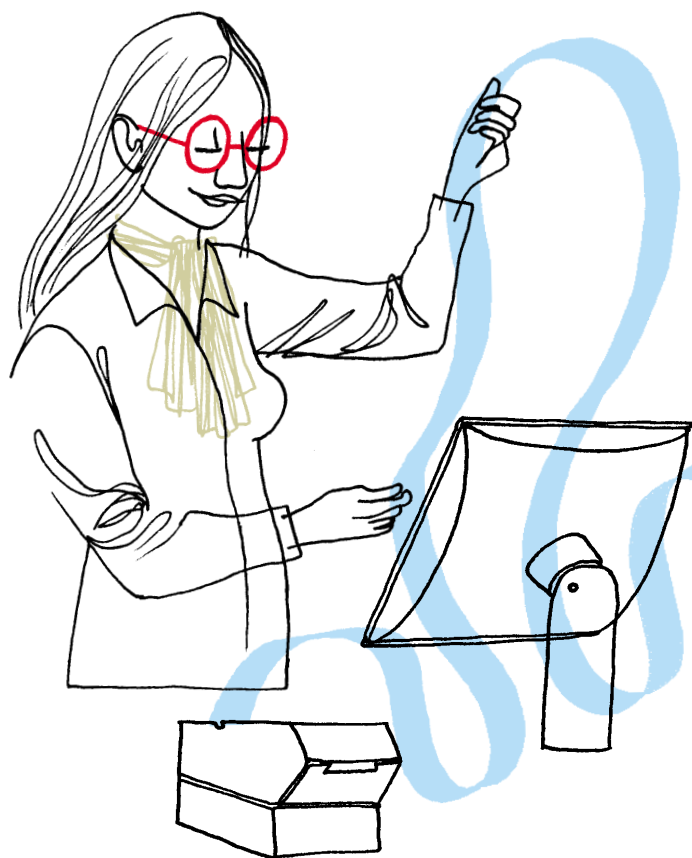


Annual Report 2003.

With tables and diagrams of statistics on Systembolaget sales.



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PHOTO MAGNUS CARLSSON

Systembolaget – values worth fighting for

The past year was turbulent one at Systembolaget. It began with the successful launch of our Product Directory, which replaced the former price list. This attracted considerable interest and widespread praise, both from our customers and in the mass media.

The Product Directory presents, in detail, our entire range of more than six thousand articles, complete with our much appreciated flavour charts, new serving suggestion symbols and flavour categories to help customers choose suitable food and drink combinations. At the same time, a new system of product signing was introduced into all Systembolaget stores, to the same end of helping customers in their choices.

Almost while this was happening, Systembolaget's management came across documents indicating that a store manager had been favouring individual suppliers, in total breach of the Company's rules. After a prompt investigation of all stores on the basis of the documents, some ten store managers were dismissed. Seven store managers and three suppliers were reported to the police on suspicion of, respectively, accepting and offering bribes.

This led to the preliminary investigation that then unfolded in the autumn, creating the fiercest media storm that the Company has ever had to weather. Even so, confidence in the organization held up. At year-end, our public opinion rating was still three percentage points above the figure last year.

However, the stakes are high, and we must do all in our power to keep the trust of the Swedish people, and to ensure that improprieties such as the ones uncovered never happen again.

The year was also characterized by major changes in the conditions under which we operate. At year-end 2003, restrictions on personal import allow-

ances – which had increased steadily over the past few years – were more or less removed in line with the practically unlimited personal imports permitted under EU regulations. We view this development with considerable unease.

At the same time, our sales are exposed to growing competition from our Nordic neighbours. On 1 October, 2003, Denmark lowered its tax on spirits, with Finland following suit in March 2004. The entry of the Baltic States and Poland into the EU will also adversely affect our sales. We have delivered to Systembolaget's owner our analysis of the consequences of these changes. In our view, it is right that the alcoholic beverages that are consumed in Sweden should be purchased at Systembolaget.

In 2003, Systembolaget sold 362 million litres of beverages during 99.6 million customer visits. The increase in sales evident in recent years tailed off sharply, and in southern Sweden sales of spirits declined substantially towards year-end. In the last quarter, sales of spirits fell by 18 per cent in Skåne, Blekinge and Halland, and by an average of 10 per cent for Sweden as a whole, relative to the same period a year earlier.

With alcohol consumption rising in Sweden, it is even more important to recognize the value of maintaining a retail monopoly on the sale of alcoholic beverages. While we at Systembolaget are working hard to develop the organization so that the Swedish people and our customers will want to see the continued survival of the monopoly in the future, new and vigorous measures must be taken to restrain the rise in consumption and limit the damaging effects of this trend.

Systembolaget accepts its responsibilities, both via its mission and by communications on the health implications of alcohol. We meet these responsibilities on an ongoing basis via our customer newsletter Bolaget, by printed publications and through our Web site. But this is not enough. Many more fronts are needed to help build up counter-momentum, and new initiatives and new ways of working will be necessary. Here, too, we will contribute. During 2004, we plan to play our part in establishing a brand-new arena to this exact end.

Alcohol beverages are not just any product. They are best marketed without any private profit motive, by knowledgeable people, with a guaranteed age verification system and without attempts to persuade customers to buy more than they had planned.

Systembolaget has the broadest range of alcoholic beverages in the world. Quality-tested, it is available from Ystad in the south to Karesuando in the north, at no extra charge.

These are the values that spring from the concept that lies at the heart of the retail monopoly and makes it possible. And these are the values that we at Systembolaget are, every day, fighting to be able to go on delivering to the Swedish people, through our work in the stores and at headquarters.



Anitra Steen
President

This is Systembolaget

The government-controlled alcohol monopoly originated in Sweden in the mid-19th Century. The basic concept, then as now, was to eliminate the motive of private profit from the sale of alcohol. Without this motive, there is no reason to try and persuade customers to buy as much as possible, and no reason to sell alcohol to people aged less than 20 years.

However, since Sweden's entry into the EU, the monopoly can no longer be taken for granted. It will only exist for as long as a majority of the country's population want it.

Product range

Our range of products must be broad, well-rounded and in line with what customers demand. To develop and broaden our range, we bring in around 1,000 new products per year.

Our buyers select 30 – 40 interesting candidates for every new product and each one of them is blind-tested by our experienced tasters. Having assessed flavour, bouquet and colour, they then choose the candidate offering best value for money.

Today, Systembolaget actually has one of the most extensive ranges of products in the world, with around 3,000 beers, wines and spirits from some 40 countries in our standard range, and an equal number in our range of products available to order. Our new Product Directory brings together our entire range of more than 6,000 beverages.

What is in stock will, of course, vary from store to store, but anything not stocked can be ordered. The most popular articles of all – approximately 400 products of various kinds – are permanently stocked in every Systembolaget store.

An exciting innovation in 2003 was the Systembolaget plus Wine Cellar store that we opened in Stockholm. This store carries our entire range of wines priced above SEK 100, and every type of spirit drink. It also has a luxury range of several hundred specially selected wine and spirit brands. Malmö is next in line for a store based on this format, and another is planned for Gothenburg.

Service

Systembolaget must be within easy reach of customers. That's why we have 426 stores throughout the country. All open on Saturdays. More and more of our stores are being converted to a self-service concept. Today, 170 stores are self-service.

We have devised a new mini-store format to complement our other outlets. These stores are also based on self-service and carry our 400 top-selling products. The first two stores of the type were established in Nykvarn and Ramsele.

In all, we opened seven new stores in 2003 and began work on further upgrading around 200 other stores.

In most remote communities without a Systembolaget store, there is a local agent, often a country shop or some other kind of store. These agents can accept orders for articles from our entire product range. The ordering service is free of charge. Systembolaget has a total of 580 agents in remote communities.



Expert knowledge

What is most important about our stores is not the quality of the premises, it's the kind of people who work there – and their knowledge. This is partly because Systembolaget staff are extremely highly trained and partly because most are passionately interested in food and drink.

Systembolaget surveys demonstrate year after year that our personnel get top marks for product knowledge and quality of advice.

Our personnel are continuously trained via tastings, training packages, courses and study trips, with the goal of further improving their ability to serve. In 2003 alone, another 34 members of Systembolaget personnel qualified for an Advanced Certificate from a self-study course in product knowledge theory, organized by an independent training institute in London. Five members of Systembolaget staff also hold the institute's Diploma, the highest qualification available in the beverage industry.

Our trained staff also run the product tasting sessions on various themes that we arrange for our customers in around 35 stores.

Our quest is to become even better at sharing all the expert knowledge at our disposal. We will strive to become better at informing about, and inspiring, choices.

Responsibilities

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

Our age-verification system in particular is an extremely important part of our work. Originally, we carried out our own checks. Now we use external resources. This provides a higher level of consistency. These checks have also been extended to our local agents.

We will also continue to provide information on the downside of alcohol; for example, why it is dangerous during pregnancy, while driving on the road and at sea.

When we talk about “promoting a healthy drinking culture”, this does not mean discussing what is right or wrong to drink, or only to recommend expensive wines. What we are aiming at is to try to inspire the population of Sweden to focus on quality rather than quantity. Our contribution should be to provide facts, both about the flavour characteristics of the beverages we sell, and their impact on health.

Every year, we poll 60,000 customers around the country about their attitudes towards Systembolaget. This provides us with a useful set of data in our endeavour to improve.

We are ready to fight for Sweden's right to retain its alcohol monopoly. And we will do everything we can to ensure that our customers are satisfied with what we do. Our goal is not just to meet our customers' expectations, but to exceed them.

Organization

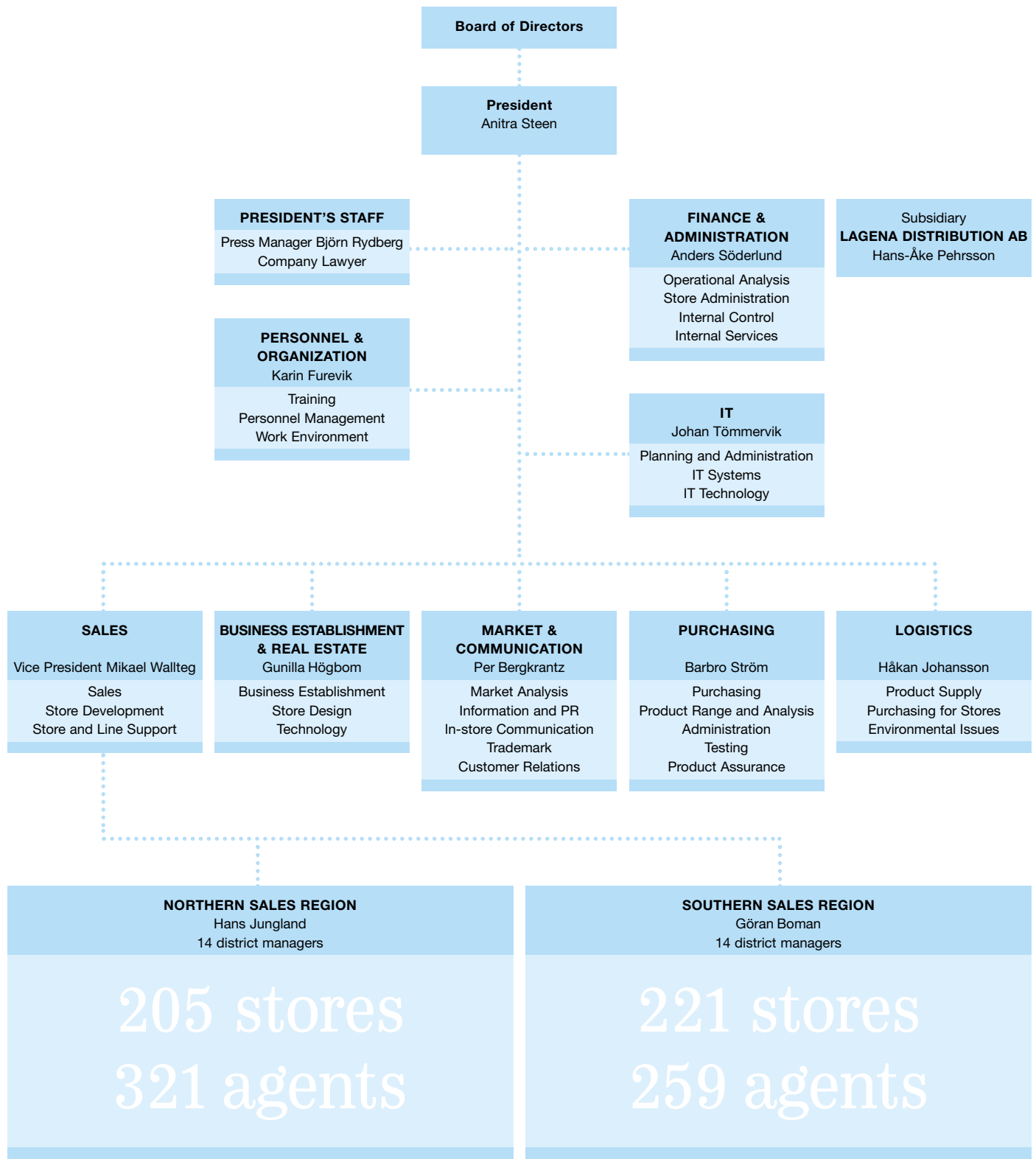




PHOTO MAGNUS CARLSSON

Management

Top row (left to right)

Gunilla Högbom, Real Estate Director, **Per Bergkrantz**, Marketing Manager, **Anitra Steen**, President, **Johan Tömmervik**, IT Manager, **Karin Furevik**, Personnel Director, and **Mikael Wallteg**, Vice President.

