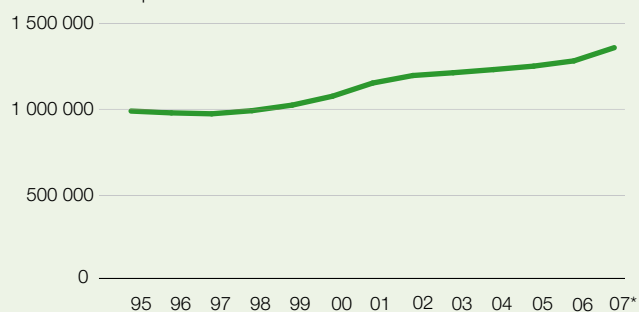
Real price index for strong beer, wine and spirits, 1995–2007



Source: Systembolaget and SCB

Households' real disposable income, 1995–2007, SEK

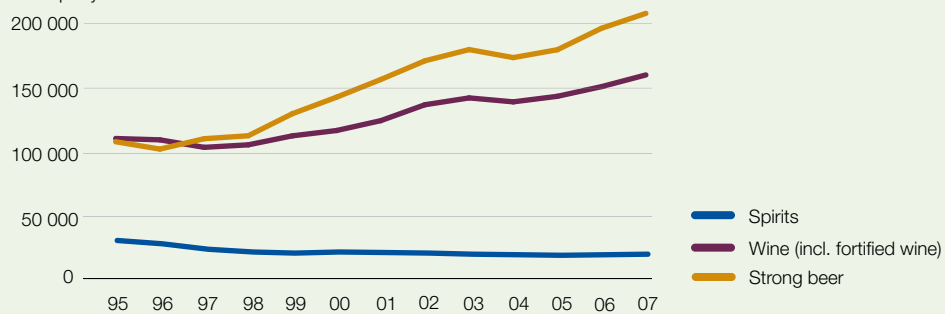
Households' disposable income



* Forecast: National Institute of Economic Research
Source: SCB

Sales of strong beer, wine and spirits, 1995–2007

Litres per year



Risks and uncertainty factors

Systembolaget evaluates the risks and uncertainty factors to which the company is exposed on an ongoing basis. The risks identified have been divided into three categories, depending on where the risk arises: external risks, process risks and risks in information for decision-making.

”Risk definition:
an event or activity
that prevents
Systembolaget from
achieving its goals.”

An operational risk analysis was carried out by Systembolaget in 2006 as a first stage in establishing an internal audit function. The analysis was based on the following definition: *A risk is an event or activity that prevents Systembolaget from achieving its goals.*

The risk analysis has enabled the primary activities of the internal audit function to focus on the most critical areas. It has also generated the preconditions for ensuring that risk management work is conducted in a structured manner.

Identified risks have been divided into three categories, depending on where the risk arises:

- *External risks* arise outside the company. Systembolaget has no control over these risks but must be able to adjust its approach in line with these risks in an optimum manner.
- *Process risks* arise within Systembolaget's own operations and internal processes.
- *Risks in information for decision-making* affect the reliability of the source data upon which Systembolaget bases its decisions.

The 30 most significant risks have been identified, 11 of which have been prioritised as critical risks and referred to as key risks. Two of the key risks are external risks and nine are process risks. None of the key risks are related to information for decision-making. The risk analysis indicates that Systembolaget's potential for influencing the majority of the key risks is good.

The underlying factors that lie behind the key risks have also been analysed and the risks can hence be traced back to their sources. This improves Systembolaget's readiness to predict and action changes in the operational preconditions because both the risk and the factors that influence its development can be evaluated and followed up.

The eleven key risks

External risks

Legislation and regulations

Risk: applicable legislation and regulations change in a manner deleterious to Systembolaget. The risk primarily relates to an abolition of the monopoly which would prevent Systembolaget from managing its social mandate in the same way as at present.

Political

Risk: political decisions reduce Systembolaget's ability to manage its mandate. The risk refers primarily to the level of alcohol taxes in different EU member states. Lower alcohol taxes in neighbouring countries make it harder for Systembolaget to manage its risk by protecting public health and retaining control over sales.

Process risks

Compliance

Risk: employees fail to comply with prescribed rules and guidelines. The biggest risk element would entail Systembolaget, in the event of a failure to comply with internal rules 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 its social mandate. Another risk would involve suppliers obtaining information on future launch plans and thereby gaining the ability to prepare for a certain type of demand. This could, in the long-term, affect the way the public views Systembolaget and its operations.

IT availability

Risk: an interruption to services brings 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

Risk: Systembolaget fails to retain competent employees. The risk includes, amongst other things, the difficulty involved in retaining talented and competent employees in our stores if they do not feel that the job allows them to develop and the difficulties that arise when key individuals within the organisation leave the company.

Reputation

Risk: Systembolaget's reputation deteriorates amongst the public, which could make it extremely difficult to continue with its operations in their current form. The biggest threat would involve our reputation being negatively affected if Systembolaget proved unable to manage its social mandate, e.g. by failing to carry out age verification checks in conjunction with alcohol purchases in stores, failing to provide information on the risks associated with alcohol and failing to maintain its brand neutrality.

Customer satisfaction

Risk: Systembolaget fails to live up to customer expectations, which could affect the way the public view the company. The personal customer interaction changes, for example, as part of the transition to self-service stores, thereby imposing new demands on the way we work.

Knowledge capital

Risk: Systembolaget fails to take advantage of and/or manage the knowledge held within the organisation. Some operational spheres and projects tend to depend on a number of key individuals.

Communication, external

Risk : that our external communication fails to function as intended.

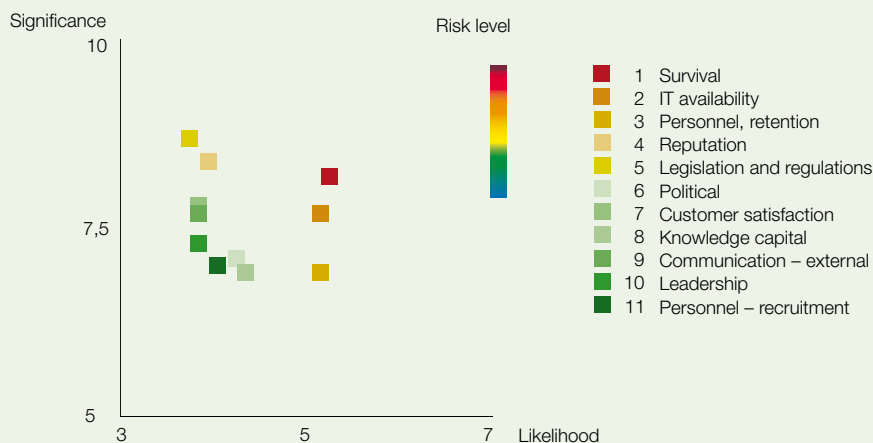
Personnel, recruitment

Risk: that Systembolaget fails to recruit personnel with the right knowledge, skills and experience.

Leadership

Risk: that employees are not offered optimum leadership and support.

Risks



The risk matrix shows the way in which the key risks have been prioritised. The most significant and probable risks are located in the centre of the risk matrix.

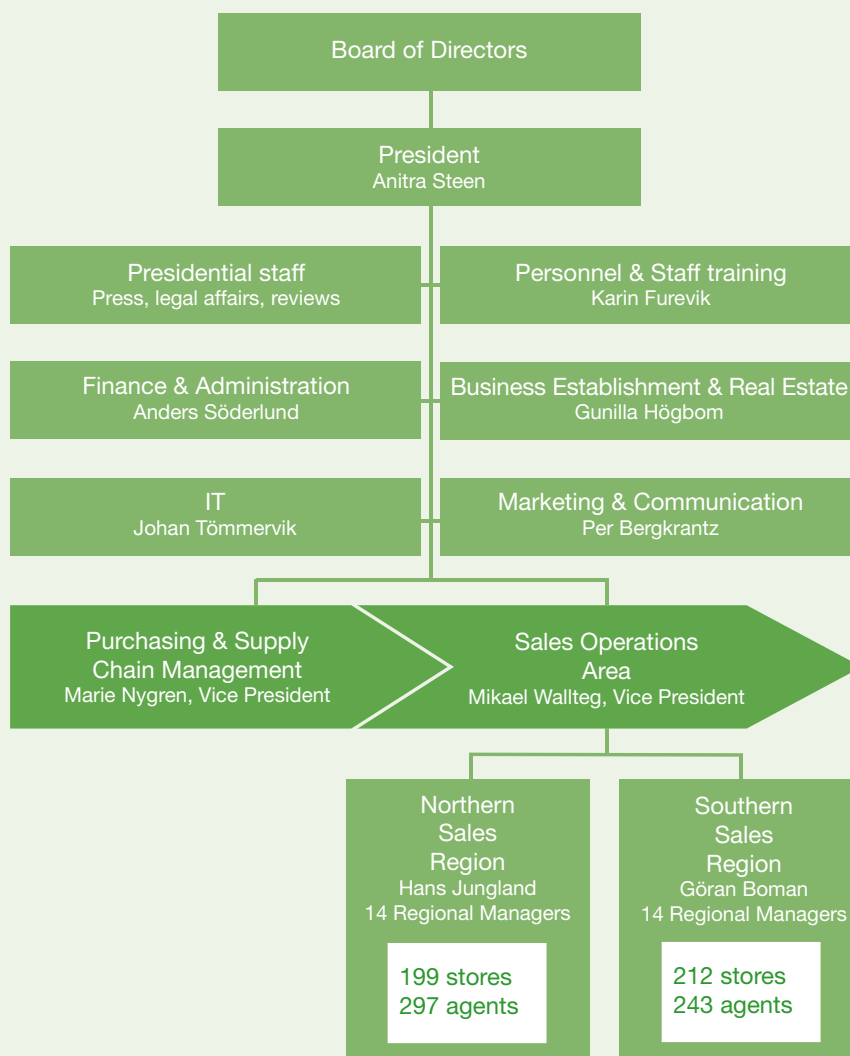
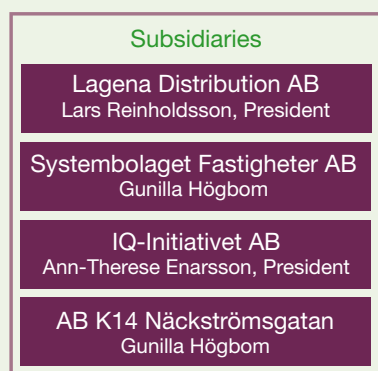
Organisation

Organisation chart, 2007

Systembolaget's organisation is process orientated, with responsibility for the principal process lying with the Sales Operations Area and the Purchasing & Supply Chain Management. The 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 28 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, informing, recruiting and developing employees, and administering accounting flows. The President and corporate management team are responsible for the management process.



Company management



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



Per Bergkrantz

Marketing Director
Born: 1964
Market Economist
Employed: 1988



Karin Furevik

Personnel Director
Born: 1954
Management Sociologist
Employed: 2001



Gunilla Högbom

Real Estate Director
Born: 1958
Civil Engineer
Employed: 2000
(resigned: 31st Dec 2007)



Björn Rydberg

Press Director
Born: 1948
Sociologist
Employed: 1985



Anders Söderlund

CFO
Born: 1963
B.Sc. Economics & Business
Administration
Employed: 2003



Johan Tömmervik

IT Director
Born: 1960
BSc Systems Analysis
Employed: 2003

Board of Directors



Olof Johansson, Chairman

Born: 31st July 1937

Principal education: studies at Stockholm School of Economics

Other positions: Chairman of the Board of the Knowledge Foundation, public sector mediator, impartial chairman of Bemanningsföretagens Auktorisationsnämnd (Staffing Companies' Authorisation Board), and Government-appointed wind power coordinator. Elected to the Board of Systembolaget AB: Chairman since 2002

Independent: The Member should, according to the Election 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, Chairman of the Board of the Swedish Save the Children Fund, Member of the Boards of SSAB, Beijer Alma AB,

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

Positions previously held: President and CEO of Telia AB, Member of the Board of the Tsunami Commission.

Independent: The Member should, according to the Election 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, Research Group leader, research group for addiction medicine, Karolinska Institute, Department of Public Health Sciences. Scientific council for Abuse Issues at National Board of Health and Welfare, Member of the

Top row from left:

Olof Johansson, Marianne Nivert, Sven Andréasson, Johan Gernandt, Carl B Hamilton, Lena Furmark Löfgren and Annika Nilsson.

Alcohol Committee, National Counterpart to WHO on alcohol issues, Vice Chairman of Systembolaget's Council for Alcohol Research, Member of CAN's Board. Elected to the Board of Systembolaget AB: 2007.

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

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

Independent: The Member should, according to the Election 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: Business Development Manager for health and medical care, Microsoft AB. Elected to the Board of Systembolaget AB: 2007.

Other directorships: Swedish Red Cross Home Foundation

Positions previously held: Institute for Future Studies

Independent: The Member should, according to the Election 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, Filbornaskolan school in Helsingborg.

Other positions: CFO, ABF 2007–. Elected to the Board of Systembolaget: 2006.

Positions previously held: 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 Election Committee, be regarded as independent in relation to the company and the company management.

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



Top row from left:

Maj-Britt Eriksson, Erik Bergström, Patrik Ström and Maria Åström.

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.

Deputies

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.

Maria Åström

Born: 29th May 1967

Principal education: 2-year upper secondary course, chef's training.

Other positions currently held: Member of the sales team at Systembolaget since 1995. Member of the Departmental Board of Directors of Västerbotten HTF (the Salaried Employees' Union), Chairman of the Sales Personnel Club, Umeå/Skellefteå.