Bottom row (left to right)

Håkan Johansson, Logistics Director, **Anders Söderlund**, Finance Manager, **Barbro Ström**, Purchasing Manager, and **Björn Rydberg**, Press Manager.

Administration Report

The Board of Directors and the President of Systembolaget AB, corporate registration number 556059-9473, hereby present their annual report and consolidated financial statements for the financial year 1 January 2003–31 December 2003.

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

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

According to the State's owner's directive, Systembolaget's monopoly on the retailing of alcoholic beverages serves a socio-political purpose and this monopoly is intended to limit the availability of alcohol through control of the establishment of stores and their opening hours, and through rules on selling. Neither profit maximization nor growth of sales may be objectives.

Our rules on selling require that alcohol should be sold only to:

- customers aged more than 20 years
- customers not obviously under the influence of alcohol or other intoxicant
- customers who are not suspected of intending to supply it unlawfully to a third party.

To be able to verify that alcohol is not being sold to anyone less than 20 years of age, Systembolaget is entitled to request the customer to show evidence of his/her identity.

The Company's product range shall avoid favouring Swedish products. Products may only be selected on the basis of an assessment of product quality, particular risks of harmful effects from the product, customer demand and other commercial considerations. Any supplier who is dissatisfied with the Company's decision may appeal to the Alcoholic Beverages Product Range Board. Systembolaget shall endeavour to bring new products to the attention of its customers. The product information provided shall be impartial.

The operations of the Company shall be conducted in a financially efficient way. In determining its trading margin, Systembolaget must take into account the requirement that it must cover its costs and deliver to the State a yield that accords with its return on capital objectives. The Company is required in the long term to achieve a return on its adjusted equity corresponding to the yield on ten-year bonds, plus four percentage points. The owner's directive states that Systembolaget should maintain an equity/assets ratio of around 30 per cent.

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

Operations relative to owner's directive*

	2003	2002	2001	2000
Return on equity (Group)	10 %	11 %	11 %	10 %
Owner's directive	8 %	8 %	9 %	9 %
Trading margin, excl. alcohol taxes	25.1%	25.5 %	26.7 %	27.7 %
Equity/assets ratio (Group)	33 %	30 %	36 %	31 %
Owner's directive	30 %	30 %	30 %	30 %
Dividend as % of Group profit after tax	144 % **	56 %	60 %	74 %
Owner's directive, minimum	50 %	50 %	50 %	50 %

*New directives in 2000 **Includes dividend approved at EGM

Strategic direction of operations

In 2000, Systembolaget's management adopted a vision for the Company's operations, based on the raison d'être formulated for the organization by the State:

"We promote a healthy drinking culture, in which everyone can enjoy their chosen drinks without doing harm to themselves or others."

The aim is to fulfil our alcohol policy mission, while at the same time maintaining the highest possible quality of service to our customers. Another aim is to secure a high level of stable long-term public opinion support for the organization.

At year-end 2003, Systembolaget had 426 stores in 322 communities and just over 4,000 employees. The Company also had 580 local agents authorized to take orders from our customers for later collection. The strategic starting-points for the business may be summarized as follows:

- Our rules on selling must be respected
- Our product range must be extensive and quality-tested. It must also meet the demand from small groups of consumers.
- The whole of our product range must be available throughout the country. The product range stocked locally will vary according to location and demand.
- Contact with Systembolaget must deliver the same experience and values, wherever in the country it occurs.
- We will be brand- and supplier-neutral in our product provision.
- We will not seek to maximize profits or grow sales.
- Our customers will enjoy a pleasant buying experience and a quality of service as least as high as in other parts of the retail sector.

The structure of the strategic plan and the annual business plans is such that operations are considered from four different perspectives – *public/social, customer, personnel* and *financial* – to meet the demands of Systembolaget's mission, owner's directive and its agreement with the State. In each perspective, a number of strategic key performance indicators have been established.

Public

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

Customer

Systembolaget is to be perceived by its customers as a leading retail organization, judged by product range, expertise, service quality and responsibilities. In view of the demands from its owner and the market, it is important for the Company to operate like a commercial enterprise. As a result, the customer will continue to be at the centre. However, a more commercial approach does not mean that Systembolaget will strive to grow sales by marketing alcoholic beverages.

Personnel

Systembolaget is to be an attractive place of work and must offer its employees good opportunities for development. To operate successfully, Systembolaget must have efficient and committed personnel, and must be able to attract, retain and develop motivated employees.

Financial

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

Performance measurement

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

Summary of perspectives, key ratios and goals

For definitions of key ratios, see page 24

Perspective	Operational key ratios	Baseline 2001	2003	Objective 2004	Objective 2007
Public	Opinion index	49 %	55 %	54 %	57 %
	Age verification rate	80 %	83 %	85 %	88 %
Financial	Trading margin	27.1 % *	25.1 %	25.7 %	25.0 %
Customer	Customer Satisfaction Index (CSI)	71	73	76	76
Personnel	Personnel Satisfaction Index (PSI)	68 **	69	73	73

** January – July 2001 ** Baseline measurement taken in 2002*

The special measures conducted during 2003 to strengthen age verification in Systembolaget stores also yielded clear results. In 83 per cent (2002: 79 per cent) of the purchases checked, evidence of identity was requested.

Operations during 2003

Age verification

In 2003, all stores were checked four times, and a fifth of the local agents on two separate occasions. In 83 per cent of purchases in stores and 63 per cent of purchases from local agents, evidence of identity was requested.

Advertising

Resumé also nominated Systembolaget's radio advertising on the peddling of alcohol as the best radio advertising during May and June. Furthermore, in a survey, the campaign also gained high marks for recognition.

Support for alcohol research

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

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Environmental issues

The Company's environmental activities are conducted within our environmental plan. Work in 2003 focused mainly on transport, construction materials, organic products and waste products.

We increased the number of organic products in our range, and every store stocks at least one red and one white organically produced wine. Organic products are also now displayed more clearly in our Product Directory and our stores.

An analysis was completed of the environmental impact of the building materials used most frequently, and in the largest volumes, in Systembolaget stores. It showed that most of these materials have a low environmental impact. Construction materials with a high environmental impact are gradually being replaced by more environmentally benign materials.

Systembolaget is responsible for internal deliveries between its stores. Our transport operator will deliver an annual report summarizing the environmental impact of its transport operations. Suppliers are responsible for other aspects of distribution. The environmental impact of these transport operations will be managed in association with the suppliers involved.

During the year, expansion of the returns handling facility at Jordbro, south Greater Stockholm, was completed. The facility receives returns from all Systembolaget stores. It now includes a crusher unit, which separates content from packaging. Glass, plastic, paper and aluminium are recovered and the pH-adjusted liquid may be discharged into the municipal wastewater network, where it complements the action of the biological beds in the treatment plant.

Recycling centres were installed in every store, and during the year the stores collected and recycled 5,200 tons of corrugated board, 270 tons of paper and 100 tons of soft plastic. The centres guarantee that waste products are disposed of in an environment-friendly way.

In addition, arrangements were also set up to enable environmental impact to be measured in a number of areas. These measurements will now begin, providing Systembolaget with the capacity henceforth to set concrete objectives to reduce the Company's environmental impact.

Environmental criteria were also established during the year for the procurement of new workwear and carrier bag designs.

Customer

Seven new stores

The phased conversion to self-service stores continued. In 2003, 38 stores were converted, and at year-end Systembolaget had a total of 170 self-service and 256 counter service stores. The 170 self-service stores account for around 59 per cent of Systembolaget sales.

Seven new stores opened in 2003, at Funäsdalen, Nykvarn, Oskarström, Kvissleby, Ramsele, Bollebygd and Väla. The Nykvarn and Ramsele stores are testing a new, reduced self-service format with a floor area of just over 140 square metres.

A programme to upgrade older stores started during the year. The programme, based on extensive analysis of the standard of all Systembolaget stores, is designed to raise the minimum level throughout the store network. Improvements, affecting around 200 stores, will continue during 2004.

Review of store structure

To be able to offer customers more stores with updated, self-service facilities, Systembolaget conducted a review of the store structure in cities with more than one store. The Board analyzed the network on the basis of the guidelines for store establishments, and in September changes were approved for the municipalities of Örebro, Gothenburg, Malmö, Uppsala, Stockholm, Täby, Öckerö and Sundbyberg.

On 1 April 2003, the Rosengård store in Malmö was closed until further notice. The Rosengård shopping centre is being redeveloped, and a final decision on the store's future will be taken at a later stage.

On 31 December 2003, the Skolgatan store in Uppsala was closed, followed by the stores at Andra Långgatan, Vårväderstorget and Mölndalsvägen in Gothenburg, and Kärrtorp in Stockholm, on 31 January 2004.

Systembolaget plus Wine Cellar

The first of three stores with a separate wine cellar ("Systembolaget plus Wine Cellar") opened in Stockholm in the autumn. The store, at the central Regeringsgatan site, carries the Company's entire range of wines priced at more than SEK 100 and all its spirit products. It also stocks a luxury range comprising several hundred specially selected wine and spirit brands. In May 2004, a store of the same format will open in Malmö and another is planned for Gothenburg at a later stage.

Product Directory instead of price list

The former price list was replaced by a new comprehensive Product Directory in 2003. Product descriptions are more detailed, and flavour charts and serving suggestion symbols aid customers to choose food and drink combinations. Wines are now also divided into new, clearer flavour categories. The Directory also includes the entire range of products for order. It is published three times a year.

As part of the changeover to the new in-store flavour classification, Systembolaget's range of alcohol-free products was profiled more prominently in the stores. The entire alcohol-free range is now stocked by every store.

The stores also keep two binders of basic range product descriptions in Braille as a service to visually impaired customers.

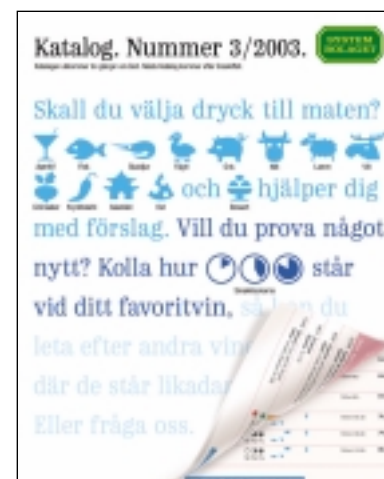
Tasting sessions held in more stores

In the autumn, tasting sessions for the public were extended to around 30 stores. These sessions are organized as part of Systembolaget's mission to promote a healthy drinking culture, and as a way of sharing our personnel's product knowledge.

Prize awarded to "För alla sinnen" ("For All the Senses")

At the international Gourmand Cookbook Awards 2002, Systembolaget's food and drink book "För alla sinnen" was nominated as "the best wine book in the world".

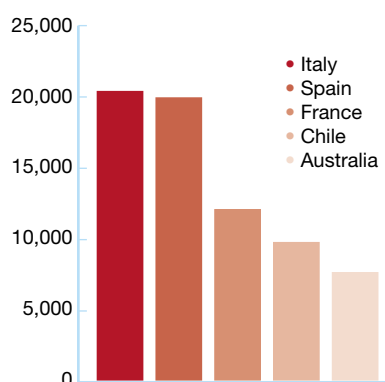
In the autumn, a revised version of "Mat & Dryck – en Guide" ("Food & Drink – a Guide") was launched. Like its predecessor, the book is a practical guide to suitable food and drink combinations.



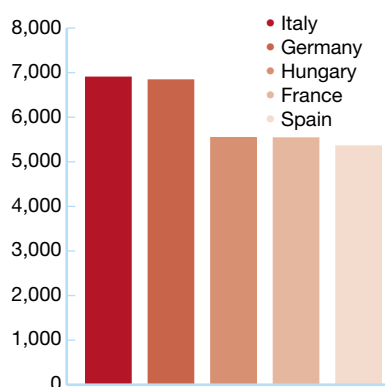
**Systembolaget – sales of spirits
per product category, thousands of litres**

Product category	2003	Change
Aperitifs/ bitters	302	-6.1%
Unspiced vodka	7,154	-8.4%
Spiced vodka	2,066	-5.1%
Gin	1,394	-5.4%
Armagnac, Cognac, Brandy	824	-8.1%
Rum	377	-2.3%
Swedish (Arrack) Punsch	223	-7.7%
Whisky	7,868	-3.1%
Liqueurs	1,580	2.5%
Other spirits	318	-4.8%
Total	22,107	-5.2%

**Systembolaget – five top-selling
red wines per country of origin in 2003,
thousands of litres**



**Systembolaget – five top-selling white
wines per country or origin in 2003,
thousands of litres**



Sales

Systembolaget sold 362.3 million litres of beverages in 2003. This was a rise of 4.2 (9.5) per cent over sales in 2002, and the Company's highest-ever total for sales in litres. Measured in pure alcohol, sales increased by 2.6 (8.3) per cent to 37.4 million litres, a clear slow-down from the increase in the 2000–2002 period.

Sales for the Parent Company rose in 2003 as a result of the volume increase, to MSEK 18,984 (18,809), or by 0.9 (4.5) per cent.

The main reason for the slowdown in the rate of increase is that growth in real incomes in Swedish households fell back in 2003. Higher personal import allowances were another factor.

Systembolaget's sales account for just over half of the estimated total alcohol consumed in Sweden. During 2003, overall consumption rose at the same rate as the Company's sales, and so Systembolaget's market share was unchanged. Thus, partly by maintaining a high standard of service and a broad range of products, Systembolaget was able to meet the competition from higher personal import allowances.

Sales were up in all product categories other than spirits, which fell by 5.2 per cent. That decline was attributable not only to the increased personal import allowances introduced during the year, but also to a reduction in alcohol taxation in Denmark in October, which led to a rise of all of 40 per cent in personal imports of spirits into Sweden towards year-end.

However, personal imports of wine and beer declined somewhat. Sales of wine ended the year on 141.8 million litres. Sales of red, white and rosé wine in the bag-in-box and paperboard packaging formats rose to 57.5 (50) per cent of total sales.

Italy is now the biggest supplier of wine to Sweden, in terms of volume, closely followed by Spain. However, Italy lost some sales, and Spain's fell by 12.7 per cent, above all to South Africa and Australia, which showed sharply higher volumes. Chile remains in fourth place, but sales have not risen by as much.

Systembolaget's overall sales of spirits declined by 5.2 per cent. In the case of vodka in particular, sales were down by 7.7 per cent. The types of spirit to advance were, above all, scotch malt whisky, dark rum and calvados. Sales of cream- and egg-based liqueurs also continued to rise.

Sales of strong beer (Class III) increased by 5.1 per cent to 179 million litres. Swedish brands dominate, at 82.4 per cent of total sales, slightly down on the figure for 2002.

Sales of cider were up 2.9 per cent and mixed drinks by 113.4 per cent. Sales of alcohol-free drinks were also sharply higher, +31.5 per cent.

Once a year, a product range strategy is developed for the year ahead. This strategy encompasses the composition of the range and the number of new products to be launched. In connection with the strategy, a product launch plan for purchasing in the subsequent period is agreed and distributed to all suppliers. The suppliers are then sent monthly invitations to tender as appropriate.

Systembolaget's purchasing personnel then examine the tenders and request product samples for the quotations that are not rejected. The samples are tested blind by experienced tasters, who pick the best ones – the products that will be purchased.

In 2003, 1,602 new articles were launched. These included 780 red and 357 white wines, together with 106 brands of beer. 404 of the new products were introduced in the new Systembolaget plus Wine Cellar on Regeringsgatan, Stockholm.

Other new products included a number of sparkling wines, ciders, reinforced wines, spirits and alcohol-free products.

Personnel

Training

In our annual customer satisfaction surveys in which around 60,000 customers are interviewed nationwide, Systembolaget personnel gain top marks for product knowledge and quality of advice.

All personnel undergo regular training in the form of courses, training packages, tasting sessions and study tours, in the quest for continuous improvement. The standard training programme comprises 18 different courses, spanning every topic from sales and product knowledge to verbal presentation and leadership. A total of more than 6,000 days of training were given.

In addition, 34 members of Systembolaget personnel qualified for an Advanced Certificate from a self-study course in product knowledge theory organized by an independent training institute in London.

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

During the year, three training trips were organized, one to the Mosel region of Germany, one to northern Spain and one to Belgium.

The first round of a new mentoring programme was conducted during the year with considerable success. The programme, which was led by external mentors, was attended primarily by store managers.

A major training initiative involving all managerial staff has been in progress for two years. The programme included a course entitled "From manager to coach" aimed at all managers, and another "A commercial approach", aimed at district managers and store managers. In autumn 2003, a follow-up day was organized as part of this programme.

A three-day forum for the entire sales management team, district managers and all store managers, on the theme "Meetings and opportunities" was held in autumn 2003. The event included Systembolaget's product fair for suppliers.

Equality of opportunity

As the basis of its work in equality at the Company, Systembolaget has adopted an equal opportunity policy and a plan to promote equal opportunity. This is based on the assumption that all people are of equal value. The aim is to clearly define the Company's goals and the shared responsibility for achieving equality of opportunity between the genders, as well as greater ethnic diversity. In 2003, all categories of personnel throughout the organization received equal opportunity training.

There is an even gender balance on the Board and at management level. On the other hand, there is still some way to go before there is an even balance between women and men among store managers and deputy store managers.

This has been one of the objectives of work on equality of opportunity over the past year. A minor improvement from the former situation is evident. A gender breakdown is given in Note 8, on page 35.

Another aim is to increase the proportion of personnel from different ethnic backgrounds. To that end, Systembolaget is participating in the project "Pluskompetens", a nationwide programme of cooperation between private- and public-sector employers. The goal is to provide up to 800 unemployed graduates from a non-Swedish background, with work experience leading to possible employment.

Systembolaget's objective for 2004 is that at least 20 of the individuals involved should be offered the opportunity of work experience and employment in our stores and/or a position at headquarters. Pluskompetens is working with the Swedish Integration Board and the Swedish Employment Service, and is supported by the Ministry of Industry, Employment and Communications.

Sickness absence

For many years, Systembolaget has been pursuing an active work environment policy to prevent ill health. This policy includes early planning for effective rehabilitation measures for personnel.

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

Members of personnel who have suffered back and shoulder problems, but who have not yet taken sick leave, or have had only brief periods of sickness absence, took part in a week's course forming part of a project at a back pain therapy clinic.

The problems suffered by those taking part practically disappeared. After the course, the participants informed and instructed their colleagues in measures to alleviate their problems, which resulted in improvements all round. The project is to be evaluated after four courses have been given.

ALNA (Alcohol and Narcotics) training

In 2002, a survey on alcohol consumption revealed that Systembolaget personnel drink more than the rest of the Swedish population. In the light of the survey, a training course is being given to improve awareness of the risks of alcohol.

In all, around 900 managers and safety representatives took training over 28 work environment days. With input from external consultants from the ALNA Council, there were discussions on the Company's alcohol policy, early signals of alcohol abuse, what a person can do as a colleague and what a person can do as a manager.

Work injuries

The number of work injuries reported fell for the third successive year.

Work environment training

Over the year, 11 work environment courses were held for store managers and safety representatives. In-store training in response to threatening and viol-

ent behaviour, ergonomics, cash register work etc. was also given on around 90 occasions. 14 ergonomics courses aimed at caretakers were also given.

Financial

Internal controls

The year was to a large extent dominated by the matter reported to the police by Systembolaget in January, and the consequences arising from this affair. The background to the report is that Systembolaget's activities must be brand-neutral. No particular brand or producer may either be favoured or discriminated against.

The product range must be determined by customer demand and nothing else.

To ensure all suppliers are treated equally, Systembolaget operates a policy governing relations with its suppliers.

An internal investigation early in 2003 revealed breaches of the policy. Such breaches are unacceptable. Ten store managers left the Company and seven store managers and three suppliers were reported to the police, since the possibility that the law had been broken could not be ruled out.

The prosecutor established suspicion of gross offences of accepting and offering bribes, and decided to initiate a preliminary investigation. Throughout the year, Systembolaget continuously assisted the police by supplying internal Company material and documentation.

The results of the prosecutor's investigation are confidential until proceedings are brought, and so it is not known exactly how many people are under suspicion, or who they are. According to the prosecutor, a major number of present and former employees of Systembolaget are involved.

Systembolaget has begun a process to restore the confidence of the public in the Company. Every member of personnel will be investigated. On behalf of the Board, a lawyer from outside the Company will investigate the head office management and other key individuals. This work started in December and is expected to be completed in March 2004. Investigation of the stores is pending the completion of the present preliminary investigation.

The Board has adopted a number of general principles governing how contraventions of internal rules and policies are to be judged. An ethical council will assist work on internal rules, as well as in ensuring that they are implemented in an even-handed way.

The Company's internal policy on relations with suppliers has been updated and communicated to the personnel during a special training session. All members of personnel have also signed a declaration that they have acquainted themselves with the policy and that they accept its contents.

On 9 December, a preliminary hearing took place in the Swedish Labour Court on the cases of seven of the store managers dismissed during the spring for breaches of internal rules and policies. The main hearing is expected to start on 10 May 2004.

Continued work on business management and in-store IT system

Systembolaget's work on installing an integrated business management system continued during 2003. The operational management module was launched early in the year. Work on changing procedures and routines, including staff training, is progressing.

During 2004, the last module – cash accounting and “product flow” – will be phased in. Product flow encompasses everything from quotation processing, order proposals and product supply to the store, to management of the payment process to the supplier.

In the course of the year, a project to remedy outstanding problems in the in-store IT system was completed. Reliable instructions were produced and measures were taken to ensure that the stores get help when problems arise.

Functional problems in the in-store IT system also created problems in cash control for a period. A follow-up showed that members of personnel had improperly used a function of the system and taken money from the till. New procedures to strengthen internal controls and follow-up were introduced to minimize thefts of cash.

New conditions for purchasing and payment

Since July 2002, Systembolaget has been applying new conditions for purchasing and payment for its beverage suppliers. To ensure that these conditions do not result in Systembolaget abusing its dominance as a monopoly, details of the conditions were delivered to the Swedish Competition Authority on 17 June 2002 for assessment and an application for a negative clearance. The Authority has not yet announced any decision.

Revised pricing structure

During 2003, Systembolaget's pricing structure was evaluated and revised. The basis of the structure is that every product should be priced identically in every store in all Sweden, and that products in the same category should be priced identically. This principle is vital to the Company's ability to maintain a structure based on transparency and competitive neutrality. Another fundamental is that the products in each category should bear their own costs.

The review of the Company's price structure followed an evaluation of the structure to reflect changes in sales patterns and products offered. Proposals have been presented to beverage suppliers and industry organizations. It is anticipated that the new price structure can be implemented from May 2004.

Financial review and trend of profit

Sales by the Group in 2003 totalled MSEK 19,207.4, an increase of MSEK 75.4 since 2002. The Group's profit after financial items was largely unchanged at MSEK 201.6 (202.2).

Sensitivity analysis

Systembolaget's business is characterized by a high volume of sales and a low gross profit. Operating costs are difficult in the short term to adjust for any change in the volume of sales. The biggest items of expense are personnel and premises. As a result, operating profit is sensitive to fluctuations in sales and gross profit. For every rise or fall of 1 per cent in sales, gross profits will rise or fall by around MSEK 26.

Changes in market conditions, such as lower alcohol taxation in Denmark and increased personal import allowances, are placing productivity and flexibility under growing pressure.

With a high rate of stock turnover that matches purchasing and payment conditions, Systembolaget is self-financing. The Group's has no interest-bearing liabilities.

The Parent Company's trading margin, excluding excise duty, declined to 25.1 (25.5) per cent. The lower gross profit of MSEK 74.7 was offset through reduced overheads, and the Group's operating profit improved by MSEK 7.1 to MSEK 172.3 (165.2).

The lower margin is largely attributable to two factors. The first is higher sales of products in large packaging units (e.g. bag-in-box). The pricing structure applied by Systembolaget since 2000 provides for a lower mark-up on large packaging units, relative to their selling price. The second factor is a relative increase in the volume of budget-price products sold. In addition, the fact that the pricing structure consists partly of a fixed mark-up in kronor and partly of a percentage mark-up on the value of the product, tends to reduce the trading margin since the fixed mark-up has not been inflation-adjusted.

The overheads of the Parent Company were down by MSEK 30.8 on costs in 2002, and its operating profit rose by MSEK 39.8, from MSEK 22.7 to MSEK 62.5. The increase was attributable to higher productivity in the stores, made possible by the increase in the number of self-service stores.

The profit of Systembolaget's real estate subsidiary is included – in the form of dividend – in the Parent Company's profit after financial items.

Systembolaget Fastigheter AB

The subsidiary Systembolaget Fastigheter AB owns the properties and tenant-owner rights (with one or two exceptions) in the Group. The real estate management business reports a profit of MSEK 76 (97) after financial items. A leased building was disposed of during the year. Other than that, no properties were sold or acquired.

In all, 121 properties with a total floor area of 202,000 square metres are under management. Around 3 per cent are unoccupied. All properties are related to Systembolaget's operations. The business, which is conducted via limited partnerships, generated a profit of MSEK 33 (34).

Lagena Distribution AB

Lagena stores and distributes alcoholic beverages on behalf of various suppliers. The company reports a profit of MSEK 9.2 (21.1) after financial items, but before items affecting comparability. Sales declined, from MSEK 241.1 to 233.6. The change in the company's profit and sales results is attributable to unchanged and reduced prices for services performed, relative to the preceding year.

In early September, a new production line for quarter-size pallets was placed in service. This new production line has delivered a desired increase in productivity, as well as an improved work environment. The planned implementation of a new business IT system has been delayed until the second half of 2004.

Investments

In 2003, the Group's investments in fixed assets totalled MSEK 342 (225). Store conversion and newbuilds accounted for MSEK 161 (88) of the total.

During the year, 38 stores were converted and 7 new stores built. Work on

installing an integrated business management system began in 2002. According to the timetable for this work, installation will be complete in the first half of 2004. The cost of installation of the system is reported as an intangible asset. In all, capitalized costs in the IT field amounted to MSEK 80 (78).

The Board of Directors

Systembolaget's Board of Directors comprises eight permanent members with five deputies, together with two permanent employee representatives. In 2002, the Board held a total of eight meetings, six regular Board meetings and two extraordinary meetings. The work of the Board in 2003 was dominated by Systembolaget's report to the police. Two information meetings were also held during the year to brief the Board on the course of events at the Company.

Financial developments and a number of key ratios relating to operations are monitored quarterly. Systembolaget's activities are governed by a number of policy documents adopted by the Board. These documents are reviewed at regular intervals. The Board has approved directions for the Board and President. The Board meets the Company's auditors once a year.