Elected to the Board of Systembolaget AB: As a deputy employee representative in 2006.

Financial overview and proposed appropriation of profits

Net sales and volume

Systembolaget sold 404.8 million litres (384.0 m) of drinks in 2007, corresponding to an increase of 5.4 per cent in comparison with 2006. Measured in terms of pure alcohol, sales increased by 5.4 per cent to 40.5 million litres (38.4 m). The increase in volume is primarily attributable to the wine and beer product groups where sales increased by 6.0 per cent and 5.9 per cent respectively. Spirits sales increased by 2.3 per cent.

Systembolaget calculates that the main reason for the increase in sales is the increase in disposable income and the reduction in personal imports by travellers. Preliminary calculations from SoRAD indicate that a total of 9.8 litres of pure alcohol per person aged 15 and over were consumed in 2007. This figure is on a par with that for 2006.

Systembolaget's sales volumes accounted for 54 per cent (53%) of total alcohol consumption in Sweden in 2007.

Result

The Group

The operating result totalled SEK 310 million (SEK 559 m). The result before tax was SEK 366 million (SEK 602 m). The deterioration in the consolidated result is primarily due to lower trading margins as a result of the price cut implemented in August 2006, and to lower capital gains in the real estate company. The Group's gross investments totalled SEK 460 million (SEK 897 m).

The Parent Company

The Parent Company's net sales increased over the past year by 6 per cent in comparison with last year, totalling SEK 20,211 million (SEK 19,039 m). The Parent Company's operating result totalled SEK 83 million (SEK 298 m) and the result before tax was SEK 333 million (SEK 352 m). The Parent Company's trading margin, including alcohol taxes, was 12.7 per cent (13.3%). The Parent Company's gross investments totalled SEK 320 million (SEK 853 m).

Systembolaget Fastigheter AB

The wholly owned subsidiary, Systembolaget Fastigheter AB, owns commercial properties. A total of 102 (110) properties comprising a total of 117,000m² (153,000m²) were managed during the year. The vacancy level is ca. 6.2 per cent (4.6%). All properties owned are related to Systembolaget's operations. The real estate management operations posted a result after financial items of SEK 41 million (SEK 220 m).

An agreement to sell Systembolaget Fastigheter AB was signed in December 2007. The transfer to the purchaser, Nordisk Areal i AS, will take place on 31st March 2008. The estimated capital gain is ca. SEK 570 million. The aim of the transaction is to streamline the core operations, namely the retail of alcoholic drinks.

AB K14 Näckströmsgatan

The AB K14 Näckströmsgatan subsidiary was formed in the autumn of 2007. Four properties were transferred to the new

subsidiary from Systembolaget Fastigheter AB in December 2007. The transfer included the head office premises and the premises in which subsidiary the Lagena Distribution AB operates.

Lagena Distribution AB

Lagena Distribution AB is a wholly owned subsidiary of Systembolaget AB. Net sales increased in 2007 by 11 per cent to SEK 315 million. The result after financial items totalled SEK 3.5 million (SEK 10.5 m).

IQ-initiativet AB

The purpose of IQ-initiativet AB's operations (IQ) is to generate a new focus for the alcohol issue and thereby to bring about a change in society's attitudes and behaviour with regard to alcohol, which results in reduced alcohol consumption and hence in a reduction in the harm caused by alcohol. Net sales in 2007 totalled SEK 23 million (SEK 26.5 m).

Efficiency

Systembolaget endeavours at all times, in accordance with its owner's directive, to improve operational efficiency – both in our stores and at head office. The owner's directive states that Systembolaget's return on shareholders' equity shall, in the long-term correspond to the ten-year government bond interest rate plus four percentage points. For 2007, this corresponds to a return of ca. 8.2 per cent. Systembolaget is not a profit-maximising company. If the long-term return exceeds the owner's requirement, it shall be used to the benefit of the customers in the form of reduced trading margins.

The stores

Work productivity is the key performance indicator that measures efficiency in the stores. Work productivity reflects the number of units sold per day's work and is measured daily in every store. Measured in terms of work productivity, efficiency increased from 766 in 2006 to 775 in 2007, corresponding to a 1.2 per cent improvement in efficiency.

Systembolaget places a very high priority on preventing wastage. Wastage levels are still very low in comparison with other retail trade sectors, despite the general desirability of the products to thieves. The value of wastage in 2007 totalled 1.25 pro mille of sales. The percentage is slightly higher than in 2006 (1.13 pro mille), due to an increase in the number of self-service stores.

Administration

The total administrative expenses increased to SEK 347 million (SEK 301 m) due, primarily, to a number of major projects being conducted in parallel in 2007.

Risks

Financial 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 liquidity risk is low. Systembolaget's drinks suppliers are responsible for the import of alcoholic drinks and reporting alcohol tax. Products are bought in, in Swedish kronor, and the company hence has no currency exposure and its exposure to exchange rate and currency risks is low.

Vin & Sprit (V&S) has demanded arbitration proceedings in relation to Systembolaget, claiming that Systembolaget is guilty of breach of contract and abuse of a dominant position. V&S is demanding SEK 80 million in damages. Systembolaget believes that V&S' suit will be rejected and no provision or allocation has consequently been made. The arbitration ruling will probably be issued in the spring of 2008.

Seasonal effects

The liquidity flow varies in line with seasonal variations in sales and in customers' purchasing patterns. Sales are higher towards the end of the week and at the end of the month, and this affects the company's liquidity. The biggest sales peaks occur ahead of major public holidays such as Easter, Midsummer, Christmas and New Year.

Internal controls

The internal controls are described in the Board's report on internal controls in relation to financial reporting.

Events after the closing day

No significant events have occurred after the closing day that affect the financial information contained in these annual accounts.

Future outlook and expectations

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 increase by ca. 4 per cent in 2008. Major investments in IT will continue to be made in the years ahead, including a new cash register solution that will become operational in 2008. Overall, the company believes that it will meet the owner's returns requirement in the coming financial year.

Financial position

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

Per cent	2007	2006	2005	2004	2003	2002
Return on shareholders' equity	13.9	20.6	17.7	11.5	10.0	10.3
Level in owner's directive	8.2	7.7	7.4	8.4	8.6	8.3
Equity/assets ratio	39	40	38	40	33	30
Level in owner's directive	30	30	30	30	30	30
Dividend as a percentage of the Group's result after tax	100	50	100	51	144*	56
Minimum level in owner's directive	50	50	50	50	50	50

* Includes dividend approved by the Extraordinary General Meeting.

Principles for remuneration to senior executives

The Board has decided to leave the principles unchanged in 2008. The principles are presented in Note 7 on page 80.

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

Systembolaget complies with the guidelines for terms of employment for persons in company management positions laid down by the Government Offices of Sweden. Systembolaget's Board of Directors proposes that the Annual General Meeting leave the principles unchanged. The principles are described in Note 7 on page 80.

Proposed allocation of profits

The Board of Directors proposes that the profits available for allocation, comprising SEK 1,149,462,793, are allocated as follows:

SEK m	
Dividend (SEK 821 per share)	295 545 153
Carried forward	853 917 640
Total	1 149 462 793

The dividend will be disbursed on 31st March 2008.

Systembolaget's financial position as of 31st December 2007 is good. The owner's financial goal of an equity/assets ratio of 30 per cent and a return on shareholders' equity of 8.2 per cent have been achieved. The equity/assets ratio on the closing day was 39 per cent and the return on shareholders' equity in 2007 totalled 13.9 per cent.

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.

Consolidated ten-year overview

	2007	2006	2005	2004*	2003**	2002**	2001**	2000**	1999**	1998**
Profit/loss (SEK m)										
Income	20 211	19 039	18 083	17 708	18 985	19 132	18 241	17 368	16 625	15 495
Gross profit/loss	2 567	2 525	2 461	2 371	2 499	2 562	2 414	2 321	2 143	1 959
Operating profit/loss	310	559	477	197	172	165	159	165	451	343
Net financial items	56	43	36	43	29	37	38	32	19	8
Profit before tax	366	602	513	240	202	202	197	196	470	351
Net profit/loss for the year	295	419	330	178	138	142	133	108	338	254
Balance Sheet (SEK m)										
Fixed assets	2 720	2 605	1 943	2 101	1 502	1 345	1 360	1 270	1 210	1 180
Current assets	2 830	2 627	3 235	2 246	2 615	3 359	2 435	2 944	2 932	2 409
Shareholders' equity	2 163	2 071	1 989	1 749	1 348	1 409	1 348	1 294	1 395	1 179
Liabilities	3 387	3 161	3 196	2 598	2 768	3 295	2 447	2 920	2 747	2 409
Balance Sheet total	5 550	5 232	5 185	4 347	4 116	4 704	3 795	4 214	4 142	3 588
Cash Flow Statement (SEK m)										
Cash flow from										
operating activities	706	363	1 039	198	170	1 508	211	501	791	207
Cash flow from										
investment activities	- 426	- 637	- 318	- 190	- 342	- 174	- 267	- 361	- 165	- 45
Cash flow from										
financial activities	- 210	- 330	- 90	- 80	- 302	- 216	- 802	- 50	- 122	45
Cash flow for the year	70	- 604	631	- 72	- 474	1 119	- 858	90	504	207
Key performance indicators										
Trading margin, incl.										
alcohol tax, %	12.7	13.3	13.7	13.4	13.2	13.2	13.2	13.4	12.9	12.6
Trading margin, excl.										
alcohol tax %	23.1	24.3	25.5	25.2	25.1	25.5	26.7	27.7	27.1	27.6
Operating margin, %	1.5	2.9	2.6	1.1	0.9	0.9	0.9	1.0	2.7	2.2
Return on shareholders' equity, %	13.9	20.6	17.7	11.5	10.0	10.3	10.1	8.0	26.2	22.9
Return on capital employed, %	19.7	31.9	29.7	15.6	15.3	15.1	15.5	17.0	38.3	34.3
Equity/assets ratio, %	39.0	39.6	38.4	40.2	32.7	30.0	35.5	30.7	33.7	32.9
Earnings per share										
before and after dilution, SEK	821	1 164	917	494	384	393	370	300	938	707
Equity per share, SEK	6 008	5 753	5 525	4 858	3 744	3 915	3 743	3 595	3 875	3 276
Cash flow per share, SEK	1 961	1 008	2 886	550	472	4 189	585	1 392	2 198	574
Dividend per share, SEK	821	583	917	250	556	222	222	222	139	319
Work productivity, no./employee	775	766	743	708	701	662	659	619	644	604
Rate of stock turnover, multiple	22.3	21.3	20.5	19.9	21.9	24.7	27.6	26.8	26.9	24.2
Product wastage, SEK m	19.2	16.0	18.4	18.2	22.0	21.3	11.6	5.7	5.7	5.4
Wastage, %	1.25	1.13	1.40	1.05	1.15	1.16	0.68	0.33	0.34	0.35
Age verification, %	85	88	89	84	83	79	81	81	80	79
Average no. employees	3 049	3 026	2 960	3 127	3 334	3 350	3 403	3 440	3 246	3 270

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

** Not according to IFRS

Consolidated Income Statement

SEK m	Note	2007	2006
Income	2	20 211	19 039
Cost of goods sold	3	– 17 644	– 16 514
Gross profit/loss		2 567	2 525
Other income	4–5	370	468
Selling expenses	5–7	– 1 999	– 1 922
Administrative expenses	5–7	– 347	– 301
Other expenses	8	– 281	– 211
Operating profit/loss		310	559
Financial income	9	107	88
Financial expenses	9	– 51	– 45
Profit/loss before tax		366	602
Tax	11	– 71	– 183
Net profit/loss for the year	12	295	419

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*	821	1 164
No. shares at period end	360 000	360 000
Average no. shares during the period	360 000	360 000
Total proposed dividend, SEK m	295	210
Proposed dividend per share, SEK	821	583

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

Income Statement

Income increased by SEK 1,172 million in 2007 to SEK 20,211 million. The increase in net sales is due to the increase of 5.4 per cent in sales volumes, primarily within the wine and beer product groups, where sales increased by 6.0 per cent and 5.9 per cent, respectively. The main reasons for the increase in Systembolaget's sales are the increase in disposable income and the reduction in personal imports by travellers. Alcohol consumption levels are remaining stable in Sweden, according to SoRAD, and Systembolaget's share of total alcohol consumption is, therefore, continuing to increase.

The operating profit fell during the year by SEK 249 million. The trading margin for the year totalled 12.7 per cent (13.3%), including alcohol tax. The return was higher than required by the owner's directive last year and a downwards correction of

prices was consequently approved. The price cut was implemented on 1st August 2006 and explains the lower trading margin in 2007. The total effect of the price cut between 2006 and 2007 was SEK 146 million. The operating profit includes capital gains from real estate sales totalling SEK 15 million (SEK 141 m). Selling expenses increased by SEK 77 million due to the higher sales volumes. Continued efforts to improve the efficiency of work in stores has, however, meant that selling expenses have not increased in direct relation to the increase in sales volumes. Administrative expenses have increased by SEK 46 million, primarily as a result of increased IT-related project expenses and a slight increase in depreciation costs.

Consolidated Balance Sheet

SEK m	Note	31st Dec 2007	31st Dec 2006
ASSETS			
Fixed assets			
Buildings and land	13	195	498
Equipment, fixtures & fittings	13	585	544
Construction in progress	13	169	109
Capitalised expenses	14	102	77
Pension assets	15	621	442
Deferred tax receivables	11	9	52
Other long-term securities holdings	16	1 032	876
Other long-term receivables	16	7	7
Total fixed assets		2 720	2 605
Current assets			
Stock-in-trade	17	783	820
Accounts receivable and accrued income	16	65	64
Prepaid costs	18	77	73
Other receivables		1	45
Short-term investments	16	167	290
Liquid assets	16	1 405	1 335
Total current assets		2 498	2 627
Fixed assets held for sale	19	332	0
TOTAL ASSETS	12	5 550	5 232

Fixed assets

Buildings and land fell by SEK 303 million during the year. An agreement to sell 102 store premises was signed in December. This is reported as fixed assets held for sale. The remaining change is due to the sale of four properties.

The value of equipment, fixtures and fittings and of construction in progress increased collectively by SEK 101 million. The increase is principally due to the rebuilding of stores as self-service outlets.

Other long-term securities holdings increased by SEK 156 million due to a reallocation between current assets and fixed assets.

Current assets

Stock-in-trade totalled SEK 783 million, which corresponded to approximately 31 per cent of current assets.

Short-term investments and liquid assets fell collectively by SEK 57 million. The change is due to a reallocation of financial investments between current assets and fixed assets.

SEK m

Note **31st Dec 2007** 31st Dec 2006**SHAREHOLDERS' EQUITY AND LIABILITIES**

Shareholders' equity	20		
Share capital		360	360
Reserves		—	– 7
Profits carried forward		1 508	1 299
Net profit/loss for the year		295	419
Total shareholders' equity		2 163	2 071
Provisions	21		
Long-term provisions		0	3
Short-term provisions		11	20
Total provisions		11	23
Long-term liabilities			
Deferred tax liabilities	11	177	161
Total long-term liabilities		177	161
Current liabilities			
Accounts payable and accrued costs	16	2 960	2 832
Prepaid income	18	7	22
Tax liabilities		1	69
Other liabilities		195	54
Total current liabilities		3 163	2 977
Total liabilities		3 351	3 161
Liabilities linked to fixed assets held for sale	19	36	0
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12	5 550	5 232
Pledged assets and contingent liabilities			
Pledged assets	22	8	6
Contingent liabilities	23	12	6

Shareholder's equity

The consolidated shareholders' equity increased by SEK 92 million and the change is a net result, primarily, of the dividend paid to the owners of SEK 210 million and the net profit/loss for the year of SEK 295 million. The equity/assets ratio totalled 39.0 (39.6%) per cent, which exceeds the requirement stipulated in the owner's directive of 30.0 per cent. The return on shareholders' equity totalled 13.9 per cent (20.6%), which exceeds the requirement stipulated in the owner's directive of 7.7 per cent.

Liabilities

Accounts payable and accrued costs increased by SEK 128 million to SEK 2,960 million, corresponding to approximately 88 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 2006	360	—	1 629	1 989
Change in financial assets that can be sold		- 7		- 7
Changes in wealth booked directly to shareholders' equity	—	- 7	—	- 7
Net profit/loss for the year, 2006			419	419
Total change in wealth	—	- 7	419	412
Dividend			- 330	- 330
Closing shareholders' equity, 31st December 2006	360	- 7	1 718	2 071
Change in financial assets that can be sold		7		7
Changes in wealth booked directly to shareholders' equity	—	7	—	7
Net profit/loss for the year, 2007			295	295
Total change in wealth	—	7	295	302
Dividend			- 210	- 210
Closing shareholders' equity, 31st December 2007	360	—	1 803	2 163

Consolidated Cash Flow Statement

SEK m	Note	2007	2006
Operating activities			
Profit/loss before tax		366	602
Adjustment for items not included in the cash flow			
Depreciation and write-downs		193	188
Capital gains profit/loss		– 10	– 142
Other		– 93	– 69
Cash flow from changes in operating capital			
Change in stock in trade		62	– 2
Change in receivables		23	22
Change in liabilities		283	125
Cash flow from operating activities before changes in operating capital		824	724
Tax paid		– 118	– 361
Cash flow from operating activities		706	363
Investment activities			
Acquisition of tangible fixed assets		– 261	– 260
Sale of tangible fixed assets		34	260
Acquisition of intangible assets		– 55	– 6
Acquisition/sale of financial assets		– 29	– 631
Acquisition of pension assets		– 115	–
Cash flow from investment activities		– 426	– 637
Financial activities			
Dividend		– 210	– 330
Cash flow from financial activities		– 210	– 330
Cash flow for the year		70	– 604
Liquid assets at the beginning of the year		1 335	1 939
Liquid assets at the end of the year	24	1 405	1 335

Cash flow from operating activities

The cash flow from operating activities increased by SEK 343 million to SEK 706 million. The change is primarily due to a lower level of tax paid in 2007. Seasonal large purchases are made to meet the sales peaks during the Christmas and New Year periods but are not settled as of the turn of the year. The higher sales volumes have resulted in higher accounts payable at the end of 2007 than in 2006.

Cash flow from investment activities

The cash flow from investment activities totalled SEK –426 million, which is down by SEK 211 million on 2006. Acquisitions of tangible fixed assets and intangible assets refers primarily to work on rebuilding over-the-counter stores as self-

service outlets and to system adaptations. Acquisitions of financial assets refers to the acquisition of securities. SEK 115 million (–) has been invested in pension assets during the year.

Cash flow from financial activities

The cash flow from financial activities totalled SEK –210 million (SEK –330 m) and refers to the profit dividend for 2006 approved by the Annual General Meeting and which was disbursed on 30th March 2007.

Income Statement, Parent Company

SEK m	Note	2007	2006
Net sales	2	20 211	19 039
Cost of goods sold	3	– 17 644	– 16 514
Gross profit/loss		2 567	2 525
Selling expenses	5–7	– 2 123	– 1 932
Administrative expenses	5–7	– 370	– 302
Other operating income	4	9	9
Other operating expenses	8	0	– 2
Operating profit/loss		83	298
Income from participations in Group companies	10	204	20
Income from other securities and receivables that are fixed assets	10	18	18
Interest income	10	15	6
Interest income from Group companies	10	14	12
Interest expenses	10	– 1	– 2
Interest expenses to Group companies	10	0	0
Profit/loss after financial items		333	352
Tax	11	– 38	– 93
Net profit/loss for the year	12	295	259

Balance Sheet, Parent Company

SEK m	Note	31st Dec 2007	31st Dec 2006
ASSETS			
Fixed assets			
Intangible fixed assets			
Capitalised expenses	14	96	70
Total intangible fixed assets		96	70
Tangible fixed assets			
Buildings and land	13	39	37
Equipment, fixtures & fittings	13	567	517
Construction in progress	13	154	109
Total tangible fixed assets		760	663
Financial fixed assets			
Participations in Group companies	12	15	15
Receivables from Group companies	12	408	224
Deferred tax receivables	11	25	28
Other long-term securities holdings	16	1 032	876
Other long-term receivables	16	14	13
Total financial assets		1 494	1 156
Total fixed assets		2 350	1 889

SEK m	Note	31st Dec 2007	31st Dec 2006
Current assets			
Stock-in-trade	17	783	819
Receivables			
Accounts receivable		24	13
Receivables from Group companies	12	2	1
Other receivables		3	87
Prepaid costs and accrued income	25	74	69
Total receivables		103	170
Short-term investments	16	167	290
Cash and bank balances	16	1 405	1 337
Total current assets		2 458	2 616
TOTAL ASSETS	12	4 808	4 505
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity	20		
Restricted equity			
Share capital		360	360
Statutory reserve		72	72
Total restricted equity		432	432
Non-restricted equity			
Fair value reserve		—	– 7
Profit/loss carried forward		854	805
Net profit/loss for the year		295	259
Total non-restricted equity		1 149	1 057
Total shareholders' equity		1 581	1 489
Provisions	21		
Long-term provisions		74	80
Short-term provisions		10	20
Total provisions		84	100
Long-term liabilities			
Long-term liabilities to Group companies	12	17	8
Deferred tax liabilities	11	18	19
Total long-term liabilities		35	27
Current liabilities			
Accounts payable	12	2 749	2 634
Current liabilities to Group companies		3	3
Tax liabilities		0	7
Other liabilities		190	103
Accrued costs and prepaid income	26	166	142
Total current liabilities		3 108	2 889
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES	12	4 808	4 505
MEMORANDUM ITEMS			
Pledged assets and contingent liabilities			
Pledged assets	22	8	6
Contingent liabilities	23	18	9

Change in shareholders' equity, Parent Company

SEK m	Restricted equity		Non-restricted equity			Total equity
	Share capital	Statutory reserve	Fund for fair value	Profit carried forward	Net profit/loss for year	
Opening equity, 1st January 2006	360	72	—	500	635	1 567
Change in financial assets that can be sold			– 7			– 7
Transfer to non-restricted reserves				635	– 635	—
Net profit/loss for the year, 2006					259	259
Total change in wealth	—	—	– 7	635	– 376	252
Dividend				– 330		– 330
Closing equity, 31st December 2006	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 change in wealth	—	—	7	259	36	302
Dividend				– 210		– 210
Closing equity, 31st December 2007	360	72	—	854	295	1 581

Cash Flow Statement, Parent Company

SEK m	Note	2007	2006
Operating activities			
Profit/loss after financial items		333	352
Adjustments for items not included in the cash flow			
Depreciation and write-downs		168	151
Capital gain		5	—
Other		– 25	– 23
Cash flow from changes in operating capital			
Change in stock-in-trade		62	– 2
Change in receivables		68	138
Change in liabilities		213	189
Cash flow from operating activities after changes in operating capital		824	805
Tax paid		– 45	– 329
Cash flow from operating activities		779	476
Investment activities			
Acquisition of tangible fixed assets		– 238	– 216
Sale of tangible fixed assets		2	12
Acquisition of intangible fixed assets		– 53	– 6
Acquisition/sale of financial assets		– 29	– 631
Change in financial receivables from subsidiaries		– 183	90
Cash flow from investment activities		– 501	– 751
Financial activities			
Dividend		– 210	– 330
Cash flow from financial activities		– 210	– 330
Cash flow for the year		68	– 605
Liquid assets at the beginning of the year		1 337	1 942
Liquid assets at the end of the year	24	1 405	1 337

Supplementary information and Notes

1 Accounting principles

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

General

The consolidated accounts comprise the Parent Company, Systembolaget AB, the wholly owned subsidiaries, Lagena Distribution AB and IQ-Initiativet AB, and the subsidiary groups, AB K14 Näckströmsgatan and Systembolaget Fastigheter AB. 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 2007 financial year were approved for publication by the Board of

Directors and the President on 21st February 2008 and will be submitted to the Annual General Meeting on 13th March 2008.

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.

Dates

Income Statement-related items refer to the period from 1st January to 31st December and Balance Sheet-related 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 RR 30:06, 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. Fixed assets and assets held for sale are valued at whichever is the lower of the reported value and the fair value, less selling expenses.

Annual Accounts

The annual accounts have been prepared in accordance with recommendation RR 32:06, Reporting for Legal Entities, issued by the Swedish Financial Reporting Board, and which specifies the supplementary information required by the Swedish Annual Accounts Act and the exceptions that apply for the Parent Company with regard to the IFRS requirements.

The differences between the Group's and the Parent Company's accounting principles derive from the requirements imposed on the Parent Company by RR 32:06, the Swedish Annual Accounts Act, the Swedish Securing Pension Commitments Act, and tax legislation.

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

Amended accounting principles

Systembolaget has used the same accounting principles and calculation methods as in the 2006 annual accounts, complemented with certain supplementary information requirements with regard to financial instruments and financial risks contained in the new standard, IFRS 7 Financial Instruments: Disclosures, and by reason of the addendum to IAS 1 Presentation of Financial Statements, which requires supplementary information on capital. Both changes came into force on 1st January 2007.

Future standards, addenda and interpretations

The following standard and addendum will affect Systembolaget:

- Amendment to IAS 1 Presentation of Financial Statements. The amendment has not been approved by the European Commission. The amendment will come into force on 1st January 2009.

The following standard may possibly affect Systembolaget:

- IFRS 8 Operating Segments. The standard has been approved by the European Commission and comes into force on 1st January 2009.
- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation has not been approved by the European Commission. The interpretation applies to financial years commencing 1st January 2008 or thereafter.

The following interpretations will probably not affect Systembolaget:

- IAS 23 Borrowing Costs. The amendment has not been approved by the European Commission. The amendment comes into force on 1st January 2009.
- IFRIC 11 IFRS 2 Group and Treasury Share Transactions. The interpretation has not been approved by the European Commission. The interpretation applies to financial years commencing 1st March 2007 or thereafter.

- IFRIC 12 Service Concession Arrangements. The interpretation has not been approved by the European Commission. The interpretation comes into force on 1st January 2008.

Important estimates and assessments

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

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

The assumption with regard to the expected return on plan assets takes into account historic long-term returns, the distribution of the assets and an assessment of their future long-term return. The Group adopts an appropriate discount rate at the end of every year, based on the market's expectations with regard to bonds with the same term as the pension liability. The valuation has been based on an interest rate curve estimated on the basis of Swedish real interest rate government bonds.

Important assessments

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

Consolidated accounts

Subsidiaries

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

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

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

Consolidation principles

The consolidated accounts have been prepared in accordance with the acquisition value method. The acquisition cost of an acquisition comprises the fair value of assets paid in remuneration and arising or assumed liabilities as of the transfer date, and any costs directly attributable to the acquisition. Identifiable acquired assets and liabilities, and any contingent liabilities, are valued at their fair value on the acquisition value. 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-based 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.

Note 1, cont.

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 recognised 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. Current tax is calculated and valued in accordance with the tax rules and at the tax rates applicable or, in principle, approved on the closing day.