Events since year-end

The lawyer from outside the Company, who at the instructions of the Board, had investigated the managers at head office and other key individuals delivered his report in early March 2004. Investigation of other members of head office staff continues.

Systembolaget has submitted details of revised purchasing and payment conditions to the Swedish Competition Authority with an application for a negative clearance. At the time this Annual Report was prepared, the Authority had not announced any opinion on the revised conditions.

Sales of spirits by Systembolaget continued to decline during the first few months of 2004, above all in southern Sweden. The volume of sales expressed in litres continues to rise, but declined somewhat when measured as pure alcohol. MP Kent Härstedt (SD) was requested by the government to monitor developments in the cross-border trade in southern Sweden.

The European Commission has tabled a draft directive concerning free movement of services in the internal market. Potentially, this directive may have a considerable bearing on the conditions under which national monopolies have to operate. Against that background, the drafting of this directive is of significance to Systembolaget, and so we are actively monitoring the issue.

International Accounting Standard (IFRS/IAS)

Within the Group, work is under way on analyzing and adapting accounting and reporting routines for compliance with changes in accounting requirements. The main areas in which the Group and Parent Company will be affected are pension and real estate accounting. This work will be concluded in 2004.

The recommendations of the Swedish Financial Accounting Standards Council (Redovisningsrådet, RR) largely accord with existing IAS recommendations. Because the Group's financial reports concur with the recommendations of RR, the effects of any changeover are not thought likely to be significant.

Future outlook

Uncertainty on the revenue side is greater than normal. In its forecasts for 2004, the Company's management has concluded that the total volume of sales in litres will remain at around the same level as in 2003. However, revenue is expected to slip by just over three percent, owing to lower sales of spirits.

This assumption is based on higher personal import allowances, lower taxation on spirits in Denmark, lower alcohol taxation in Finland and the entry of the Baltic States into the EU. Higher municipal and county council taxes are expected to reduce purchasing power. However, the business is expected to meet the owner's requirement for return on equity.

As a result of the improprieties brought to light in 2003, much effort will be directed at building up a corporate culture focusing on ethics and morality among the Company's personnel. One part of this endeavour in 2004 will be to retain the public's trust in Systembolaget.

The strategic plan sets out demands that changes must be made over the next few years. The key performance indicators set out in the plan demonstrate that such changes mainly concern improvements from the viewpoint of customer preferences and the demand for increased efficiency. Continued expansion of self-service is essential to our ability to meet these objectives.

The number of new development projects will be restricted in favour of the above-mentioned activities and projects/ activities that are absolutely vital to our ability to conduct our core business. At the same time as improving our service, we must clearly define and communicate Systembolaget's role and social responsibilities. Measures to underpin stricter age verification will be prioritized.

Proposed allocation of unappropriated profits

The Group's unappropriated profits from the preceding financial year totalled MSEK 651.2. The Company's AGM, held in April 2003, approved the proposed allocation of unappropriated profits by the Board of Directors and the President, and a dividend of MSEK 80 was paid to the Company's owner. At an EGM in 2003, it was decided that a further MSEK 120 should be paid to the owner as dividend. Following this extra dividend, the Group's unappropriated profits at year-end 2003 amounted to MSEK 574.7. A transfer of MSEK 0.3 to restricted reserves is proposed.

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

Non-restricted reserves	SEK 504,475,357
Extra dividend	SEK -120,000,000
Net profit for the year	SEK <u>131,753,167</u>
	SEK 516,228,524

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

To be carried forward	SEK 436,228,524
To be paid as dividend	SEK 80,000,000
	SEK 516,228,524

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Definitions

Return on equity

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

Equity/assets ratio

Adjusted equity, as a percentage of the balance sheet total

Trading margin

Gross profit as a percentage of total sales.

Working productivity

The number of work units (items of packaging after weighting per product category) handled per working day (8 hours).

Rate of stock turnover

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

Wastage

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

Age verification

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

Opinion survey index

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

Customer Satisfaction Index (CSI)

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

Personnel Satisfaction Index (PSI)

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

Group – five years in brief

Key ratios

	2003	2002	2001	2000	1999
Return on equity	10.3%	10.8%	11.0%	10.1%	28.7%
Equity/assets ratio	32.8%	30.0%	35.5%	30.7%	33.7%
Trading margin, incl. taxes on alcohol, Parent Company	13.2%	13.2%	13.2%	13.4%	12.9%
Trading margin, excl. taxes on alcohol, Parent Company	25.1%	25.5%	26.7%	27.7%	27.1%
Working productivity, Parent Company	701	662	659	619	644
Rate of stock turnover, Parent Company	21.9	24.7	27.6	26.8	26.9
Wastage (per mille), Parent Company	1.15	1.16	0.68	0.33	0.34
Age verification, Parent Company	83%	79%	81%	81%	80%

Income statement MSEK

	2003	2002	2001	2000	1999
Sales	19,207	19,132	18,241	17,368	16,625
Operating expenses	-19,034	-18,967	-18,082	-17,204	-16,175
Net financial items	29	37	38	32	20
Profit after financial items	202	202	197	196	470
Profit for the year	138	142	133	108	338
Dividend	200	80	80	80	50

Balance sheet MSEK

	2003	2002	2001	2000	1999
Fixed assets	1,501	1,345	1,360	1,270	1,210
Current assets	2,615	3,359	2,435	2,944	2,932
Total assets	4,116	4,704	3,795	4,214	4,142
Adjusted equity	1,348	1,409	1,348	1,294	1,395
Allocations	268	269	257	970	783
Liabilities	2,500	3,026	2,190	1,950	1,964
Total equity and liabilities	4,116	4,704	3,795	4,214	4,142

Income statement, MSEK

	Note	Group		Parent company	
		2003	2002	2003	2002
Net sales	1	19,207.4	19,132.0	18,984.5	18,808.8
Costs of goods sold	2, 3	<u>-16,657.3</u>	<u>-16,569.7</u>	<u>16,485.9</u>	<u>-16,319.2</u>
Gross profit		2,550.1	2,562.3	2,498.6	2,489.6
Selling expenses	4-9	-1,945.5	-2,000.5	-2,044.2	-2,089.8
Administrative expenses	4-10	-400.6	-411.9	-408.4	-409.2
Other operating income	11	83.3	119.7	16.5	32.1
Other operating expenses	11	-115.0	-107.2	-	-
Result from participations in Group companies	12	<u>-</u>	<u>2.8</u>	<u>-</u>	<u>-</u>
Operating profit		172.3	165.2	62.5	22.7
Result from financial investments					
Result from participations in Group companies	12	-	-	86.0	92.4
Result from other securities and receivables accounted for as fixed assets		30.8	32.0	30.6	31.9
Other interest income	13	7.6	10.6	32.5	41.5
Interest expense	14	<u>-9.1</u>	<u>-5.6</u>	<u>-9.8</u>	<u>-6.2</u>
Profit after financial items		201.6	202.2	201.8	182.3
Appropriations	15	<u>-</u>	<u>-</u>	<u>-13.3</u>	<u>-6.5</u>
Pre-tax profit		201.6	202.2	188.5	175.8
Tax on profit for the year	16	<u>-63.3</u>	<u>-60.6</u>	<u>-56.7</u>	<u>-51.0</u>
Net profit for the year		138.3	141.6	131.8	124.8

Balance sheet, MSEK

	Note	Group		Parent company	
		31-12-2003	31-12-2002	31-12-2003	31-12-2002
Assets					
Fixed assets					
Intangible assets					
Capitalized expenses, business systems	17	101.7	49.7	101.7	47.1
Tangible assets					
Buildings and land	18	701.6	675.1	41.2	14.6
Equipment, fixtures and fittings	19	<u>599.2</u>	<u>518.7</u>	<u>560.6</u>	<u>479.6</u>
Total tangible assets		1,300.8	1,193.8	601.8	494.2
Financial assets					
Participations in Group companies	20	-	-	15.1	15.1
Receivables from Group companies		-	-	544.9	535.2
Other securities accounted for as fixed assets	21	0.0	0.0	-	-
Deferred income taxes recoverable	22	86.2	88.0	30.3	32.1
Other long-term receivables	23	<u>12.8</u>	<u>13.5</u>	<u>12.3</u>	<u>12.8</u>
Total financial assets		<u>99.0</u>	<u>101.5</u>	<u>602.6</u>	<u>595.2</u>
Total fixed assets		1,501.5	1,345.0	1,306.1	1,136.5
Current assets					
Inventories		841.4	862.0	841.0	861.6
Current receivables					
Accounts receivable, trade		39.5	40.0	10.7	14.1
Accounts receivable, Group companies		-	-	76.8	97.2
Income taxes recoverable		1.5	58.3	-	52.2
Other receivables		17.5	15.6	9.5	10.9
Prepaid expenses and accrued income	24	<u>64.5</u>	<u>39.2</u>	<u>63.4</u>	<u>37.3</u>
Total current receivables		123.0	153.1	160.4	211.7
Investments		268.4	477.6	268.4	477.6
Cash and bank		<u>1,381.8</u>	<u>1,866.7</u>	<u>1,379.7</u>	<u>1,862.6</u>
Total current assets		2,614.6	3,359.4	2,649.5	3,413.5
Total assets		4,116.1	4,704.4	3,955.6	4,550.0

Balance sheet, MSEK

	Note	Group		Parent company	
		31-12-2003	31-12-2002	31-12-2003	31-12-2002
Equity and liabilities					
Equity	25				
Restricted equity					
Share capital (360,000 shares, each with a par value of SEK 1,000)		360.0	360.0	360.0	360.0
Restricted reserves		<u>413.0</u>	<u>398.2</u>	<u>72.0</u>	<u>72.0</u>
Total restricted equity		773.0	758.2	432.0	432.0
Non-restricted equity					
Non-restricted reserves		436.4	509.6	384.5	459.7
Net profit for the year		<u>138.3</u>	<u>141.6</u>	<u>131.8</u>	<u>124.8</u>
Total non-restricted equity		<u>574.7</u>	<u>651.2</u>	<u>516.3</u>	<u>584.5</u>
Total equity		1,347.7	1,409.4	948.3	1,016.5
Untaxed reserves					
Tax allocation reserves	26	-	-	442.5	429.1
Provisions					
Provision for pensions	27	10.8	11.3	-	-
Other provisions	28	<u>257.0</u>	<u>257.8</u>	<u>97.8</u>	<u>104.0</u>
Total provisions		267.8	269.1	97.8	104.0
Long-term liabilities					
Liabilities to Group companies	29	-	-	22.6	35.0
Other liabilities	29	<u>1.5</u>	<u>1.5</u>	<u>-</u>	<u>-</u>
Total long-term liabilities		1.5	1.5	22.6	35.0
Current liabilities					
Accounts payable, trade		1,921.9	2,579.5	1,896.2	2,542.7
Accounts payable to Group companies		-	-	1.8	1.7
Tax liabilities		34.6	-	28.3	-
Other liabilities		86.5	222.5	82.4	218.3
Accrued expenses and deferred income	30	<u>456.1</u>	<u>222.4</u>	<u>435.7</u>	<u>202.7</u>
Total current liabilities		2,499.1	3,024.4	2,444.4	2,965.4
Total equity and liabilities		4,116.1	4,704.4	3,955.6	4,550.0
Memorandum items					
Pledged assets and contingent liabilities					
Pledged assets		None	None	None	None
Contingent liabilities	31	21	10.6	19.4	21.1

Statement of changes in financial position, MSEK

	Group		Parent company	
	2003	2002	2003	2002
Ordinary operations				
Profit after financial items	201.6	202.2	201.8	182.3
Adjustments for non cash-flow items	<u>181.5</u>	<u>198.5</u>	<u>133.3</u>	<u>183.7</u>
	383.1	400.7	335.1	366.0
Tax paid	<u>29.9</u>	<u>-31.4</u>	<u>25.5</u>	<u>-22.4</u>
Cash flow from ordinary operations before changes in working capital	413.0	369.3	360.6	343.6
Cash flow from changes in working capital				
Change in inventories	20.6	-316.6	20.6	-322.4
Change in receivables	194.3	483.9	211.7	502.3
Change in liabilities	<u>-458.0</u>	<u>971.5</u>	<u>-459.8</u>	<u>1 016.4</u>
Cash flow from ordinary operations	169.9	1 508.1	133.1	1 539.9
Investment operations				
Acquisition of fixed assets	-342.1	-224.9	-303.3	-230.0
Sale of subsidiary	-	2.8	-	-
Sale of fixed assets	<u>0.0</u>	<u>48.6</u>	<u>0.0</u>	<u>21.2</u>
Cash flow from investment operations	-342.1	-173.5	-303.3	-208.8
Financial operations				
Dividend	-200.0	-80.0	-200.0	-80.0
Transfer to pension fund	<u>-101.9</u>	<u>-135.5</u>	<u>-101.9</u>	<u>-135.5</u>
Cash flow from financial operations	-301.9	-215.5	-301.9	-215.5
Cash flow for the year	-474.1	1,119.1	-472.1	1 115.6
Liquid assets at 1 January	<u>2,124.3</u>	<u>1,005.2</u>	<u>2,120.2</u>	<u>1,004.6</u>
Liquid assets at 31 December	1,650.2	2,124.3	1,648.1	2,120.2
Supplementary information				
Adjustments for non cash-flow items				
Depreciation and write-downs	178.2	238.1	134.9	207.0
Provisions	-1.3	11.8	-6.2	8.2
Capital gain/loss	<u>4.6</u>	<u>-51.4</u>	<u>4.6</u>	<u>-31.5</u>
	181.5	198.5	133.3	183.7
Specification of interest paid				
Interest received	38.4	42.6	63.1	73.4
Interest paid	9.1	5.6	9.8	6.2
Liquid assets				
Cash and bank	1,381.8	1,866.7	1,379.7	1,862.6
Investments	<u>268.4</u>	<u>257.6</u>	<u>268.4</u>	<u>257.6</u>
Amount at 31 December	1,650.2	2,124.3	1,648.1	2,120.2

Short-term investments as shown on the Balance Sheet at year-end totalled MSEK 268.4 (477.6), of which MSEK 268.4 (257.6) comprised financial instruments with a term of up to a year and corresponded to the definition of short-term investments.