Deferred tax is calculated using the Balance Sheet method whereby temporary differences, i.e. differences between the reported and fiscal values of assets and liabilities, give rise to deferred tax liabilities or tax receivables.

Deferred tax 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.

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.

Systembolaget Fastigheter AB 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. Real estate used in business operations is real estate held for the company's own business operations, primarily comprising stores and administrative operations.

Intangible assets

Expenses for the development of a new business system are reported as intangible assets. Expenses for system development are amongst those 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.

Intangible assets are valued using the cost method at the 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.

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 varies 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 Systembolaget's Balance Sheet refer to non-vesting pension undertakings. 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.

Note 1, cont.

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: financial assets that can be sold, 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

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

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 invoice has 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 or 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, 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 and 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.

2 Income/net sales

Type of income	The Group		Parent Company	
	2007	2006	2007	2006
Drinks				
Spirits	5 176	5 026	5 176	5 026
Wine	10 048	9 316	10 048	9 316
Strong beer	4 246	3 986	4 246	3 986
Cider and mixed drinks	599	586	599	586
Alcohol-free	27	23	27	23
Total drinks	20 096	18 937	20 096	18 937
Other products and services	115	102	115	102
Total	20 211	19 039	20 211	19 039

3 Cost of goods sold

	The Group		Parent Company	
	2007	2006	2007	2006
Cost of goods sold	17 644	16 514	17 644	16 514

Cost of goods sold refers primarily to purchases of goods for resale and direct selling expenses.

4 Other income/other operating income

	The Group		Parent Company	
	2007	2006	2007	2006
Rental income	51	68	—	—
Other operating income	304	259	9	9
Capital gains/losses	15	141	—	—
Total	370	468	9	9

Subsidiary companies' external income is reported under Other income. Rental income refers to Systembolaget Fastigheter's income for letting premises. Other operating income refers primarily to Lagena Distribution's income from transports. Subsidiary companies' intra-Group income is reported under Other expenses, as of 2007. The 2006 figures have been adjusted to achieve comparability between the years.

5 Leasing

Operational lessors

Due date	The Group	
	2007	2006
Future minimum leasing charges		
Within one year	16	42
More than one year but less than five years	—	108
More than five years	—	19
Total	16	169

The operational leasing income for the year totals SEK 53 million (SEK 62 m) and refers to Systembolaget Fastigheter AB. The Parent Company has no leasing income. The sale of Systembolaget Fastigheter in 2008 will mean that operational leasing income will only accrue to the Group for Q1 2008.

Operational lessees

Due date	The Group		Parent Company	
	2007	2006	2007	2006
Future minimum leasing charges				
Within one year	378	322	393	419
More than one year but less than five years	1 348	1 025	1 348	1 297
More than five years	623	559	623	709
Total	2 349	1 906	2 364	2 425

The operational leasing cost for the year totals SEK 319 million (SEK 385 m) in the Group and SEK 318 million (SEK 384 m) in the Parent Company. The comparative figures for 2006 have been updated in line with the changes made in 2007 in terms of which agreements are to be classified as operational leasing agreements.

6 Selling and administrative expenses

Selling expenses	The Group		Parent Company	
	2007	2006	2007	2006
Staff overheads	1 120	1 064	1 244	1 074
Depreciation	127	119	126	119
Other expenses	752	739	753	739
Total	1 999	1 922	2 123	1 932

Administrative expenses	The Group		Parent Company	
	2007	2006	2007	2006
Staff overheads	87	84	111	85
Depreciation	35	32	35	32
Other expenses	225	185	224	185
Total	347	301	370	302

No research or development operations have been carried out.

Fees and reimbursement of expenses paid to audit companies

Fees and reimbursement of expenses paid to audit companies are included in administrative expenses.

Audit company	The Group		Parent Company	
	2007	2006	2007	2006
SET Revisionsbyrå AB				
Audit engagements	4	3	3	3
Other engagements	0	—	—	—
Swedish National Audit Office				
Audit engagements	0	0	0	0
Total	4	3	3	3

The term, audit engagements, refers to the auditing of the annual accounts and bookkeeping and of the administration by the Board of Directors and President, other duties performance which is incumbent upon the company's auditors, and the provision of advice or other assistance occasioned by observations in conjunction with such auditing or the execution of such other duties. All other work is classified as Other engagements.

7 Personnel

Salaries and other remuneration	The Group		Parent Company	
	2007	2006	2007	2006
Salaries and remuneration	893	848	828	795
Payroll overhead including pensions	513	357	488	336
Total	1 406	1 205	1 316	1 131

For information on pensions, please see Note 15, Pensions.

Salaries and other remuneration to the Board, senior executives and other employees

	2007			2006		
	Board & President	Other employees	Total	Board & President	Other employees	Total
Parent Company	3	825	828	3	792	795
Subsidiaries	2	63	65	2	51	53
Group, total	5	888	893	5	843	848

Principles of remuneration to senior executives

Fees are paid to the Board Chairman, Deputy Chairman and directors in accordance with decisions by the Annual General Meeting. Such decisions approved a fee of SEK 172,000 (166,000) to the Chairman, SEK 105,000 (99,000) to the Deputy Chairman, SEK 84,000 (83,000) to the Board Members. Fees are paid monthly and adjusted annually on 1st

May. Employee representatives are not paid a director's fee. Remuneration to the President and other senior executives consist of a basic salary, other benefits and a pension entitlement. No variable, bonus-based remuneration is paid, nor is any remuneration paid in the form of financial instruments etc. Other senior executives are such persons who, with the President, constitute the Company's management team.

Remuneration to the Board, 2007 (SEK)

	Elected/ appointed	Fee/salary	Other benefits	Pension cost	Other remuneration	Total	Notice period (employee/company)	Severance pay
Olof Johansson, Chairman of the Board	2002	170 694	608	—	1 881	173 183	—	—
Anna Hedborg, Deputy Chairman, until 22/3 -07	2002	24 750	—	—	—	24 750	—	—
Ulf Melin, Member, until 22/3 -07	1999	20 750	—	—	—	20 750	—	—
Elisebeht Markström, Member, t o m 22/3 -07	1999	20 750	—	—	—	20 750	—	—
Marianne Nivert, Member, Deputy Chairman from 22/3 -07	2002/2007	99 500	—	—	—	99 500	—	—
Gert Karnberger, Member, until 22/3 -07	2004	21 322	—	—	—	21 322	—	—
Margareta Andersson, Member, until 22/3 -07	2000/2005 *	30 083	—	—	—	30 083	—	—
Marita Aronson, Member, until 22/3 -07	2006	20 750	—	—	—	20 750	—	—
Ingrid Burman, Member, until 22/3 -07	2006	20 750	—	—	—	20 750	—	—
Annika Nilsson, Member	2006/2007 **	28 250	—	—	—	28 250	—	—
Johan Gernandt, Member	2007	63 000	—	—	—	63 000	—	—
Sven Andréasson, Member	2007	63 000	—	—	—	63 000	—	—
Carl B Hamilton, Member	2007	63 000	—	—	—	63 000	—	—
Lena Furmark Löfgren, Member	2007	63 000	—	—	—	63 000	—	—
Total, the Board		709 599	608	—	1 881	712 088	—	—

Remuneration to the company management, 2007 (SEK)

	Elected/ appointed	Fee/salary	Other benefits	Pension cost	Other remuneration	Total	Notice period (employee/comp.)	Severance pay
Anitra Steen, President	1999	2 412 199	95 575	754 096	3 574	3 265 444	6/0 months	24 months
Mikael Wallteg, Vice President Sales Director	2001	1 643 760	99 294	535 583	1 135	1 744 189	6 months	12 months
Barbro Ström, Vice President, Purchasing Director, until 31/7-07	2000	1 123 015	54 464	592 822	7 940	1 778 241	6 months	18 months
Marie Nygren, Vice President Purchasing Director from 1/9-07	2007	530 400	8 015	140 697	0	538 415	6 months	6 months
Karin Furevik, HR Director	2001	1 086 585	75 134	523 791	0	1 685 510	6 months	12 months
Gunilla Högbom, Real Estate Director	2000	963 995	59 680	399 426	2 862	1 425 963	6 months	18 months
Per Bergkrantz, Marketing Director	2000	1 066 879	83 148	523 101	2 442	1 675 570	6 months	6 months
Anders Söderlund, CFO	2003	1 429 200	77 696	416 056	1 362	1 924 314	6 months	6 months
Johan Tömmervik, IT Director	2003	1 170 157	29 412	403 981	1 620	1 605 170	6 months	6 months
Björn Rydberg, Press Director	1992-2000, 2002	860 954	75 924	577 673	2 749	1 517 300	6/0 months	24 months
Total, company management		12 287 144	658 342	4 867 226	23 684	17 836 396		
Change in value of pension liability as a result of new assumptions by Swedish Financial Supervisory Authority ***								
				3 721 869		3 721 869		
Total, Board and company management		12 996 743	658 950	8 589 095	25 565	22 270 353		

* Elected as Deputy Member/elected as Member of the Board.

** Annika Nilsson tendered her resignation from the Board on 5th October 2006 and was re-elected on 22nd March 2007.

*** See Note 15, Pensions, Parent Company. New regulations issued by the Swedish Financial Supervisory Authority regarding actuarial grounds.

Other benefits refer primarily to company car benefits. The President and company management receive no bonuses or housing allowance.

Other remuneration primarily comprises per diem reimbursement.

If notice of termination is given by the company, provided that remuneration for the contract of employment is not covered by the Swedish Employment Protection Act, severance pay is payable based, in certain cases, on the individual's age when employment ceases, the amount to be paid monthly in arrears:

- 6 months' fixed salary if the individual is less than 50 years of age
- 12 months' fixed salary if the individual is aged between 50 and 56
- 18 months' fixed salary if the individual is over 56 years of age

No severance pay is payable for Anders Söderlund, Johan Tömmervik and Marie Nygren after 61 years of age

Note 7, cont.

Remuneration to the Board, 2006 (SEK)

	Elected/ appointed	Fee/salary	Other benefits	Pension cost	Other remuneration	Total	Notice period (employee/company)	Severance pay
Olof Johansson, Chairman of the Board	2002	164 499	—	—	—	164 499	—	—
Anna Hedborg, Deputy Chairman	2002	98 250	—	—	—	98 250	—	—
Ulf Melin, Member	1999	82 250	—	—	—	82 250	—	—
Elisebeht Markström, Member	1999	82 250	—	—	—	82 250	—	—
Marianne Nivert, Member	2002	82 250	—	—	—	82 250	—	—
Gert Karnberger, Member	2004	82 250	—	—	—	82 250	—	—
Margareta Andersson, Member	2000/2005*	82 384	—	—	—	82 384	—	—
Marita Aronson, Member	2006	62 250	—	—	—	62 250	—	—
Ingrid Burman, Member	2006	62 250	—	—	—	62 250	—	—
Annika Nilsson, Member	2006**	62 250	—	—	—	62 250	—	—
Robin Dahl, Member until 16/3-06	1995/2005*	20 000	—	—	—	20 000	—	—
Ewa Persson Göransson, Member until 16/3-06	2001	20 000	—	—	—	20 000	—	—
Karin Pilsäter, Member until 16/3-06	1999/2005*	20 000	—	—	—	20 000	—	—
Total, the Board	920 883	920 883						

Remuneration to the company management, 2006 (SEK)

	Elected/ appointed	Fee/salary	Other benefits	Pension cost	Other remuneration	Total	Notice period (employee/comp.)	Severance pay
Anitra Steen, President	1999	2 195 059	98 881	556 785	1 536	2 852 261	6/0 months	24 months
Mikael Wallteg, Vice President, Sales Director	2001	1 539 651	99 074	495 842	1 663	2 136 230	6 months	12 months
Barbro Ström, Vice President, Purchasing Director	2000	1 395 494	84 253	859 276	5 575	2 344 598	6 months	18 months
Karin Furevik, HR Director	2001	1 055 376	90 276	471 570	1 671	1 618 893	6 months	12 months
Gunilla Högbom, Real Estate Director	2000	937 161	79 583	357 725	2 834	1 377 303	6 months	18 months
Per Bergkrantz, Marketing Director	2000	995 587	77 565	315 744	2 164	1 391 060	6 months	6 months
Anders Söderlund, CFO	2003	1 354 896	71 667	399 506	889	1 826 958	6 months	6 months
Johan Tömmervik, IT Director	2003	1 111 646	30 532	370 236	4 208	1 516 622	6 months	6 months
Björn Rydberg, Press Director	1992–2000, 2002	837 082	84 902	527 712	2 544	1 452 240	6/0 months	24 months
Summa Total, company management		11 421 952	716 733	4 354 396	23 084	16 516 165		
Total, the Board and company management		12 342 835	716 733	4 354 396	23 084	17 437 048		

Conditions of pension agreements

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

Cleaners and caretakers are insured via the AMF pension organisation.

President

Systembolaget's President is entitled to a pension at the age of 60. A defined-benefit retirement pension is payable at 70 per cent of the pensionable salary in 2001, which amounted to SEK 1,660 k. This amount is index-linked. The defined benefit pension entitlement has been fully earned. In addition, as of 1 January 2002, the President is entitled to a defined premium pension with an annual premium of 3 price base amounts plus 25% of salary components above SEK 1,660 k. The President is also included in the Kåpan supplementary pension plan from the age of 65.

Vice President

The Company's Vice President, Mikael Wallteg, is entitled to a pension at the age of 60. A retirement pension will be paid until the age of 65 at 70 per cent of the pensionable salary, up to a maximum of 70 per cent of 30 income base amounts. The pensionable salary is the regular monthly salary payment, multiplied by 12.3. In addition, the Vice President is entitled to a defined premium pension with a premium of 20% of salary components above 30 income base amounts. A pension in accordance with Systembolaget's collective bargaining agreement pension plan for salaried employees, including the complementary pension, Kåpan, is payable from the age of 65. The Vice President, Marie Nygren, is subject to the conditions shown below for "Other senior executives, employed after 1st January 2003".

Other senior executives, employed before 1st January 2003

The pensionable age is 60. A retirement pension will be paid until the age of 65 at 70 per cent of the pensionable salary. The pensionable salary is based on the regular monthly salary payment on 1 July 2002, multiplied by 12.3 and is expressed as a number of price base amounts. A pension in accordance with

Systembolaget's collective bargaining agreement pension plan for salaried employees, including the complementary pension, Kåpan, is payable from the age of 65. The Marketing Director, Per Bergkrantz, is subject to the conditions shown below for "Other senior executives, employed after 1st January 2003".

Other senior executives, employed after 1st January 2003

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

Senior executives covered by conditions negotiated earlier

The pensionable age is 60. Retirement pensions are paid in an amount corresponding to 70 per cent of the regular monthly salary payment. The complementary pension, Kåpan, is also payable from the age of 65.

The Press Director, Björn Rydberg, is subject to these conditions.

Other employees (non-management)

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

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

Average no. employees and gender balance

Average no. and gender balance (%)	2007			2006		
	Women	Men	Total	Women	Men	Total
Parent Company	1 869 (66)	965 (34)	2 834	1 881 (66)	961 (34)	2 842
Subsidiaries	42 (20)	173 (80)	215	35 (19)	149 (81)	184
The Group, total	1 911(63)	1 138 (37)	3 049	1 916 (63)	1 110 (37)	3 026

The Board and company management (%)	2007			2006		
	Women	Men	Total	Women	Men	Total
The Board	4 (40)	6 (60)	10	7 (70)	3 (30)	10
Company management	4 (44)	5 (56)	9	4 (44)	5 (56)	9
The Board and company management, total	8 (42)	11 (58)	19	11 (58)	8 (42)	19

In stores (%)	Full-time sales staff		Part-time sales staff		Store managers		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Women	324 (59)	303 (57)	1 240 (74)	1 287 (76)	143 (42)	155 (42)	1 707	1 745 (67)
Men	221 (41)	227 (43)	437 (26)	417 (24)	195 (58)	210 (58)	853	854 (33)
Total, in stores	545 (21)	530 (20)	1 677 (66)	1 704 (66)	338 (13)	365 (14)	2 560	2 599

Note 7, cont.

At Parent Company Head Office (%)	Managers		Other employees		Total	
	2007	2006	2007	2006	2007	2006
Women	26 (46)	25 (45)	102 (58)	111 (59)	128 (55)	136 (56)
Men	30 (54)	31 (55)	75 (42)	76 (41)	105 (45)	107 (44)
At Parent Company Head Office, total	56 (24)	56 (23)	177 (76)	187 (77)	233	243

The Parent Company changed its payroll system in 2007. In previous years, figures for the average number of employees and gender breakdown referred to the period from January-December. Under the new payroll system, the comparison period is, instead, December-November.

Sickness absence

Sickness absence in relation to ordinary working hours (%)	Parent Company	
	2007	2006
Total sickness absence	6.1	6.5
Long-term sickness absence, over 60 days	3.6	3.8
Sickness absence for respective gender		
Men	4.6	5.0
Women	6.9	7.3
Sickness absence for respective age groups		
Employees aged 29 years or less	3.4	3.8
Employees aged 30–49	4.7	5.1
Employees aged 50 or more	8.2	9.9

The positive sickness absence trend has continued. The company has prioritised preventative work environment and health promoting measures, leading to lower levels of short-term absence. The company will continue to invest heavily, primarily in reducing long-term absence.

8 Other expenses/other operating expenses

	The Group		Parent Company	
	2007	2006	2007	2006
Operating expenses, real estate management	68	68	—	—
Other operating expenses	182	107	0	2
Depreciation	31	36	—	—
Total	281	211	0	2

Subsidiary companies' expenses are reported under Other expenses. Operating expenses, real estate management, refers to Systembolaget Fastigheter's costs in connection with real estate management. Other operating expenses refers to the operating expenses of Lagen Distribution and IQ-initiativet. Subsidiaries' intra-Group income is reported under Other expenses, as of 2007. The 2006 figures have been adjusted to achieve comparability between the years.

9 Financial income and expenses, the Group

	2007	2006
Interest income from long-term receivables	0	1
Interest income from financial investments	18	17
Return on pension assets	74	63
Other interest income	15	7
Total	107	88

	2007	2006
Interest expenses on pension liabilities	50	43
Penalty interest	0	0
Other interest expenses	1	2
Total	51	45

Net profits/losses

	2007	2006
Liquid assets	15	7
Financial assets valued at fair value via the Income Statement	15	4
Financial assets that can be sold	3	13
Loan receivables and accounts receivable	0	1
Financial liabilities valued at accrued acquisition value	-1	-2
Pensions, taxation of assets and interest expenses on the liability	24	20
Total	56	43

Net financial items increased by SEK 13 million. The increase was primarily due to higher interest rates in 2007 than in 2006. The size of the investment portfolio is largely unchanged but a redistribution between categories has occurred. All financial assets that can be sold have been sold and replaced by financial assets valued at fair value. Capital gains totalling ca. SEK 10 million have been charged to the profit on financial assets that can be sold. .

10 Financial income and expenses, Parent Company

	2007	2006
Profit/loss on participations in Group companies		
Dividend from Lagen Distribution AB	4	20
Dividend from Systembolaget Fastigheter AB	200	—
Income from other securities and receivables that constitute fixed assets		
Interest income from long-term receivables	0	1
Interest income from financial investments	18	17
Interest income		
Interest income from Group companies	14	12
Other interest income	15	6
Total	251	56

	2007	2006
Interest expenses to Group companies	0	0
Penalty interest	0	0
Other interest expenses	1	2
Total	1	2

11 Taxes

Tax on the net profit/loss for the year	The Group		Parent Company	
	2007	2006	2007	2006
Current tax	49	161	35	93
Deferred tax	22	22	3	0
Total reported tax	71	183	38	93

Tax expense and effective tax rate	The Group			
	2007		2006	
	Profit/loss	%	Profit/loss	%
Profit/loss before tax	366		601	
Tax at applicable tax rate (28%)	-102	-28	-168	-28
Tax attributable to previous years	35	10	-14	-2
Fiscal effect of non-deductible expenses	-5	-1	-1	0
Fiscal effect of non-taxable income	1	0	0	0
Reported tax expense and effective tax rate	-71	-20	-183	-30

Tax expense and effective tax rate	Parent Company			
	2007		2006	
	Profit/loss	%	Profit/loss	%
Profit/loss before tax	333		352	
Nominal tax	-93	-28	-99	-28
Tax attributable to previous years	1	0	1	0
Fiscal effect of non-deductible expenses	-4	-1	-1	0
Fiscal effect of non-taxable income	58	17	6	2
Reported tax expense and effective tax rate	-38	-11	-93	-26

Deferred tax	The Group		Parent Company	
	2007	2006	2007	2006
Deferred tax receivables in respect of:				
Depreciation of buildings	9	52	0	1
Pension provisions	—	—	26	22
Social security contribution provisions	—	—	0	5
Total deferred tax receivables	9	52	26	28
Deferred tax liabilities in respect of:				
Untaxed reserves	-2	-3	—	—
Payroll tax liability	—	—	-18	-19
Pension assets	-173	-156	—	—
Consolidated depreciation	-2	-2	—	—
Total deferred tax liabilities	-177	-161	-18	-19
Total deferred tax, net	-168	-109	8	9

An adjustment of deferred tax on pensions totalling SEK 32 million has been made during the year in respect of previous years. The effective tax rate was hence 20 per cent (30%).

12 Transactions with related parties

Related parties	The Group							
	Sales		Purchasing		Receivables		Liabilities	
	2007	2006	2007	2006	2007	2006	2007	2006
Owner with controlling influence, govt.	—	—	—	—	—	—	—	—
Other related parties	27	185	3 831	3 593	1	53	589	659
Total	27	185	3 831	3 593	1	53	589	659

Related parties	Parent Company									
	Sales		Purchasing		Receivables		Liabilities		Profit/loss	
	2007	2006	2007	2006	2007	2006	2007	2006	2007	2006
Owner with controlling influence, govt.	—	—	—	—	—	—	—	—	—	—
Other related parties	0	—	3 823	3 585	0	50	585	658	—	—
Subsidiaries										
Lagena Distribution AB	1	1	10	11	0	0	16	9	5	9
Systembolaget Fastigheter AB	21	19	99	106	281	225	0	1	25	158
IQ-initiativet AB	0	—	23	25	1	—	2	1	0	0
AB K14 Näckströmsgatan	1	—	—	—	127	—	0	—	25	—
Total	23	20	3 955	3 727	409	275	603	669	55	167

"Other related parties" includes the pension funds and government-owned companies in which the government has a controlling influence. Dividends have been paid from Lagena Distribution AB and Systembolaget Fastigheter AB to the Parent Company, Systembolaget AB, of SEK 4 million (SEK 520 m) and SEK 200 (SEK 0 m), respectively.

Transactions with senior executives and Board Members

Remuneration to senior executives including the President and Members of the Board is described in Note 7.

Group companies

	Corporate ID no.	Reg. office	No participations	Capital share, %	Book value		Equity	
					2007	2006	2007	2006
Lagena Distribution AB	556501-3496	Haninge	150	100	15.0	15.0	34	34
Systembolaget Fastigheter AB	556601-5615	Stockholm	100	100	0.1	0.1	27	202
IQ-initiativet AB	556680-9892	Stockholm	10	100	0.1	0.1	0	0
AB K14 Näckströmsgatan	556741-9238	Stockholm	10	100	0.1	—	25	—
Total					15.3	15.2	86	236

AB K14 Näckströmsgatan was formed in the autumn of 2007. The company is a general partner for Fastighetsbolaget Näckströmsgatan i Stockholm KB and Fastighetsbolaget Armaturvägen i Haninge KB.

	Parent Company	
	2007	2006
Opening balance, 1st January	15.2	15.2
Acquisitions during the year	0.1	—
Disposals during the year	0	—
Closing balance, 31st December	15.3	15.2

Note 12, cont.

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

Company	Corporate ID no.	Reg. office
Fastighetsbolaget Näckströmsgatan i Stockholm KB	969674-9690	Stockholm
Fastighetsbolaget Armarturvägen i Haninge KB	969674-9424	Stockholm

The following limited partnerships have been sold during 2007:

Bonden 11 KB	969675-1511	Stockholm
Buntmakaren 10 i Motala KB	969675-3442	Stockholm
Tärnan 25 KB	969675-1529	Stockholm
Gävle 10 KB	969675-1479	Stockholm
Fastighetsbolaget Thor 15 KB	969675-3848	Stockholm
Döbeln 7 KB	969675-0117	Stockholm
Malörten 1 i Vänersborg KB	969675-1842	Stockholm
Fastighetsbolaget Drottninggatan i Karlstad KB	969675-0588	Stockholm
Fastighetsbolaget Hammartorget 5-7 KB	969675-4614	Stockholm
Hofors 6:87 KB	969675-1099	Stockholm
Fastighetsbolaget Storgatan i Sollefteå KB	969675-2113	Stockholm
Stora Örnen 18 KB	969675-0554	Stockholm

The Parent Company's capital investment per limited partnership sold was SEK 1,000.

13 Tangible fixed assets

Tangible fixed assets	The Group							
	Buildings and land		Equipment, fixtures & fittings		Construction in progress		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Opening acquisition values, 1st January	1 120	1 312	1 415	1 306	109	65	2 644	2 683
New acquisitions	7	28	41	33	213	198	261	259
Sales	-43	-150	-68	-78	—	—	-111	-228
Reclassifications	0	-70	153	154	-153	-154	0	- 70
Assets reported as disposal groups for sale	-799	—	-9	—	0	—	-808	—
Closing accumulated acquisition values, 31st December	285	1 120	1 532	1 415	169	109	1 986	2 644
Opening depreciation, 1st January	-622	-740	-871	-807	—	—	-1 493	-1 547
Sales	25	43	62	62	—	—	87	105
Reclassifications	—	103	—	5	—	—	—	108
Depreciation for the year	-17	-28	-147	-131	—	—	-164	-159
Assets reported as disposal groups for sale	524	—	9	—	—	—	533	—
Closing accumulated depreciation, 31st December	-90	-622	-947	-871	—	—	-1 037	-1 493
Reported value, 31st December	195	498	585	544	169	109	949	1 151
Rateable value, real estate	321	755					321	755
of which, buildings	222	584					222	584

The Group's buildings and land are held for use in the Group's own operations, primarily as stores and buildings used for administrative purposes and hence constitute real estate used in business operations.

In September 2007, the Board decided to sell all of the store premises. The decision led to these properties being reported as disposal groups held for sale and no depreciation has occurred after the decision was taken. The item, equipment and fixtures & fittings, principally comprises investments in store rebuilding work.

Note 13, cont.