Notes to financial statements

MSEK (millions of Swedish kronor)

General accounting policies

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

Guidelines from the Cabinet Office and the Ministries

Systembolaget applies government guidelines on external financial reporting by State-owned companies, on employment conditions for persons in executive positions at companies and on incentive programmes for employees of State-owned enterprises.

Agreement with the State and owner's directive

The Company is required to operate its business efficiently and to provide good service to its customers. The Company may own real estate and be a partner in real estate enterprises when necessary to obtain premises for its operations.

Systembolaget's agreement with the State sets the aim of a retail outlet being established in every municipality requesting one. Decisions on the establishment of new outlets shall be based on an overall assessment of economic and service-related considerations. In communities lacking a Systembolaget store, Systembolaget may sell its products via special agencies.

Income statement

In compliance with the Swedish Annual Accounts Act, the income statement has been based on the classification according to function, in accordance with internal financial accounting procedures. The functions are as follows:

Costs of selling comprise the expenses arising from the activities of the stores. The biggest items of expense are personnel and premises.

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

Other operating income includes income from real estate management and from the sale of services.

Other operating expense includes the cost of real estate management.

A capital gain on the sale of a subsidiary is also included in income at Group level.

New accounting policies

During 2003, several new recommendations of the Swedish Financial Accounting Standards Council entered into force. These new recommendations had no material impact on the financial results and position of the Group.

The Group's real estate management subsidiary applies the new recommendation on buildings held for investment purposes. From the viewpoint of the Parent Company and Group, these buildings are reported as buildings held for operating purposes. Income and expense relating to "real estate management" have been reclassified as "other operating income" and "other operating expense", respectively.

Consolidated financial statements

The Group comprises the Parent Company, Systembolaget AB, and the wholly owned subsidiaries Lagena Distribution AB and Systembolaget Fastigheter AB.

The consolidated financial statements have been drawn up in accordance with the purchase method and comply with the recommendation issued by the Swedish Financial Accounting Standards Council concerning consolidated financial accounting. In preparing the consolidated balance sheet, untaxed reserves have been divided into one portion, entered as a deferred tax liability under the heading of Provisions, and the remaining portion, entered as restricted equity, i.e. non-distributable reserves.

In this way, appropriations that involve dissolution of or allocations to untaxed reserves are omitted from the consolidated income statement. The tax portion of these changes is included with the tax liability for the year in the income statement. Deferred tax is calculated at a rate of 28 per cent.

Accounting for changes in financial position

Changes in financial position are accounted for using the indirect method, in accordance with Recommendation RR 7 of the Swedish Financial Accounting Standards Council.

Income

Income from sales of goods is reported at delivery of the goods to the customer.

Principles of valuation

Assets, provisions and liabilities are valued at acquisition value, unless otherwise indicated below.

Inventories

Inventories are valued at acquisition value. The provision for obsolescence applied is 3 per cent. Advance supplier payments in connection with primeur wines are reported net among Inventories, on receipt of a deposit from the customer.

Receivables

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

Depreciation of intangible and tangible assets

Depreciation according to plan is determined on the basis of the acquisition value of the asset and its estimated service period.

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The following periods of service are applied:

Intangible assets	Years
Business systems	5
Tangible assets	
Buildings	25 – 50
Plant and machinery	3 – 5
Conversions and fixtures in stores	7

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

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Tangible assets

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

Intangible assets

Intangible assets are reported as acquisition value, less accumulated depreciation and write-downs. The Company capitalizes the expenses of major IT projects. External expenses incurred direct for the development of software for the Company's own use are capitalized. Expenses relating to feasibility studies, training and regular maintenance are written off as incurred.

Income taxes

Total tax is made up of current and deferred tax. Current tax is based on the taxable profit for the year. Deferred tax is calculated on the difference between the tax and accounting valuations of assets and liabilities, where the difference is of only a temporary nature.

All tax liabilities/ taxes recoverable are valued in nominal amounts and in accordance with the tax rates that have been approved, or that have been announced and are considered highly likely to be enacted. In the Parent Company the deferred tax liability in untaxed reserves is reported – based on the relationship between accounting and taxation – as part of the untaxed reserves.

Financial instruments

Accounts receivable, trade

Beverages are sold for cash or credit card payments in the stores. Invoiced sales of services constitute less than one per cent of total sales by the Parent Company. To limit the possibility of credit losses, regular credit checks are carried out.

Accounts receivable, trade

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

Interest-bearing assets and liabilities

The rules laid down in the Group's investment policy govern Systembolaget's exposure to risk. No type of derivative instrument may be used. Assets are placed in bank deposits and in a limited number of forms of investment in the category of fixed-income securities. Rules on diversification and limitation as to which issuers of securities may be engaged also help to restrict credit risk. By placing a ceiling on the average fixed-interest period to 360 days, interest rate risk is minimized.

The Group has no interest-bearing liabilities.

Liquidity risk

Systembolaget's liquidity risk is low, as a result of a high rate of inventory turn-over, which matches purchasing and payment conditions.

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

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

Related party disclosures

No transactions took place between Systembolaget AB and any company or physical person closely related to the Company.

Note 1 *Net sales*

	2003	2002
Sales, Parent Company		
Spirits	5,863.9	6,165.8
Wine	8,449.7	8,160.6
Cider	472.9	444.9
Strong beer (Class III)	3,955.9	3,872.2
Mixed drinks	131.3	56.6
Non-alcoholic	<u>16.9</u>	<u>12.8</u>
Total sales, beverages	18,890.6	18,712.9
Miscellaneous goods and services	<u>93.9</u>	<u>95.9</u>
Net sales, Parent Company	18,984.5	18,808.8
Sales, subsidiary	222.9	409.6
Alcohol taxes, subsidiary	<u>-</u>	<u>-86.4</u>
Net sales, Group	19,207.4	19,132.0

The Parent Company's purchases from Group companies amounted to MSEK 146.4 (16.9). Sales by the Parent Company to Group companies were negligible.

Note 2 *Cost of goods sold, Parent Company*

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

Note 3 *Adjustments to figures shown for comparison*

In 2002, expenses relating to the processing of cash and credit card payments were accounted for as selling costs and reported under "Cost of goods sold". As of 2003, these expenses are reported as costs of product sold. The figures for 2002, presented for comparison, have been adjusted by MSEK 62.5.

Note 4 *Personnel and Board of Directors*

Average number of full-time employees	2003	2002
	<i>Of whom, women</i>	<i>Of whom, women</i>
Parent Company	3,177 64%	3,204 64%
Subsidiaries	<u>157</u> <u>23%</u>	<u>146</u> <u>23%</u>
Group, total	3,334 62%	3,350 62%

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

Note 5 Employees and personnel costs

Wages, salaries, other remuneration and social security costs	2003		2002	
	<i>Wages, salaries, other remuneration</i>	<i>Social security costs</i>	<i>Wages, salaries, other remuneration</i>	<i>Social security costs</i>
Parent Company	823.8	367.0	825.5	452.0
(Of which, pension costs)		(76.0)		(154.0)
Subsidiaries	42.9	17.8	39.2	17.5
(Of which, pension costs)	-	(3.5)	-	(4.4)
Group, total	866.7	384.8	864.7	469.5
(Of which, pension costs)		(79.5)		(158.3)

Pension costs (Parent Company)	2003	2002
Pensions paid out	35	33
Allocated to pension fund	59	141
Credited from pension fund	-27	-33
Miscellaneous	9	13
	76	154

Pensions	2003	2002
Total pension commitment, including non-portable portion	986.5	946.3
Total assets held in pension fund	<u>1,159.8</u>	<u>975.3</u>
	-173.3	-29.0

Note 6 Wages, salaries and other remuneration

Salaries and other remuneration to directors and senior executives	2003		2002	
	<i>Board and President</i>	<i>Other employees</i>	<i>Board and President</i>	<i>Other employees</i>
Parent Company	4.4	819.7	3.9	821.6
Subsidiaries	1.3	41.6	1.0	38.2
Group, total	5.7	861.3	4.9	859.8

Principles of remuneration to senior executives

Fees are paid to the Board Chairman and directors in accordance with decisions by the Annual General Meeting. Such decisions approved a Chairman's fee of SEK 125,000 and a director's fee of SEK 62,000. Employee representatives are not paid a director's fee. Remuneration to the President and other senior executives consists of a basic salary, other benefits and a pension entitlement.

No flexible, bonus-based compensation is paid, nor is any compensation paid in the form of financial instruments etc. "Other senior executives" refers to such persons who, with the President, constitute the Company management team. The composition of the management team is shown on page 9 of this annual report. During the financial year, two members of management team left the organization and were replaced by new members. The management team was expanded by one member.

Salaries and other remuneration in 2002 (SEK)	<i>Salaries</i>	<i>Other benefits</i>	<i>Pension cost</i>	<i>Other remuneration</i>	<i>Total</i>
Board Chairman	113,701	-	-	320	114,021
Other Board members	607,878	180	-	7,879	615,937
President	1,733,236	72,163	1,276,311	5,580	3,087,290
Company management team	<u>7,226,666</u>	<u>599,980</u>	<u>3,332,865</u>	<u>52,178</u>	<u>11,211,689</u>
Total	9,681,481	672,323	4,609,176	65,957	15,028,937

Salaries and other remuneration in 2003 (SEK)	<i>Salaries</i>	<i>Other benefits</i>	<i>Pension cost</i>	<i>Other remuneration</i>	<i>Total</i>
Board Chairman	125,000	-	-	2,441	127,441
Other Board members	658,795	60	-	13,869	672,724
President	1,878,860	68,176	1,080,812	3,297	3,031,145
Company management team	<u>7,596,187</u>	<u>648,237</u>	<u>3,850,524</u>	<u>61,632</u>	<u>12,156,580</u>
Total	10,258,842	716,473	4,931,336	81,239	15,987,890

"Other benefits" consist in the main of company car benefits. Employee representatives on the Board are not paid a director's fee. The President and members of the company management team are not paid a bonus or any housing allowance. Other expenses consist primarily of the reimbursement of above all travel and accommodation costs.

Conditions of pension agreements

President

Systembolaget's President is entitled to a pension at the age of 60 years. The President's pension conditions were renegotiated in 2002 and the defined-benefit portion of the retirement pension was fixed at 70 per cent of the pensionable salary in 2001, which amounted to TSEK 1,660. In addition, as of 1 January 2002, the President is entitled to a premium-based pension with an annual premium of 3 price base amounts plus 25% of salary components above the pensionable salary in 2001.

Company management, employed before 1 January 2003

Systembolaget's Vice President and divisional managers are entitled to retirement on a pension at the age of 60 years. A retirement pension will be paid until the age of 65 years in an amount corresponding to 70 per cent of the pensionable salary, up to a maximum of 30 times the income base amount. In all cases, the pensionable salary is the regular monthly salary payment on 1 July 2002, multiplied by 12. In addition, the Vice President is entitled to a premium-based pension with a premium of 20% of salary components above 30 times the income base amount. From the age of 65 years, pension will be paid in accordance with Systembolaget's collectively agreed pension plan for administrative employees.

Company management, employed after 1 January 2003

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

Conditions of agreements on termination of employment and severance pay

President

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

Company management, employed before 1 January 2003

In the case of employment being terminated, 6 month's notice is due on both sides. Where employment is terminated by Systembolaget, extended notice of 6 – 18 months is required. Any other earned income during this period will be deducted.

Company management, employed after 1 January 2003

In the case of employment being terminated, 6 month's notice is due on both sides. Where employment is terminated by Systembolaget, the amount of compensation payable will be, in addition to salary during the period of notice, severance pay of 6–18 monthly salary amounts, depending on the employee's age, although for no longer than until the age of 61 years is attained. As of the age of 62 years, there is no entitlement to extra severance pay. Any other earned income during this period will be deducted.

Agreement drafting and decision-making process

In 2003, the President renegotiated at the request of the Board the existing pension agreements with the divisional managers. The Board approved the new terms of the agreements, which have been in force since 1 January 2003.

Remuneration to the President and Vice-President is subject to the approval of the Board. Remuneration to the divisional managers is approved by the President following consultation with the Board Chairman.

Note 7 Sickness absence

Total sickness absence as a proportion of the standard hours worked by the employees was 8.1 per cent during 2003.

Sickness absence, by gender and various age categories

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	5.9%	7.8%	14.4%	9.8%
Men	<u>4.1%</u>	<u>3.2%</u>	<u>9.3%</u>	<u>5.1%</u>
Total	5.1%	6.2%	12.9%	8.1%

Sickness absence of more than 60 days corresponded to 4.7 per cent of standard working hours

	<i>Less than 30 years</i>	<i>30 – 49 years</i>	<i>More than 49 years</i>	<i>Total</i>
Women	1.0%	4.0%	11.3%	6.0%
Men	<u>0.1%</u>	<u>1.1%</u>	<u>6.5%</u>	<u>2.3%</u>
Total	0.6%	3.0%	9.9%	4.7%

Note 8 Gender balance, store personnel

Analysis of gender balance in store personnel on 31 December

	<i>Sales personnel, full-time</i>		<i>Sales personnel, part-time</i>	
2003	2002	2003	2002	
Women	55%	59%	76%	78%
Men	<u>45%</u>	<u>41%</u>	<u>24%</u>	<u>22%</u>
Total	100%	100%	100%	100%

	<i>Store managers</i>		<i>Ass. store managers</i>		<i>Employees, total</i>	
	2003	2002	2003	2002	2003	2002
Women	38%	36%	44%	43%	69%	70%
Men	<u>62%</u>	<u>64%</u>	<u>56%</u>	<u>57%</u>	<u>31%</u>	<u>30%</u>
Total	100%	100%	100%	100%	100%	100%

Gender balance at head office on 31 December

	<i>Employees</i>		<i>Managers</i>	
	2003	2002	2003	2002
Women	57%	57%	39%	33%
Men	<u>43%</u>	<u>43%</u>	<u>61%</u>	<u>67%</u>
	100%	100%	100%	100%

Note 9 Depreciation of tangible assets

	Group		Parent Company	
Straight-line depreciation, by organizational function	2003	2002	2003	2002
Selling expenses	107.9	185.9	103.2	166.9
Administrative expenses	32.8	15.3	31.7	30.2
Other operating expenses	<u>35.0</u>	<u>36.9</u>	<u>-</u>	<u>-</u>
	175.7	238.1	134.9	197.1

Note 10 Fees to auditors

	Group		Parent Company	
	2003	2002	2003	2002
SET Revisionsbyrå AB				
Auditing services	3.1	2.0	2.7	1.9
Other services	0.1	0.3	0.1	0.3
Riksrevisionen (the State Audit Institution)*				
Auditing services	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>	<u>0.1</u>
	3.3	2.4	2.9	2.3

* Formerly Revisionsverket (the Swedish National Audit Bureau).

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

Note 11 *Other operating income and other operating expenses*

	Group		Parent Company	
	2003	2002	2003	2002
Other operating income				
Rental income	74.1	71.1	-	-
Other operating income	9.2	0.3	15.6	0.7
Capital gain	-	<u>48.3</u>	<u>0.9</u>	<u>31.4</u>
	83.3	119.7	16.5	32.1
Other operating expenses				
Operating expenses	-70.9	-61.1	-	-
Real estate tax	-9.1	-9.2	-	-
Straight-line depreciation	<u>-35.0</u>	<u>-36.9</u>	-	-
	<u>-115.0</u>	<u>-107.2</u>	-	-
	-31.7	12.5	16.5	32.1

The income statement heading "real estate management" in earlier years has this year been reclassified as "Other operating income" and "Other operating expenses". The figures presented for comparison have been adjusted accordingly. The market-level rents charged to selling and administrative expenses in the Parent Company but eliminated in the consolidated financial statements totalled MSEK 135.7 (135.3).

Note 12 *Result from participations in Group companies*

	Parent Company	
	2003	2002
Dividend from Systembolaget Fastigheter AB	76.0	97.0
Dividend from Lagena Distribution AB	10.0	5.0
Capital gain on sales of shares in Systembolaget Restaurangpartner AB	-	0.3
Writedown of shareholder contribution to Systembolaget Restaurangpartner AB	-	<u>-9.9</u>
	86.0	92.4

Note 13 *Other interest income*

	Group		Parent Company	
	2003	2002	2003	2002
Interest income, Group companies	-	-	25.6	31.3
Interest income, other	<u>7.6</u>	<u>10.6</u>	<u>6.9</u>	<u>10.2</u>
	7.6	10.6	32.5	41.5

Note 14 *Interest expenses*

	Group		Parent Company	
	2003	2002	2003	2002
Interest expenses, Group companies	-	-	0.7	0.8
Arrears interest	8.5	4.1	8.5	4.1
Other interest expenses	<u>0.6</u>	<u>1.5</u>	<u>0.6</u>	<u>1.3</u>
	9.1	5.6	9.8	6.2

Note 15 *Appropriations, Parent Company*

	2003	2002
Change in tax allocation reserve	13.3	6.5

Note 16 Tax on profit for the year

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

	Group		Parent Company	
	2003	2002	2003	2002
Reported profit before tax	201.6	202.2	188.5	175.8
Tax calculated by current tax rate	56.4	56.6	52.8	49.2
Tax attributable to earlier year	-3.2	-5.3	-0.7	-1.4
Impact on tax of non-deductible expenses	7.2	18.1	7.0	13.6
Impact of tax on non-taxable income	-4.2	-13.5	-4.1	-8.9
Deferred tax revenue arising from temporary differences	-	-2.3	-	-2.3
Cancellation of deferred income tax recoverable	1.8	2.9	1.7	0.8
Deferred tax on appropriations	<u>5.3</u>	<u>4.1</u>	<u>-</u>	<u>-</u>
Reported tax charge	63.3	60.6	56.7	51.0

Note 17 Capitalized expenses, business systems

	Group		Parent Company	
	2003	2002	2003	2002
Acquisition value brought forward	51.7	16.7	48.5	16.7
New acquisitions	54.0	33.0	54.6	30.4
Sales	-	-	-1.4	-
Reclassifications, writedowns	<u>-4.0</u>	<u>1.4</u>	<u>-</u>	<u>1.4</u>
Accumulated acquisition values carried forward	101.7	51.1	101.7	48.5
Straight-line depreciation brought forward	-1.4	-	-1.4	-
Sales	1.4	-	1.4	-
Reclassifications	-	-1.1	-	-1.1
Straight-line depreciation for the year	-	-0.3	-	-0.3
Accumulated straight-line depreciation carried forward	<u>0.0</u>	<u>-1.4</u>	<u>0.0</u>	<u>-1.4</u>
Planned residual value carried forward	101.7	49.7	101.7	47.1

The capitalized expenses refer to the implementation of a new business system that is expected to be placed in service in 2004.

Note 18 Buildings and land

	Group		Parent Company	
	2003	2002	2003	2002
Acquisition values brought forward	1,340.0	1,353.5	43.6	64.8
New acquisitions	61.0	23.1	28.4	2.0
Sales	<u>-1.5</u>	<u>-36.6</u>	<u>-1.5</u>	<u>-23.2</u>
Accumulated acquisition values carried forward	1,399.5	1,340.0	70.5	43.6
Straight-line depreciation brought forward	-664.9	-651.2	-29.0	-46.7
Sales	1.0	20.1	1.0	19.0
Straight-line depreciation for the year	<u>-34.0</u>	<u>-33.8</u>	<u>-1.3</u>	<u>-1.3</u>
Accumulated straight-line depreciation carried forward	<u>-697.9</u>	<u>-664.9</u>	<u>-29.3</u>	<u>-29.0</u>
Straight-line residual value carried forward	701.6	675.1	41.2	14.6
Tax assessment values, real estate	1,006.1	966.5	51.1	49.4
Of which, buildings	760.0	729.7	37.5	36.5

Note 19 Equipment, fixtures and fittings

	Group		Parent Company	
	2003	2002	2003	2002
Acquisition values brought forward	1,215.8	1,135.6	1,077.1	977.4
New acquisitions	226.6	202.3	220.1	199.2
Sale and retirement of assets	-24.1	-120.7	-23.2	-98.1
Reclassifications	-	-1.4	-	-1.4
Accumulated acquisition values carried forward	1,418.3	1,215.8	1,274.0	1,077.1
Depreciation brought forward	-697.1	-598.1	-597.5	-494.3
Sale and retirement of assets	19.6	103.9	17.8	91.2
Reclassifications	-	1.1	-	1.1
Straight-line depreciation for the year	<u>-141.6</u>	<u>-204.0</u>	<u>-133.7</u>	<u>-195.5</u>
Accumulated depreciation carried forward	-819.1	-697.1	-713.4	-597.5
Straight-line residual value carried forward	599.2	518.7	560.6	479.6

Note 20 Participations in Group companies

	2003	2002
Acquisition value brought forward	15.1	25.1
Disposals	<u>0.0</u>	<u>-10.0</u>
Accumulated acquisition value carried forward	15.1	15.1

Specification of shares in subsidiaries	Number of participations	Percentage holding*	Book value
Lagena Distribution AB, 556501-3496, Haninge	150	100	15.0
Systembolaget Fastigheter AB, 556601-5615, Stockholm	100	100	0.1

* Capital and votes.

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

Fastighetsbolaget Näckströmsgatan i Stockholm KB, 969674-9690, Stockholm
Fastighetsbolaget Kungsträdgårdsgatan i Stockholm KB, 969674-9416, Stockholm
Fastighetsbolaget Armarturvägen i Haninge KB, 969674-9424, Stockholm
Bonden 11 KB, 969675-1511, Stockholm
Buntmakaren 10 i Motala KB, 969675-3442, Stockholm
Alhambra 3 KB, 969675-1487, Stockholm
Tärnan 25 KB, 969675-1529, Stockholm
Gävle 10 KB, 969675-1479, Stockholm
Fastighetsbolaget Reval 5 KB, 969675-2691, Stockholm
Fastighetsbolaget Thor 15 KB, 969675-3848, Stockholm
Döbeln 7 KB, 969675-0117, Stockholm
Malörten 1 i Vänersborg KB, 969675-1842, Stockholm
Fastighetsbolaget Drottninggatan i Karlstad KB, 969675-0588, Stockholm
Livia 15 KB, 969674-8632, Stockholm
Knut 28 KB, 969675-1230, Stockholm
Fastighetsbolaget Hammartorget 5-7 KB, 969675-4614, Stockholm
Hofors 6:87 KB, 969675-1099, Stockholm
Fastighetsbolaget Storgatan i Sollefteå KB, 969675-2113, Stockholm
Stora Örnén 18 KB, 969675-0554, Stockholm

Note 21 Other securities accounted for as fixed assets

	Group	
Acquisition values	2003	2002
Participations in tenant-owner associations	0.0	0.0

Note 22 *Deferred income taxes recoverable*

Temporary differences

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

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

	Group		Parent Company	
	2003	2002	2003	2002
Depreciation of building	58.8	58.9	2.9	2.9
Provision for pensions	22.0	23.4	22.0	23.5
Provision for social welfare costs	<u>5.4</u>	<u>5.7</u>	<u>5.4</u>	<u>5.7</u>
	86.2	88.0	30.3	32.1

Note 23 *Other long-term receivables*

	Group		Parent Company	
	2003	2002	2003	2002
Acquisition values brought forward	37.7	37.7	35.2	35.2
Additional receivable	0.8	0.0	0.8	0
Reversed current receivable	1.6	1.6	1.3	1.3
Transferred to current receivable	-1.6	-1.6	-1.3	-1.3
Accumulated receivables settled	-24.2	-22.6	-22.4	-21.1
Receivables settled during the year	<u>-1.5</u>	<u>-1.6</u>	<u>-1.3</u>	<u>-1.3</u>
Book value at year-end	12.8	13.5	12.3	12.8

Of which, portion falling due for payment after five years 5.8 7.1 5.8 7.1

These receivables have been secured by guarantees,

mortgages and bank guarantees in the total amount of 35.1 35.1 35.1 35.1

Note 24 *Prepaid expenses and accrued income*

	Group		Parent Company	
	2003	2002	2003	2002
Prepaid rent	32.1	21.6	32.1	21.7
Other prepaid expenses	25.2	16.6	24.1	14.7
Accrued interest	<u>7.2</u>	<u>1.0</u>	<u>7.2</u>	<u>0.9</u>
	64.5	39.2	63.4	37.3

Note 25 *Changes in equity*

Group	Share capital	Restricted reserves	Non-restricted reserves	Net profit for the year	Total
Value brought forward for equity in 2002 as per Balance Sheet approved for preceding year	360.0	387.2	467.4	133.2	1,347.6
Dividend				-80.0	-80.0
Transfer to non-restricted reserves			53.2	-53.2	0.0
Change between restricted and non-restricted equity		11.0	-11.0		0.0
Net profit for the year				141.6	141.6
Equity 31 December 2002	360.0	398.2	509.6	141.6	1,409.4
Dividend			-120.0	-80.0	-200.0
Transfer to non-restricted reserves			61.6	-61.6	0.0
Change between restricted and non-restricted equity		14.8	-14.8		0.0
Net profit for the year				138.3	138.3
Equity 31 December 2003	360.0	413.0	436.4	138.3	1,347.7

Parent Company	<i>Share capital</i>	<i>Restricted reserves</i>	<i>Non-restricted reserves</i>	<i>Net profit for the year</i>	<i>Total</i>
Value brought forward for equity in 2002 as per Balance Sheet approved for preceding year	360.0	72.0	433.0	106.7	971.7
Dividend				-80.0	-80.0
Transfer to retained earnings			26.7	-26.7	0.0
Net profit for the year				124.8	124.8
Value carried forward for equity	360.0	72.0	459.7	124.8	1,016.5
Dividend approved at AGM				-80.0	-80.0
Dividend approved at EGM			-120.0		-120.0
Transfer to non-restricted reserves			44.8	-44.8	0.0
Net profit for the year				131.8	131.8
Equity 31 December 2003	360.0	72.0	384.5	131.8	948.3

At an Extraordinary General Meeting (EGM) held on 17 December, extra dividend of MSEK 120 was approved. Dividend paid per share in 2003 was SEK 555 (222).