Tangible fixed assets	The Group							
	Buildings and land 2007	2006	Equipment, fixtures & fittings 2007	2006	Construction in progress 2007	2006	Total 2007	2006
Opening acquisition values, 1st January	58	58	1 318	1 220	109	65	1 485	1 343
New acquisitions	—	—	39	18	198	198	237	216
Sales and disposals	—	—	–67	–74	—	—	–67	–74
Reclassifications	—	—	153	154	–153	–154	0	0
Closing accumulated acquisition values, 31st December	58	58	1 443	1 318	154	109	1 655	1 485
Opening depreciation, 1st January	–21	–20	–801	–741	—	—	–822	–761
Sales and disposals	—	0	62	62	—	—	62	62
Depreciation for the year	2	–1	–137	–122	—	—	–135	–123
Closing accumulated depreciation, 31st December	–19	–21	–876	–801	—	—	–895	–822
Reported value, 31st December	39	37	567	517	154	109	760	663
Rateable value, real estate	18	13						
of which, buildings	15	11						

Depreciation of buildings and land has been affected during the year by a correction of SEK 4 million in respect of the previous year.

14 Intangible assets

Capitalised expenses, business systems	The Group		Parent Company	
	2007	2006	2007	2006
Opening acquisition values, 1st January	151	144	140	135
New acquisitions	54	7	53	5
Closing accumulated acquisition values, 31st December	205	151	193	140
Opening depreciation, 1st January	–74	–45	–70	–43
Depreciation for the year	–29	–29	–27	–27
Closing accumulated depreciation, 31st	–103	–74	–97	–70
Reported value, 31st December	102	77	96	70
Remaining average depreciation period	3.88 yrs	2.25 yrs	3.88 yrs	2.25 yrs

15 Pensions

The normal pensionable age is 65 years and pensions are payable in accordance with Systembolaget's collectively agreed pension plan for salaried employees. Pensions are of the defined-benefit type and are secured via a pension fund. The pension payable is 10 per cent of the pensionable

amount, up to 7.5 base amounts. For pensionable salary amounts from 7.5 base amounts to 20 base amounts, inclusive, the pension entitlement is 65 per cent, and for salary components above that amount 32.5 per cent. The size of the pension is also affected by the pensionable period of service.

	The Group	
	2007	2006
Pension expense		
Cost of pensions earned during the year	-43	-41
Interest expense	-50	-43
Anticipated return on plan assets	74	63
Actuarial profits/losses reported during the year	-1	0
Cost of defined benefit plans	-20	-21
Cost of defined contribution plans	-14	-16
Special payroll tax for the period	35	7
Total pension expense	1	-30
Net sums	2007	2006
Current value of funded commitments	1 225	1 183
Current value of non-funded commitments	53	53
Fair value of plan assets	-1 613	-1 530
Unreported actuarial profits (+)/losses (-)	-165	-62
Deferred payroll tax receivable	-121	-86
Net sums in the Balance Sheet (commitment +/-asset -)	-621	-442
Defined benefit commitments	2007	2006
Opening present value, 1st January	1 236	1 187
Cost of pensions earned during the year	43	41
Interest expense	50	43
Actuarial profits (-)/losses (+)	-3	10
Remuneration disbursed	-48	-45
Closing present value, 31st December	1 278	1 236
Plan assets	2007	2006
Opening fair value, 1st January	1 530	1 463
Anticipated return on plan assets	74	63
Actuarial profits (-)/losses (+)	-107	2
Deposit in pension fund	116	2
Closing fair value, 31st December	1 613	1 530
Actual return on plan assets	2007	2006
Anticipated return on plan assets	74	63
Actuarial profits (-)/losses (+)	-107	2
Actual return on plan assets	-33	65

Note 15, cont.

	Percentage %	2007 Anticipated return, %	Fair value	Percentage %	2006 Anticipated return, %	Fair value
Plan assets						
Financial instruments						
Real interest bonds	64.7	4.48	969	70.26	3.74	1 075
Equity-related instruments	21.2	9.43	318	23.33	8.73	357
Hedge funds and other	12.8	6.78	192	6.27	6.08	96
Liquid assets	1.3	4.13	134	0.13	3.43	2
Total	100	5.82	1 613	100	5.05	1 530
Deduction for tax on returns	—	–0.54	—	—	–0.54	—
Net anticipated return	—	5.28	—	—	4.51	—

Reconciliation of change in pension assets	2007	2006
Opening net assets, 1st January	442	411
Pension expense for the period	–20	–21
Deposit in pension fund	116	0
Pension disbursements	48	45
Special payroll tax for the period	35	7
Closing net assets, 31st December	621	442

Actuarial profits/losses	2007	2006
Accumulated unreported actuarial profits (+)/losses (–), 1st January	–62	–55
“Corridor rule”, 1st January	153	146
Surplus	—	—

Unreported actuarial profits	2007	2006
Actuarial profits/losses to be reported	0	0
Accumulated unreported actuarial profits/losses, 1st January	–62	–55
Profits/losses on commitment	3	–9
Profits/losses on plan assets	–107	2
Total actuarial deviations	–166	–62
Reported actuarial deviations	1	0
Unreported actuarial profits/losses, 31st December	–165	–62

Anticipated average remaining period of employment	11	11
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Actuarial assumptions

A number of assumptions have been made, based on Systembolaget's expectations with regard to the operations and the market's expectations with regard to financial factors, when calculating pension commitments, the year's pension earnings, and the return. The assumptions used on the closing day constitute a weighted average:

Significant actuarial assumptions, %	2007	2006
Average discount rate	4.48	3.74
Anticipated return	5.28	4.51
Assumed long-term rate of pay rises	3.63	3.09
Assumed long-term rate of inflation	2.63	2.09
Indexing of pensions	2.63	2.09

Discount rate

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

Anticipated return

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

Assumed rate of pay rises

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

Assumed rate of inflation

The assumed long-term rate of inflation is based on the market's implicit expectations, which may be deduced as the difference between nominal and real rates on bonds. The assumption is very close to the inflation target of Riksbanken (the Bank of Sweden), which is 2 per cent.

Demographic assumptions – mortality assumptions

The calculations have been based on the new regulations issued by the Swedish Financial Supervisory Authority and which come into force on 1st January 2008 but which may be applied from 31st December 2007. The new assumptions involve a higher anticipated average life span than that contained in previous assumptions. The later an employee was born, the longer their remaining average life span is calculated to be at different ages. Men's anticipated life span has increased by more than that of women. The changes entail a higher pension liability, all other things being equal.

Multi-year overview	2007	2006	2005	2004
Current value of defined benefit commitments	1 278	1 236	1 187	1 022
Fair value of plan assets	1 613	1 530	1 463	1 330
Surplus (-)/deficit (+)	-335	-294	-276	-308
Experience-based adjustments in the plan liabilities	12	26	10	-2
Experience-based adjustments in the plan assets	-107	1	69	69

The Parent Company

The provisions of the Swedish Securing Pension Commitments Act are applied when calculating the Parent Company's pension undertaking.

	Parent Company	
Pension expense	2007	2006
In-house pension plans		
Cost of pensions earned and interest expenses	328	85
Return on specially detached assets	33	-65
Cost of in-house pension plans	361	20
Insurance-based pension plans		
Insurance premiums	14	14
Subtotal	375	34
Special payroll tax charged to the profit/loss	41	16
Pension expense for the year	416	50
Increase in surplus in specially detached assets	-201	24
Total reported net cost attributable to pensions	215	74

Net sums	2007	2006
Capital value of pension commitments	1 413	1 133
True value of specially detached assets	-1 613	-1 530
Surplus in specially detached assets	274	474
Net sum in the Balance Sheet (commitment +/-asset -)	74	77

SEK 77 million (SEK 76 m) of the undertaking cannot be secured in the pension funds and is included under "Long-term provisions". Other undertakings are covered wholly by the assets in the pension funds and are not reported in the Balance Sheet. See also Note 1, Accounting Principles.

Capital value of commitments	2007	2006
Opening capital value, 1st January	1 133	1 091
Cost of pensions earned and interest expenses	328	85
Disbursement of pensions	-48	-43
Closing capital value, 31st December	1 413	1 133

Note 15, cont.

Capital value of commitments	2007	2006
Opening value in pension fund, 1st January	1 056	1 014
Change during year	283	42
Closing value in pension fund, 31st December	1 339	1 056
Opening value in long-term provisions, 1st January	77	76
Change during year	-3	1
Closing value in long-term provisions, 31st December	74	77
Closing capital value, 31st December	1 413	1 133
True value of specially detached assets	2007	2006
Opening true value, 1st January	1 530	1 463
Return on specially detached assets	-33	65
Payment to (+) and from (-) pension fund	116	2
Closing true value, 31st December	1 613	1 530

Please see the Group table above for details of the fair value of specially detached assets by principal asset category.

Significant actuarial assumptions, %	2007	2006
Interest before tax, until retirement	4.00	3.50
Interest after tax, until retirement	3.40	3.00
Interest before tax, after retirement	1.80	3.00
Interest after tax, after retirement	1.20	2.55

The calculation of the pension undertaking is based on the salary and pension level pertaining to the closing day.

New regulations from the Swedish Financial Supervisory Authority regarding actuarial grounds

The calculations have been based on the new regulations issued by the Swedish Financial Supervisory Authority that come into force on 1st January 2008 but which may be applied from 31st December 2007.

- The new regulations include new mortality assumptions and new discount rates.
- The new assumptions involve a higher anticipated average life span than that contained in previous assumptions. The later an employee was born, the longer their remaining average life span is calculated to be at different ages. Men's anticipated life span has increased by more than that of women.
- The changes entail a higher pension liability, all things being equal.
- The new interest assumptions are shown in the table above entitled "Significant actuarial assumptions".

Systembolaget has formed two pension funds in order to secure its pension undertakings. One of the funds was merged into the other during 2007 and by the end of the year, there was only one fund, Systembolaget's Pension Fund. The fund has a Board comprising two members from the employees' side and one independent Chairman.

The sole purpose of the funds is to secure the pension commitments to employees and former employees of Systembolaget AB. The fund shall, therefore, in its investment activities, endeavour to ensure a good return and to balance the risk that the value performance of the secured pension liability entails.

The size of Systembolaget's pension liability changes in line with, amongst other things, inflationary and real wage trends in Sweden. The investment activities shall, therefore, primarily be exposed to values in Swedish kronor and operations in Sweden.

The fund's Boards of Directors has, in the light of the above, established an investment orientation that entails the investment of a substantial part of the capital in long-term real interest bonds issued by the Swedish government or other highly creditworthy issuer. Substantial amounts are also invested in the stock market through share index bonds. Share index bonds provide an exposure to a global index

comprising the world's biggest stock markets whilst simultaneously eliminating the currency risk. The share index bonds also provide a high level of protection against falls in exchange rates. The above two approaches are also complemented with smaller investments in other instruments.

The fund's combined capital was, as of 31st December 2007, distributed as follows:

Real interest bonds	65%
Share index bonds	21%
Other	14%

The duration of the fund's real interest bonds is matched with the duration of the undertaking secured, in order to ensure maximum compliance between the secured undertaking and the assets. The deviation in duration between them was, as of 31st December 2007, 0.8 years. The "consolidation" in the fund was, as of 31st December 2007, 114 per cent, i.e. the fund's assets exceeded the combined secured undertaking (including the tax on returns due thereon) by 14 per cent. This does not mean that Systembolaget's pensioners will receive a more favourable pension rate: it does, however, mean that the combined receivable from Systembolaget is relatively secure.

16 Financial instruments

Financial risk management

The Group's operations expose it to financial risks such as market risks (incl. currency risks and interest risks), credit risks, liquidity risks and cash flow risks. The Group's overall risk management policy, which is set by the Board of Directors, is to strive for the minimum possible unfavourable effects on the Group's financial results and position.

Market risk

Currency risk

Purchases and sales are, in every significant respect, transacted in Swedish kronor and the level of currency exposure is hence limited.

Interest risk

The Group's exposure to interest risks is, in every significant respect, associated with the pension funds. The interest rate component of this calculation follows the government interest bond rate and the interest risk is hence not deemed to be significant. The foundation also endeavours to invest the plan assets in a way that balances the risk that the value performance of the pension liability nonetheless entails.

A certain exposure to interest risk is associated with investments in interest-bearing assets.

A target term is set, along with a permitted interval during which fluctuation around the target term is permitted, in order to control the interest risk. The target term is 2.5 years for the investment portfolio. The permitted interval for the portfolio is +/- 2 years and the maximum permissible term for an individual asset is 5 years.

Credit risk/Counterparty risk

The majority of the Group's sales are for cash or credit card payment, and the credit risk in the form of the counterparty being unable to fulfil their undertakings is hence insignificant. The financial credit risk arising in the investment portfolio is further limited by requiring an official rating for new investments and by imposing limits per issuer and class of borrower.

The following investment formats are permitted for financial instruments:

- Interest-bearing securities issued by the Swedish government, local authorities or county councils
- Interest-bearing securities issued by Swedish government-owned companies where the state's proprietary holding is a minimum of 50 per cent
- Interest bearing securities issued by banks, other companies or institutions with a minimum rating of A/A-1 with Standard & Poor or A2/P-1 with Moody's
- Investments in structured products are only permitted if they are 100 per cent capital guaranteed.

Liquidity risk

The Group has good liquidity and no interest-bearing liabilities. The liquidity risk is adjudged to be low.

The Group has a guaranteed overdraft facility of SEK 300 million which is unused.

Maturity structure for interest risks

Due date	Bond loans		Structures*		FRN		Total	
	2007	2006	2007	2006	2007	2006	2007	2006
Within 1 year	116	169	—	81	51	40	167	290
1–2 years	160	125	—	—	198	27	358	152
2–3 years	187	101	—	—	—	292	187	393
3–4 years	287	236	—	—	—	—	287	236
4–5 v	200	55	—	—	—	40	200	95
More than 5 years	—	—	—	—	—	—	—	—
Total	950	686	—	81	249	399	1 199	1 166
Effective interest, %	4.53	3.28	—	3.75	4.69	3.21	4.56	3.29

* Structured capital guaranteed bonds

Note 16, cont.

Effect on profit/loss

Sensitivity analysis for investments in interest-bearing assets	Change	2007	2006
Increase in market rate	1% point	-25	-16
Reduction in market rate	1% point	25	16

The sensitivity analysis is based on estimates in relation to the market risks to which the Group is exposed on the closing day.

Other long-term receivables	The Group		Parent Company	
	2007	2006	2007	2006
Opening value, 1st January	7	8	13	13
Additional receivables	0	—	1	1
Reversed short-term receivable	1	1	1	1
Transferred to current receivable	0	-1	0	-1
Receivables settled during the year	-1	-1	-1	-1
Closing value, 31st December	7	7	13	13
Of which percentage falling due for payment after more than 5 years	4	5	12	8
Total sureties, mortgages or bank guarantees received as collateral for receivables	22	35	30	35

Accounts receivable	The Group	
	2007	2006
Accounts receivable	65	64
Total	65	64

Time analysis, accounts receivable

	2007	2006
Overdue by		
< 30 days	5	5
30–90 days	5	0
91–180 days	0	0
> 180 days	0	0
Total	10	5

Liquid assets	The Group		Parent Company	
	2007	2006	2007	2006
Cash and bank balances	1 405	1 335	1 405	1 337
Total	1 405	1 335	1 405	1 337

Accounts payable and accrued costs	The Group	
	2007	2006
Accounts payable	2 788	2 675
Holiday pay liability	78	71
Pay liability	26	20
Social security contributions	36	31
Accrued operating expenses	32	35
Total	2 960	2 832

Fair value	2007		2006	
	Reported value	Fair value	Reported value	Fair value
Financial assets valued at fair value via the Income Statement				
– Interest-bearing securities	1 199	1 199	389	389
Loan receivables and accounts receivable	72	72	71	71
Financial assets that can be sold				
– Interest-bearing securities	—	—	777	777
Financial liabilities valued at accrued acquisition value				
– Accounts payable and accrued costs	2 960	2 960	2 832	2 832
Total	4 231	4 231	4 069	4 069

The Group has financial assets classified as financial assets that can be sold. Changes in the value of these assets are reported directly to equity until such time as the financial asset is removed from the Balance Sheet, at which time the accumulated profit or loss is reported in the Income Statement. All financial assets that can be sold have been sold in 2007.

Liquidity risk

Term analysis	Up to 1 month	1–3 months	3–12 months	1–5 years	Total
Accounts payable	2 787	0	1	—	2 788

17 Stock-in-trade

Type of goods	The Group		Parent Company	
	2007	2006	2007	2006
Goods for resale	783	820	783	819
Total	783	820	783	819
of which valued at acquisition value	783	820	783	819
of which valued at net sales value	—	—	—	—
Total	783	820	783	819

An obsolescence allowance of SEK 25 million has been redeemed during the year.

18 Prepaid costs and prepaid income

	The Group	
	2007	2006
Prepaid costs		
Prepaid rents	62	59
Other prepaid costs	15	14
Total	77	73

Prepaid rents refer to rents paid in advance by the Group for the rental of premises from external landlords.

Prepaid income		
Prepaid rents	0	22
Other prepaid income	7	—
Total	7	22

Prepaid rents refers to rents received in advance by the Group from external tenants for the rental of premises.

19 Disposal group held for sale

	The Group	
	2007	2006
Book value, buildings and land	332	0
Liabilities attributable to disposal group	–36	0
Total	296	0

In September 2007, the Board decided to sell all store premises. The premises have been reported as disposal groups held for sale since the decision was taken and no depreciation has since occurred. On 20th December 2007, an agreement to sell was signed and title will transfer on 31st August 2008.

20 Shareholders' equity

The Articles of Association state that the share capital shall comprise a minimum of SEK 125 million and a maximum of SEK 500 million. This sum is now divided between 360,000 shares with a nominal value of SEK 1,000.

No exchange rate differences or taxes have been reported directly to shareholders' equity.

The State's owner's directive states, amongst other things, that the Group shall not endeavour to maximise its profits, but that the operations shall be run 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 return in accordance with the owners' yield requirements. 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. The equity/assets ratio in Systembolaget should total ca. 30 per cent.

21 Provisions

	The Group					
	Reorganisation		Other		Total	
	2007	2006	2007	2006	2007	2006
Long-term provisions						
Opening balance, 1st January	1	12	2	1	3	13
Year's provisions	—	—	—	3	—	3
Provisions utilised	–1	—	—	—	–1	—
Transferred to current liabilities	—	–2	0	–2	—	–4
Provisions reversed	—	–9	–2	—	–2	–9
Closing balance, 31st December	0	1	0	2	0	3

	2007	2006	2007	2006	2007	2006
Short-term provisions						
Opening balance, 1st January	2	10	18	15	20	25
Year's provisions	—	—	10	16	10	16
Provisions utilised	–2	–10	–14	–15	–16	–25
Transferred from long-term liabilities	—	2	—	2	—	4
Provisions reversed	—	—	–4	—	–4	—
Closing balance, 31st December	0	2	10	18	10	20

	Parent Company					
	Reorganisation		Pensions		Other	
	2007	2006	2007	2006	2007	2006
Long-term provisions						
Opening balance, 1st January	1	12	77	76	2	89
Year's provisions	—	—	—	4	—	7
Provisions utilised	–1	—	–3	–3	–2	–3
Transferred to current liabilities	—	–2	—	—	–2	–4
Provisions reversed	—	–9	—	—	—	–9
Closing balance, 31st December	0	1	74	77	0	80

	2007	2006	2007	2006	2007	2006	2007	2006
Short-term provisions								
Opening balance, 1st January	2	10	—	—	18	8	20	18
Year's provisions	—	—	—	—	10	16	10	16
Provisions utilised	–2	–10	—	—	–14	–8	–16	–18
Transferred from long-term liabilities	—	2	—	—	—	2	—	4
Provisions reversed	—	—	—	—	–4	—	–4	—
Closing balance, 31st December	0	2	—	—	10	18	10	20

Reorganisation

Reorganisation refers to costs associated with staff cuts in conjunction with a reorganisation carried out at the head office in 2005.

Pensions

In the Parent Company, the provisions also refer to a pension liability for non-vested portions that cannot be secured via funds. It is eliminated within the Group and reported, instead, as part of the value of "Pension assets".

Other

A provision was made in 2007 for extra days' leave to be taken in 2008 to a value of SEK 10 million (SEK 9 m).

22 Pledged assets

	The Group		Parent Company	
	2007	2006	2007	2006
For pension undertakings				
Long-term receivables	8	6	8	6
Total	8	6	8	6

23 Contingencies/contingent liabilities

	The Group		Parent Company	
	2007	2006	2007	2006
For Group companies	—	—	6	5
For personnel loans	1	2	1	2
For pension commitments	—	—	1 339	1 055
Funds in pension fund	—	—	–1 339	–1 055
For premium settlement reserves	2	2	2	2
For disputes	89	2	89	0
Total	92	6	92	9

24 Cash flow analysis

	The Group		Parent Company	
	2007	2006	2007	2006
Liquid assets				
Cash and bank balances	1 405	1 335	1 405	1 337
Total	1 405	1 335	1 405	1 337
Interest				
Interest received	33	25	25	36
Interest paid	–1	–2	–1	–2
Total	32	23	24	34

Interest relates to the operating activities

25 Prepaid costs and accrued income

	Parent Company	
	2007	2006
Prepaid rents	62	59
Other prepaid costs	11	10
Accrued income	1	—
Total	74	69

26 Accrued costs and prepaid income

	Parent Company 2007	2006
Holiday pay liability	74	68
Salary liability	24	18
Social security contributions	34	28
Other accrued costs	28	28
Prepaid income	6	—
Total	166	142

27 Events after the closing day

No significant events have occurred after the closing day.

"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 international accounting standards referred to in the European Parliament and European Council ordinance (EEA) 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, 21st February 2008

Olof Johansson
Chairman

Marianne Nivert
Vice President

Sven Andréasson
Member

Lena Furmark Löfgren
Member

Johan Gernandt
Member

Carl B Hamilton
Member

Annika Nilsson
Member

Maj-Britt Eriksson
Union representative

Patrik Ström
Union representative

Anitra Steen
President

Our Audit Report was submitted on 22nd February 2008

SET Revisionsbyrå AB

Bo Axberg
Authorised Public Accountant

Filip Cassel

Authorised Public Accountant
Appointed by the Swedish National Audit Office

Audit Report

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 2007. The company's annual accounts are shown on pages 4-101 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 consolidated financial statements. As the basis for our

opinion on discharge from liability, we have examined significant decisions, actions taken and circumstances in the Company in order to be able to determine the liability, if any, to the Company of any Board Member or the President. We also examined whether any Board Member or the President has, in any other way, acted in contravention of the Swedish Companies Act, the Swedish Annual Accounts Act or the Company's Articles of Association. We believe that our audit gives us reasonable grounds for the following statements.

The annual accounts and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and thereby give a true and fair view of the financial results and position of the Company 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, 22nd February 2008

SET Revisionsbyrå AB

Bo Axberg
Authorised Public Accountant

Filip Cassel

Authorised Public Accountant
Appointed by the Swedish National Audit Office

Review report

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 2007 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, 22nd February 2008

Margareta Andersson

Lars U Granberg

Rolf Gunnarsson

Auditors

Composition on 31st December 2007

Regular auditors

Appointed by the Annual General Meeting

SET Revisionsbyrå AB represented by Authorised Public Accountant, Bo Axberg, Senior Auditor.

Appointed by the Swedish National Audit Office

Filip Cassel, Authorised Public Accountant
Swedish National Audit Office, Stockholm.

Appointed by the Swedish Parliament's Board of Administration

Margareta Andersson, former MP, Åseda.
Lars U Granberg, MP, Piteå.
Rolf Gunnarsson, MP, Falun.

Deputy Auditors

Appointed by the Swedish National Audit Office

Lars Nordstrand, Authorised Public Accountant
Swedish National Audit Office, Stockholm.

Appointed by the Swedish Parliament's Board of Administration

Tobias Krantz, MP, Jönköping.
Christina Oskarsson, MP, Surte.
Maria Plass, MP, Ljungskile.

Corporate Governance Report for Systembolaget AB

The Board of Directors of Systembolaget AB, corporate identity no. 556059-9473, hereby submits their report regarding corporate governance for the 2007 financial year. The report has been prepared in accordance with chapter 5 of the Swedish Code of Corporate Governance and is divided into two sections. The first section has, at the request of the Board of Directors of the Company, been reviewed by the company's auditors. The Board of Directors' Report on Internal Control of Financial Reporting has not been reviewed by the auditors.

Implementation of the Code of Corporate Governance at Systembolaget AB

Implementation of the Swedish Code of Corporate Governance has been completed at Systembolaget AB in those parts of relevance to the company. A summary of the Code's implementation is provided at the end of this report.

Account of the way in which the preparatory work for the appointment of the Board and auditors is organized

The company's Board of Directors shall, in line with a resolution by the 2007 Annual General Meeting – over and above the Members appointed pursuant to the provisions of Acts of Parliament other than the Swedish Companies Act – comprise a minimum of 6 and a maximum of 8 Members. Systembolaget AB is 100% owned by the Swedish state. The nomination process is conducted in accordance with the principles described in the State's ownership policy as compiled in 2006. The document can be also ordered or downloaded from www.regeringen.se.

Members of the Board

Olof Johansson (Chairman)
Marianne Nivert (Deputy Chairman)
Sven Andréasson
Lena Furmark Löfgren
Johan Gernandt
Carl B Hamilton
Annika Nilsson

Employee representatives:

Maj-Britt Eriksson
Patrik Ström
Erik Bergström (Deputy)
Maria Åström (Deputy)

See pages 58–59 of this Annual Report for personal details of the Board Members, and page 103 for details of Systembolaget AB's auditors.

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 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.

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 the availability of alcohol. This restriction results from the fact that the company, in accordance with both the provisions of the Swedish Alcohol Act (1994:1738) and the agreement with the state, not only has control over the start-up or 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.

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

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 profitability.

The work of the Board

The activities of the Board are supported by the “Steering document and overall policies for Systembolaget AB” body of documentation, in which the texts of certain operationally relevant laws are presented, together with documents produced by the EU, a range of statutory instructions, company-related documents, owner-related documents and agreements, rules governing investment, accounting principles, strategic plans, Systembolaget’s ethical programme, various other policies, and information on subsidiaries.

All Members of the Board of Directors of Systembolaget AB work actively on the issues incumbent upon the Board and the other issues referred to the Board. The Board has a Remuneration Committee, comprising the Chairman and Deputy Chairman, and which is tasked with preparing issues relating to remuneration and other terms of employment for the company management. The Chairman of the Board is the Chairman of the Remuneration Committee. The final decision on matters relating to remuneration and other terms of employment for the President and company management is taken by the Board of Directors.

The Chairman’s duties

The Chairman heads up the work of the Board. The Chairman prepares the Board Meetings, working in co-operation with the President. The Chairman consults on an ongoing basis with the President on strategic issues arising, and represents the company on matters relating to the ownership structure. The Chairman meets with the company’s auditors twice yearly. The Chairman of the Board has special duties, which are laid down in the rules of procedure for the Board of Directors, over and above his general duties as a Director and the duties specified above.

The structure of the Board’s work

The structure of the Board’s work is laid down in the Board’s work plan, which is adopted annually. The work plan forms the basis for the 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. This strategic plan is a 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.