Note 26 Tax allocation reserves, Parent Company

	2003	2002
Tax allocation reserve, set aside at 1998 tax assessment	-	52.2
Tax allocation reserve, set aside at 1999 tax assessment	78.6	78.6
Tax allocation reserve, set aside at 2000 tax assessment	95.5	95.5
Tax allocation reserve, set aside at 2001 tax assessment	80.4	80.4
Tax allocation reserve, set aside at 2002 tax assessment	60.0	60.0
Tax allocation reserve, set aside at 2003 tax assessment	62.4	62.4
Tax allocation reserve, set aside at 2004 tax assessment	<u>65.6</u>	-
	442.5	429.1

Note 27 Provision for pensions

	Group	
	2003	2002
Actual pension liability brought forward	11.3	11.2
Change in liability during year	<u>-0.5</u>	<u>0.1</u>
Actual pension liability carried forward	10.8	11.3

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

In calculating the allocation for pensions, the provisions of the Swedish Act of 9 June 1967 on Securing Pension Commitments etc. have been applied. Pension commitments have been calculated in accordance with the directions of the Swedish Financial Supervisory Authority. The pension commitments of subsidiaries are guaranteed through credit insurance and guarantees furnished by Systembolaget AB.

Note 28 Other provisions

	Group		Parent Company	
	2003	2002	2003	2002
Deferred tax on untaxed reserves	131.8	126.5	-	-
Provision for pensions	98.0	104.0	97.8	104.0
Provision for tax	<u>27.2</u>	<u>27.3</u>	-	-
	257.0	257.8	97.8	104.0

Note 29 Long-term liabilities

No long-term liabilities fall due within five years of the balance sheet date.

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Note 30 Accrued expenses and deferred income

	Group		Parent Company	
	2003	2002	2003	2002
Holiday pay liability	72.7	72.6	70.0	69.8
Wage/salary liability	25.4	26.9	24.0	25.3
Social welfare costs	61.9	63.6	59.9	61.3
Accrued operating costs	54.5	50.9	48.1	46.3
Accrued product purchases	233.7	-	233.7	-
Deferred rental income	<u>7.9</u>	<u>8.4</u>	<u>-</u>	<u>-</u>
	456.1	222.4	435.7	202.7

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Note 31 Contingent liabilities

	Group		Parent Company	
	2003	2002	2003	2002
On behalf of Group companies	-	-	10.8	12.6
Personnel loans	6.6	6.6	6.6	6.6
Pension commitments	0	862.8	0	862.8
Allocation to pension fund	0	-862.8	0	-862.8
Premium adjustment fund	1.9	1.9	1.9	1.9
Other	<u>1.7</u>	<u>2.1</u>	<u>0.1</u>	<u>0.0</u>
	10.2	10.6	19.4	21.1

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Stockholm, 24 March 2004

Olof Johansson
Chairman

Anna Hedborg
Deputy Chairman

Elisebeht Markström

Ulf Melin

Leif Linde

Marianne Nivert

Ewa Persson Göransson

Bengt Silfverstrand

Sven-Olof Danielsson
Employee Representative (HTF)

Eva Hagelberg
Employee Representative (HTF)

Anitra Steen
President

Our Audit Report was submitted on 24 March 2004

Bo Axberg
Authorized Public Accountant
SET Revisionsbyrå AB

Filip Cassel
Authorized Public Accountant
Appointed by State Audit Institution

Audit Report

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

We have examined the Annual Report, the consolidated financial statements, the accounting records and the administration by the Board of Directors and the President of Systembolaget AB for 2003. The accounting records and the administration are the responsibility of the Board of Directors and the President. Our duty is to state an opinion, based on our audit, on the Annual Report, the consolidated financial statements and the administration.

The audit was carried out in accordance with generally accepted auditing standards in Sweden. We planned and performed our audit so as to obtain reasonable assurance that the Annual Report and consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the accounting policies and their application by the Board of Directors and the President, as well as an assessment of the overall adequacy of the presentation of information in the Annual Report 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 determine whether any member of the Board of Directors or the President is liable for damages to the Company, or has otherwise acted contrary to the Swedish Companies Act, the Swedish Annual Accounts Act or the Company's Articles of Association. We consider that our audit gives us reasonable grounds for the following statements.

The Annual Report and the consolidated financial statements have been prepared in accordance with the Swedish Annual Accounts Act and therefore provide a true and fair picture of the financial results and position of the Company and the Group in accordance with generally accepted accounting standards in Sweden.

We recommend that the Annual General Meeting adopt the Parent Company and Consolidated Income Statements and Balance Sheets, that the unappropriated profit of the Parent Company be dealt with as proposed in the Administration Report, and that the members of the Board of Directors and the President be discharged from liability with respect to the financial year.

24 March 2004

Bo Axberg

Authorized Public Accountant
SET Revisionsbyrå AB

Filip Cassel

Authorized Public Accountant
Appointed by State Audit Institution

Detailed Audit Report

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

On behalf of Riksdagen's Board of Administration, we have examined the administration and the internal controls of Systembolaget AB in the 2003 financial year.

We have examined significant decisions, actions taken and circumstances in the Company in order to judge whether the Company has been managed in an appropriate and financially acceptable manner, and whether the Company's internal controls are adequate. Our examination did not reveal any circumstances giving cause for objection.

We have also examined whether the Company, its management and Board observed the guidelines laid down by the government with specific reference to Systembolaget AB and also to State-owned enterprises in general.

This examination also did not reveal any circumstances giving cause for objection.

Stockholm, 24 March 2004

Ingvar Johnsson

Ulla Wester

Karl-Gösta Svenson

Auditors

Composition on 31 December 2003.

Regular Auditors

Appointed by the Annual General Meeting

Bo Axberg, Authorized Public Accountant, SET Revisionsbyrå AB, Stockholm.

Appointed by the State Audit Institution

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

Appointed by Riksdagen's Board of Administration

Ingvar Johnsson, former MP, Trollhättan.

Ulla Wester, MP, Rikaby.

Karl-Gösta Svenson, former MP, Jämsjö.

Deputies

Appointed by the Annual General Meeting

Mats Nordebäck, Authorized Public Accountant, SET Revisionsbyrå AB, Stockholm.

Appointed by the State Audit Institution

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

Appointed by Riksdagen's Board of Administration

Carl-Axel Johansson, MP, Köpingebro.

Christina Nenes, MP, Älvängen.

Siw Wittgren-Ahl, MP, Gothenburg.



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Board of Directors

Regular Members

Olof Johansson (11), **Chairman**, former cabinet minister, (2002).

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

Anna Hedborg (10), **Deputy Chairman**, Director-General, National Swedish Social Insurance Board, (2002).

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

Leif Linde (not pictured), Director-General, National Board for Youth Affairs, (2002).

* National Board for Youth Affairs (Chairman), Swedish Consumer Agency (Director), National Council of Adult Education (Director), Konsumentföreningen Svea (Svea Consumer Association) (Director), Vi-Skogen (Director).

Elisebeht Markström (9), MP, (1999).

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

Ulf Melin (3), Head of Development, Swedish Conservative Party, (1999).

* Advanced Vocational Training Board.

Marianne Nivert (12), (2002).

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

Ewa Persson Göransson (8), Under-Secretary of State, Ministry of Health and Social Affairs, (2001).

* Swedish Agency for Public Management, Council.

Bengt Silfverstrand (7), Local Government Commissioner, Höganäs Municipality, (1996).

* University of Lund, MISTRA (Foundation for Strategic Environmental Research).

Employee Representatives Regular Members

Sven-Olof Danielsson (2), Store Manager, Systembolaget, Östersund, (1989).

Eva Hagelberg (not pictured), Salesperson, Systembolaget, Hudiksvall, (1998).

* Systembolaget Personnel Association (member).

Deputy Members

Margareta Andersson (not pictured), MP, (2000).

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

Robin Dahl (5), Economist, (1995).

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

Evert Lindholm (6), President of Association of Local Authorities, (1999).

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

Ingvar Löfstrand (1), Deputy Assistant Under-Secretary, Ministry of Health and Social Affairs, (1996).

Karin Pilsäter (4), MP, (1999).

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

* Other Board duties.

Year in parentheses refers to year of election to Board.

Sales Statistics

Systembolaget sales, 1955 – 2003 (1,000s of litres)

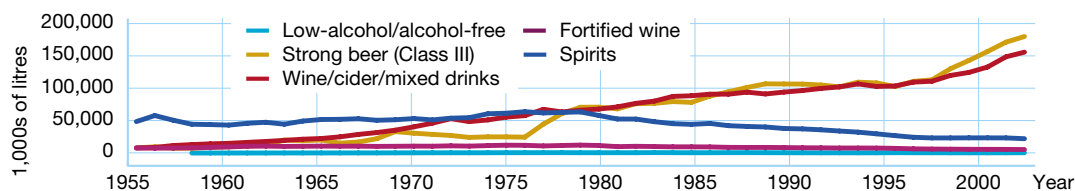
Year	Spirits	Fortified wine	Wine*	Class III beer	Alcohol-free
1955	48,376	7,858	7,799	8,102	
1956	57,674	7,511	8,744	9,541	
1957	50,465	7,712	11,599	7,514	
1958	44,292	7,988	13,034	7,575	60
1959	43,795	8,738	14,224	8,680	95
1960	43,007	9,509	14,975	9,646	119
1961	45,778	10,485	16,460	10,702	139
1962	47,348	10,691	17,829	12,057	147
1963	44,400	10,252	19,536	20,007	177
1964	49,199	10,442	21,325	18,995	188
1965	51,605	10,712	22,410	20,136	207
1966	51,844	10,524	24,934	15,310	213
1967	52,723	10,598	28,642	16,986	258
1968	50,406	10,298	31,528	22,128	266
1969	51,224	10,442	35,241	33,003	340
1970	53,028	10,655	40,331	30,574	395
1971	50,968	10,590	45,947	28,742	448
1972	53,643	11,142	52,875	27,060	478
1973	54,454	10,709	48,362	24,079	453
1974	60,413	11,532	50,930	24,963	515
1975	61,245	12,110	55,321	24,901	590
1976	63,583	11,950	57,544	24,475	608
1977	61,657	10,990	67,280	44,508	636
1978**	62,491	11,675	63,263	60,610	643
1979	63,250	12,255	65,860	70,427	559
1980	57,787	11,628	67,609	70,529	538
1981	52,353	9,896	70,985	67,957	598
1982	52,260	10,419	76,406	75,905	558
1983	48,219	10,042	79,881	76,445	738
1984	45,161	9,619	87,103	79,127	605
1985	44,141	9,590	88,059	77,954	542
1986	45,558	9,456	90,523	87,556	551
1987	42,104	8,777	90,558	94,194	660
1988	40,934	8,673	93,613	100,775	674
1989	40,100	8,699	90,808	106,371	605
1990	37,799	8,455	93,732	106,162	517
1991	37,151	8,149	96,090	106,010	457
1992	35,754	8,024	99,290	104,606	393
1993	33,879	7,788	101,643	101,778	400
1994	32,191	7,794	106,282	108,944	373
1995***	29,577	7,714	102,406	107,825	415
1996	26,801	7,263	103,026	102,184	605
1997	24,304	6,517	109,059	110,232	517
1998	23,257	6,202	110,403	112,534	457
1999	23,267	6,007	119,291	129,594	393
2000	23,402	5,792	123,968	142,361	400
2001****	23,396	5,740	132,113	156,011	373
2002	23,308	5,656	147,925	170,455	415
2003	22,107	5,426	155,062	179,135	545

* Including cider and mixed drinks.