Annual budgets and annual operations plans are based on the strategic plan and the ambitions and objectives described therein. The strategic plan demands that changes be implemented within the next few years. The target figures stipulated in the annual operations plan mean that the changes will, first and foremost, refer to improvements based on customer preferences and the requirement for increased efficiency. An extension of the self-service store network is critical in order to meet these objectives. The structure of the strategic plan and of the annual operations plans entail an examination of the operations from four different perspectives: society, customers, personnel, and financial, in order to comply with Systembolaget’s mandate, owner’s directive and its agreement with the state. The operations plan for 2007 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.

Strategic target figures have been set within each perspective, as shown in the Annual Report. The key performance indicators are followed up by the Board and reported on an ongoing basis at the Board meetings.

Systembolaget’s operations are governed by a number of policy documents adopted by the Board. These documents are reviewed regularly at the Board’s annual two-day seminars for long-term and strategic work. The Board normally also approves changes to the store network during the course of this meeting.

The Board of Directors also meets annually with the

company's auditors. For additional information on the Board's and Chairman's contacts with the company's auditors, please see "The Board of Directors' Report on Internal Control of Financial Reporting".

The work of the Board in 2007

The Board has held a total of seven ordinary Board meetings in 2007.

The usual follow-up work, both on economic performance and on a number of operationally strategic key performance indicators, has been carried out each quarter. These activities aside, the work of the Board has primarily focused on follow up work on operating activities, work on risk reporting and internal audits, cuts to price margins, and future IT investments.

Other issues addressed by the Board in 2007 include decisions on the rate at which Systembolaget's stores are rebuilt, the arbitration proceedings against V&S Vin & Sprit AB, the ongoing work on ethical issues, and the reports by the Swedish Competition Authority to the EU, together with the legal review in the European Court of the question of private imports, external analyses and discussions about private import quotas, work on analyses of the purchasing process, "on-farm sales" and product range evaluation, along with the development

of and discussions of key performance indicators with regard to Systembolaget's target fulfilment.

Sale of Systembolaget Fastigheter AB

Work began in 2007 on the sale all of the properties owned by the Systembolaget group, with the exception of three key properties – the head office on Kungsträdgårdsgatan in Stockholm, the property in Jordbro from which the Lagen Distribution AB subsidiary operates, and the residential training centre at Skarpö. The remaining 103 properties were put up for sale during the year by the Systembolaget Fastigheter AB subsidiary. On 20th December, an agreement to sell was concluded with Nordisk Areal Fastigheter I AB, a subsidiary of the Norwegian firm, First Securities. The date of taking possession has been set for 31st March 2008.

Quality assuring financial reporting

The Board's efforts to quality assure the financial reporting and the way in which the company communicates with the auditors are described in "The Board of Directors' Report on Internal Control of Financial Reporting".

Present at Board Meetings in 2007

	21 Feb	22 March	19 April	18–19 June	5 Sept	26 Oct	6 Dec
Olof Johansson	●	●	●	●	●	●	●
Marianne Nivert	●	●	●	●	●	●	●
Sven Andréasson				●	●	●	●
Johan Gernandt		●	●	●	●	●	●
Lena Furmark Löfgren			●	●	●	●	●
Carl B Hamilton		●	●	●	●		●
Annika Nilsson		●	●	●	●	●	●
Maj-Britt Eriksson, employee rep.	●	●	●	●	●	●	●
Margot Herrdin, employee rep.	●	●					
Patrik Ström, employee rep.		●	●	●	●	●	●

● = present

Anna Hedborg, Margareta Andersson, Ingrid Burman, Gert Karnberger, Elisebeht Markström and Ulf Melin were present at the Board Meeting held on 21st February and resigned from the Board at the Annual General Meeting held on 22nd March 2007. Marita Aronson was unable to attend the Meeting held on 21st February and resigned from the Board at the Annual General Meeting held on 22nd March 2007.

Sven Andréasson, Carl B Hamilton, Lena Furmark Löfgren, Johan Gernandt and Annika Nilsson were elected to the Board at the Annual General Meeting held on 22nd March 2007.

Margot Herrdin resigned from Systembolaget in September 2007. Maj-Britt Eriksson, formerly a Deputy Member, became a full Member in the capacity of Ordinary Employee Representative, effective as of the Board Meeting held on 5th September 2007.

President: Anitra Steen

Born: 13th May 1949

Anitra Steen has been the President of Systembolaget AB since 1999. She was formerly an Undersecretary of State at the Ministries of Education and Finance, the Director General of 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 Almega forum for service companies, 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.

Remuneration principles and terms of employment adopted for the President and other members of Systembolaget's senior 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.

Agreements previously entered into have, in certain cases, terms that deviate from these guidelines. For more detailed information, please see Note 7 on pages 80–84 of the Annual Report.

Principles for remuneration to Members of the Board

Directors' fees, as approved by the Annual General Meeting, are payable to the Chairman of the Board, the Deputy Chairman, Members and Deputy Members. Employee Representatives receive no Directors' fees.

Summary of the Code's application within Systembolaget AB

Systembolaget complies with those parts of the Swedish Code of Corporate Governance that are relevant to the company's operations, with the exception of point 3.8.2, Audit Committee. This is due to the Board's decision not to appoint an Audit Committee and rather, that the entire Board will be responsible for this function.

The Board of Directors' Report on Internal Control of Financial Reporting

The Board of Directors of Systembolaget AB, corporate identity no. 556059-9473, hereby submits its report in internal control of financial reporting for the 2007 financial year.

This report has been prepared in accordance with the Swedish Corporate Governance Code, sections 3.7.2 and 3.7.3, and hence relates to the way in which the internal control of financial reporting is organised. The report has not been reviewed by the company's auditors.

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**:

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

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 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 the organisation's policies 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 within Systembolaget

Systembolaget's internal control work is designed to identify, evaluate and minimise 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.

Organisation and structure

Clarity of organisation, decision-making routes, authorizations and responsibilities are a central part of internal control. These areas have been documented in steering documents such as the owner's directive, the agreement with the state, internal policies, guidelines, handbooks, manuals and job descriptions. The division of labour between the Board of Directors and the President, and the other organs established by the Board has been clarified and documented. Authorisation and delegation regulations, and accounting and reporting instructions have also been documented. This organisation and structure is supported by the company employees and is available via Systembolaget's intranet.

It is vital that IT systems and their accessibility reflect formal rights and authorisations. A review of the complete authorisation structure was carried out in 2006. A review of hacking risks and simulated hacking attempts have also been carried out.

Values and Systembolaget's mandate

The Board of Directors and senior management have continued the long-term efforts to clarify and firmly establish Systembolaget's mandate and values in 2007 in the form of, amongst other things, themed meetings attended by all employees. The 2007 Employee Satisfaction survey showed that Systembolaget's employees are fully familiar with Systembolaget's mandate. Employees awarded high ratings in response to questions about Systembolaget's goals and visions – “visions and goals are clearly communicated”, they can “get behind the goals and visions”, and “everyone within Systembolaget is working towards the same goals”.

Policies for contacts with suppliers

Policies and regulations have been established to govern employees' contact with suppliers. They apply principally to Systembolaget's drinks suppliers, but the policies also apply to relationships with other suppliers. All Systembolaget employees have confirmed in writing that they are familiar with and have understood the import of these guidelines and regulations.

Source: Definition according to The Committee of Sponsoring Organizations of the Treadway Commission (COSO)

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 page 54) and forms the basis for the internal audit work.

The work of the internal audit unit

The Board of Directors and the senior management monitor compliance with steering documents, process descriptions, policies, 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 a separate unit within the organisation with special responsibility 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 audits 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.

Control of the stores’ operations

The unit with special responsibility for internal control works to a control programme for inspection of the store operations and the results are reported in an internal control index (IC Index). The areas and processes covered by this review are: product handling, personnel administration, cash handling, and security issues. The administrative quality of the stores’ operational processes is reviewed and reported to those persons responsible for these matters within the organisation. These reports and tools offer the senior management and Board of Directors extensive potential for monitoring, generating action plans and implementing measures designed to improve the store operations.

Internal control of financial reporting

Internal control of financial reporting is designed to ensure that the company’s external reporting is com-

prehensive and correct. The purpose of the internal controls is to minimise the risk of errors occurring that could affect people’s view of, or their evaluation of the company’s economic results and position, its ability to meet established operational goals and/or the owner’s expectations of the company.

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 health 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 Balance Sheet and Income Statement 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.

Fixed assets

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

Volume sensitivity

Balance Sheet and Income Statement items in connection with income, stocks, cost of goods sold and accounts payable in connection with volume sensi-

vity entail risks primarily associated with complexity, primarily based on a high degree of system dependence and a high transaction volume.

The Board has established a financial policy in which permitted investment types, risk management organisation, measurement of investment risks, acceptable counterparties and risk monitoring routines are clarified. The policy is reviewed annually.

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 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 also regularly monitors the results of the established internal control programmes.

The accounts department continuously monitors the administrative processes within the organisation. This work includes ongoing monitoring of significant internal control processes, VAT and tax accounting, internal and external entertainment and compliance with authorization 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 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.

Statement regarding internal control of financial reporting in 2007

Systembolaget is working continuously to develop and secure good internal control. The work includes both preventative and monitoring measures, intended to identify evaluate and minimise the operational risks.

The Board believes that the company's internal controls with regard to financial reporting are of a high standard.

Auditors' Review

The Board of Directors' Report on Internal Control of Financial Reporting has not been reviewed by the company's auditors.

Stockholm, 21st February 2008

Olof Johansson
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
Union representative

Patrik Ström
Union representative

Anitra Steen
President

In an extension of our audit engagement reported via our Audit Report dated 22nd February 2008, we have, at the request of the Board of Directors, conducted a general review of the Corporate Governance Report on pages 104-107 for Systembolaget AB for 2007. Our review was not designed to evaluate how well the internal controls with regard to financial reporting have functioned during the financial year. No circumstances have emerged, based on our general review, that give us grounds to suppose that the Corporate Governance Report was not prepared in accordance with the guidelines laid down in the Swedish Corporate Governance Code, or that the Board of Directors' report regarding internal controls of financial reporting has not, in every significant respect, been prepared in accordance with the Guidelines for the Swedish Corporate Governance Code.

Stockholm, 22nd February 2008

SET Revisionsbyrå AB

Bo Axberg
Authorised Public Accountant

Filip Cassel

Authorised Public Accountant
Appointed by the Swedish National Audit Office

Ten years in brief

Sales per inhabitant aged 15+, by product group (litres)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Spirits	2.5	2.5	2.5	2.6	3.0	3.2	3.2	3.2	3.2	3.2
Wine	20.9	19.9	19.1	18.7	19.2	18.6	17.0	16.1	15.6	14.6
Strong beer	27.1	25.9	23.9	23.3	24.3	23.3	21.4	19.6	17.9	15.6
Cider and mixed drinks	2.4	2.4	2.3	2.3	2.5	2.3	1.9	1.8	1.8	1.5
Total as pure alcohol	5.3	5.1	4.9	4.8	5.1	5.0	4.6	4.4	4.2	3.9

Population, 1st November 2007.

Sales in millions of litres, by product group

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Spirits	19.3	18.9	18.8	19.2	22.1	23.3	23.4	23.4	23.3	23.3
Wine	159.5	150.5	143.0	138.7	141.8	136.5	124.2	116.6	112.5	105.5
Strong beer	207.1	195.7	179.0	172.9	179.1	170.5	156.0	142.4	129.6	112.5
Cider and mixed drinks	18.1	18.3	17.0	16.8	18.7	17.1	13.7	13.2	12.8	11.1
Alcohol-free	0.8	0.7	0.7	0.7	0.5	0.4	0.4	0.4	0.4	0.5
Total as pure alcohol	40.5	38.4	36.4	35.6	37.4	36.4	33.6	31.7	30.2	28.3

From the Consolidated Income Statement (SEK million)

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Income	20 211	19 039	18 083	17 708	18 985	19 132	18 241	17 368	16 625	15 495
Gross profit	2 567	2 525	2 461	2 371	2 499	2 562	2 414	2 321	2 143	1 959
Operating profit/loss	310	559	477	197	172	165	159	165	451	343
Net profit/loss for the year	295	419	330	178	138	142	133	108	338	254

Retail network

	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
No. communities with stores	322	322	322	323	322	315	314	310	304	298
Stores	411	410	411	417	426	419	416	411	403	397
Agents	540	552	560	576	580	590	579	575	575	586

Financial information

29th April 2008	Interim Report, January–March 2008
15th August 2008	Interim Report, January–June 2008
28th October 2008	Interim Report, January–September 2008
13th February 2009	Preliminary Financial Statement 2008

Definitions

Age verification

Measures the number of occasions when proof of age has been requested of customers under the age of 25 as a percentage of the number of control purchases made by people aged between 20 and 25.

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.

Customer Satisfaction Index (CSI)

Measures how satisfied customers are with Systembolaget. Measured and reported once a year.

Dividend per share

Proposed/disbursed 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)

Measures how satisfied employees are with Systembolaget as an employer. Measured and reported once a year.

Equity/assets ratio

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

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)

Measures the percentage of the Swedish population who wish to retain Systembolaget and the monopoly on retail sales of strong beer, wines and spirits.

Product wastage

Wastage of goods, as established during stocktaking, per thousand of income.

Return on capital employed

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

Return on shareholders' equity

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

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.

Trading margin excluding alcohol tax

Gross profit as a percentage of income excluding alcohol tax.

Wastage

Wastage, as established during stocktaking, per thousand of turnover, including both product and cash.

Work productivity

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