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

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

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



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Systembolaget per capita sales, by county in 2003, with % change from 2002 (litres)

County	Spirits		Wine		Beer		Cider/ mixed drinks		Total, as pure alcohol	
	Litres	%	Litres	%	Litres	%	Litres	%	Litres	%
Stockholm	2.48	-6.7	22.59	1.3	22.52	1.9	1.84	5.4	5.16	0.6
Uppsala	2.17	-3.0	16.75	4.1	19.34	6.3	2.13	6.6	4.12	3.8
Södermanland	2.65	-3.9	16.86	4.3	22.20	5.5	2.38	12.4	4.51	3.3
Östergötland	2.25	-6.0	13.81	1.1	18.54	1.8	2.10	11.6	3.76	0.3
Jönköping	1.90	-3.5	8.51	6.0	16.14	5.1	1.56	14.4	2.80	3.6
Kronoberg	2.40	-6.8	9.96	3.5	14.86	5.2	1.55	14.7	3.08	1.4
Kalmar	2.87	-5.4	12.61	2.9	20.89	3.3	2.09	9.5	3.98	1.0
Gotland	3.44	1.3	21.21	7.9	29.84	5.0	3.32	7.2	5.81	5.9
Blekinge	2.39	-6.6	10.16	1.5	14.37	3.4	1.72	11.7	3.11	0.1
Skåne	1.78	-10.5	11.24	1.0	9.20	2.4	1.21	8.2	2.69	-1.0
Halland	2.17	-6.9	12.63	4.0	13.46	3.6	1.84	11.9	3.27	1.6
Västra Götaland	2.38	-7.1	15.85	4.8	19.02	3.2	1.98	7.3	4.07	2.0
Värmland	4.25	-2.8	20.16	7.1	31.71	8.6	3.11	8.0	6.07	4.9
Örebro	2.26	-6.3	12.03	1.5	21.21	2.1	2.25	5.3	3.71	0.4
Västmanland	2.39	-3.9	14.83	3.5	22.15	4.8	2.49	9.7	4.17	2.7
Dalarna	2.66	-2.0	14.60	5.9	25.41	8.4	2.68	12.6	4.39	5.5
Gävleborg	2.71	-1.9	14.27	4.9	23.93	8.0	2.67	9.9	4.31	4.6
Västernorrland	3.03	-0.6	15.11	7.2	23.03	7.6	2.77	8.6	4.50	5.7
Jämtland	4.59	-1.5	20.08	10.5	32.49	10.3	3.60	6.8	6.28	7.1
Västerbotten	2.83	-2.2	14.06	6.7	25.80	7.7	3.09	5.8	4.44	5.1
Norrbotten	2.89	-1.3	13.09	9.4	30.64	18.1	3.89	29.1	4.67	10.7
All Sweden	2.46	-5.5	15.80	3.5	19.96	4.7	2.08	9.1	4.16	2.2
All Sweden, per capita above age of 15 years	3.00	-5.8	19.22	3.2	24.28	4.4	2.54	8.8	5.06	2.0

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Market shares by volume in 2003 (Systembolaget's 10 biggest suppliers)

Spirits

1	V & S	52.6%
2	Berntson AB	8.7%
3	Diageo Sweden AB	8.5%
4	Maxxium Sweden Fine Wine & Spirit AB	6.3%
5	Fondberg & Co AB	4.2%
6	Allied Domecq Spirits & Wine Sweden AB	3.8%
7	Pernod Ricard Sweden AB	2.8%
8	Philipson & Söderberg	2.8%
9	Bibendum	2.3%
10	Galatea Spirits AB	1.6%

Wine

1	V & S	23.8%
2	Fondberg & Co AB	11.4%
3	Oenoforos AB	9.7%
4	Philipson & Söderberg	6.2%
5	Stellan Kramer AB	5.4%
6	Arvid Nordquist Vin och Sprithandel	4.4%
7	Bibendum	3.3%
8	Premium Wines Nordic	3.3%
9	Enosvezia AB	3.1%
10	Spendrups	3.0%

Strong beer (Class III)

1	Carlsberg Sverige AB	31.1%
2	Spendrups	18.8%
3	Kopparbergs/Sofiero Bryggeri	16.8%
4	Galatea Spirits AB	12.0%
5	Åbro Bryggeri	11.3%
6	Krönleins	5.5%
7	Bibendum	1.2%
8	Heba Trading AB	0.8%
9	Birra Mex AB	0.6%
10	Fondberg & Co AB	0.3%

Cider and mixed drinks

1	Kopparbergs/Sofiero Bryggeri	27.7%
2	Åbro Bryggeri	22.9%
3	Carlsberg Sverige AB	22.6%
4	Krönleins	10.8%
5	Berntson AB	4.9%
6	Spendrups	4.0%
7	Kiviks Musteri	2.7%
8	Galatea Spirits AB	2.6%
9	Nordic Beverage Company AB	0.6%
10	Bibendum	0.3%

Market shares by value in 2003 (Systembolaget's 10 biggest suppliers)

Invoicing

1	V & S	20.2%	6	Berntson AB	3.3%
2	Carlsberg Sverige AB	6.0%	7	Oenoforos AB	3.1%
3	Spendrups	4.4%	8	Kopparbergs/Sofiero Bryggeri	2.8%
4	Fondberg & Co AB	4.3%	9	Åbro Bryggeri	2.5%
5	Philipson & Söderberg	3.4%	10	Galatea Spirits AB	2.4%

Top selling brands in 2003

2002 position in brackets

Spirits	Millions of litres
1 (1) Explorer Vodka	1.6
2 (2) Renat	1.4
3 (4) Lord Calvert	1.3
4 (3) Absolut Vodka	1.3
5 (5) Brännvin Special	0.8
6 (6) The Famous Grouse	0.7
7 (7) Kronvodka	0.7
8 (9) Koskenkorva	0.6
9 (8) Bell's	0.5
10 (11) Black Velvet	0.5

Reinforced wines	Millions of litres
1 (1) Blossa Starkvinsglögg Röd	1.0
2 (2) Marinella Fruit Aperitif	0.6
3 (3) Martini Bianco	0.5
4 (4) Rosita	0.3
5 (5) Martini Extra Dry	0.2

Wine (excl. fortified wine)	Millions of litres
1 (3) Mauro Primitivo	5.2
2 (2) Chenet Cabernet-Syrah	5.2
3 (1) Castillo de Gredos Tinto	4.3
4 (5) Gato Negro Cabernet Sauvignon	2.9
5 (4) Castillo de Gredos Blanco	2.8
6 (8) Chapel Hill Rhine Riesling Sauv. Bl.	2.8
7 (327) Oude Kaap Cinsault Ruby Cabernet	2.6
8 (6) il Conte Rosso Puglia	2.4
9 (13) Golden Gate California White	2.4
10 (130) Robertson Winery Chardonnay	2.2

Red wine	Millions of litres
1 (3) Mauro Primitivo	5.2
2 (2) Chenet Cabernet-Syrah	5.2
3 (1) Castillo de Gredos Tinto	4.3
4 (4) Gato Negro Cabernet Sauvignon	2.9
5 (180) Oude Kaap Cinsault Ruby Cabernet	2.6
6 (5) il Conte Rosso Puglia	2.4
7 (78) Chill Out Sunset Cabernet Sauvignon	2.2
8 (6) Viña Maipo Cabernet Sauvignon	2.2
9 (9) La Chasse	1.5
10 (7) Pasqua Cabernet Merlot	1.4

White wine	Millions of litres
1 (1) Castillo de Gredos Blanco	2.8
2 (2) Chapel Hill Rhine Riesling Sauv. Bl.	2.8
3 (4) Golden Gate California White	2.4
4 (44) Robertson Winery Chardonnay	2.2
5 (3) Dunavár Pinot Gris	1.5
6 (30) Les Fumées Blanches	1.3
7 (11) Gandia Dry Muscat	1.0
8 (8) Santagostino Catarratto-Chardonnay	1.0
9 (5) Gloria Chardonnay	1.0
10 (12) Guntrum Riesling	0.9

Strong beer (Class III)	Millions of litres
1 (new) Sofiero Original	22.8
2 (1) Millennium	11.6
3 (2) Mariestads Export	10.0
4 (3) Norrlands Guld Export	8.5
5 (4) Falcon Export	7.5
6 (19) Bjørnebryg Extra Stark Dansk Öl	6.4
7 (10) Carlsberg Sort Guld	4.9
8 (9) Carlsberg Export	4.1
9 (5) Stockholm Festival	4.1
10 (6) Lapin Kulta	3.9

Cider	Millions of litres
1 (1) Xider cactus/lime	1.7
2 (4) Kopparbergs Cider Svensk Guld Pärön	1.7
3 (2) Kopparbergs Päröncider	1.6
4 (15) Xider mandarin/chili	1.6
5 (3) Rekorderlig Skogsbärs cider	1.1

Mixed drinks	Thousands of litres
1 (1) Cube Sour Lemon	452.3
2 (8) Bacardi Breezer Tropical Watermelon	264.0
3 (2) Bacardi Breezer Tropical Pineapple	260.7
4 (4) Bacardi Breezer Tropical Lime	214.3
5 (7) Bacardi Breezer Tropical Orange	174.6

Alcohol-free	Thousands of litres
1 (2) Clausthaler	51.5
2 (1) Blossa Lättglögg	47.9
3 (5) Jever Fun	41.3
4 (6) Peach Pearl	37.7
5 (3) Mousserande Jordgubbsvin Alkoholfri	36.4

Systembolaget sales by product group in 2003, with % change from 2002
(1,000s of litres)

Spirits	2002	2003	Change
Aperitifs/ bitters	321	302	-6.1%
Unspiced vodka	7,812	7,154	-8.4%
Spiced vodka	2,179	2,066	-5.1%
Gin	1,473	1,394	-5.4%
Armagnac, Cognac, Brandy	896	824	-8.1%
Rum	386	377	-2.3%
Swedish (Arrack) Punsch	242	223	-7.7%
Whisky	8,123	7,868	-3.1%
Liqueurs	1,542	1,580	2.5%
Other spirits	334	318	-4.8%
Total	23,308	22,107	-5.2%

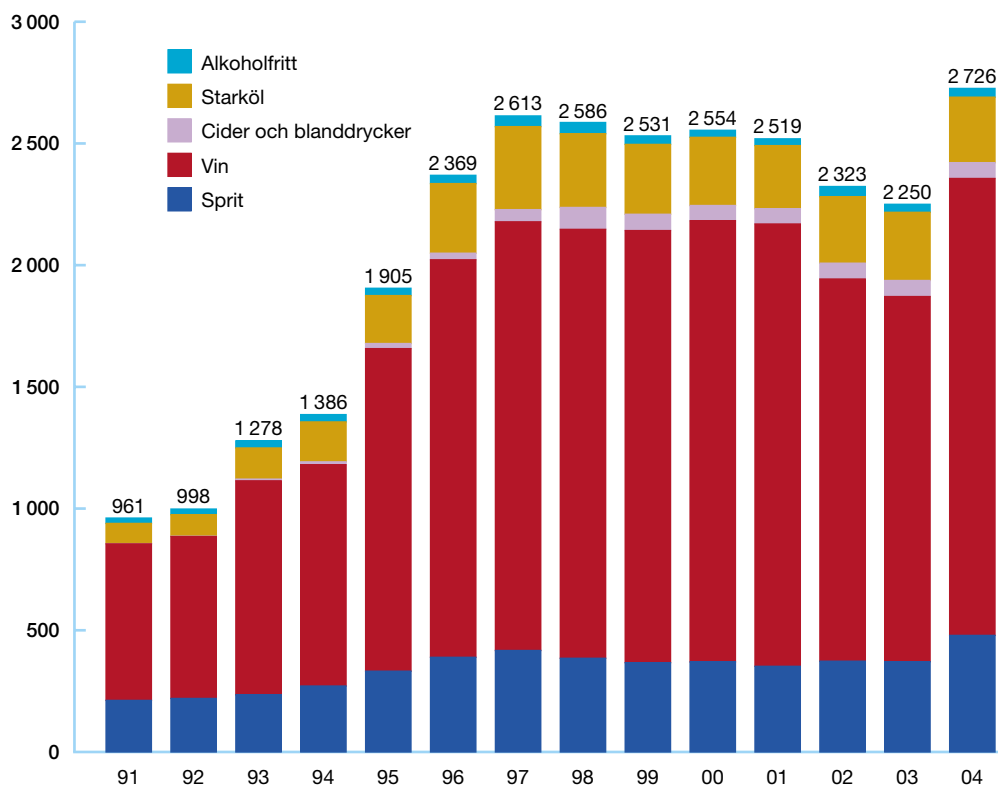
Cider and mixed drinks	2002	2003	Change
Mixed drinks	1,024	2,185	113.4%
Cider	16,051	16,519	2.9%
Total	17,075	18,703	9.5%

Strong beer (Class III)	2002	2003	Change
Pale lager	161,318	170,270	5.5%
Dark lager	4,425	4,195	-5.2%
Ale	2,919	2,910	-0.3%
Porter/Stout	857	862	0.6%
Other Strong beer (Class III)	935	899	-3.9%
Total	170,455	179,135	5.1%

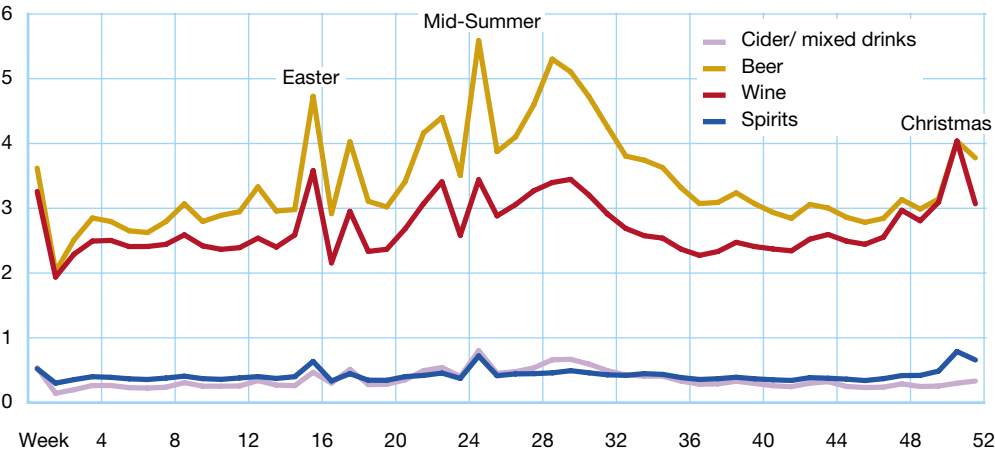
Wine	2002	2003	Change
Red wine	78,900	82,685	4.8%
White wine	43,424	45,155	4.0%
Rosé wine	1,826	1,921	5.2%
Sparkling wine	3,611	3,704	2.6%
Champagne	462	501	8.6%
Fortified wine, excl. fortified glögg	4,120	3,767	-8.6%
Glögg and Glühwein	2,894	2,868	-0.9%
Other wine	1,271	1,182	-6.9%
Total	136,507	141,785	3.9%

Alcohol-free/ mineral water	2002	2003	Change
Alcohol-free	303	387	27.9%
Glögg and Glühwein	54	65	20.4%
Mineral water	57	92	61.1%
Total	415	545	31.5%

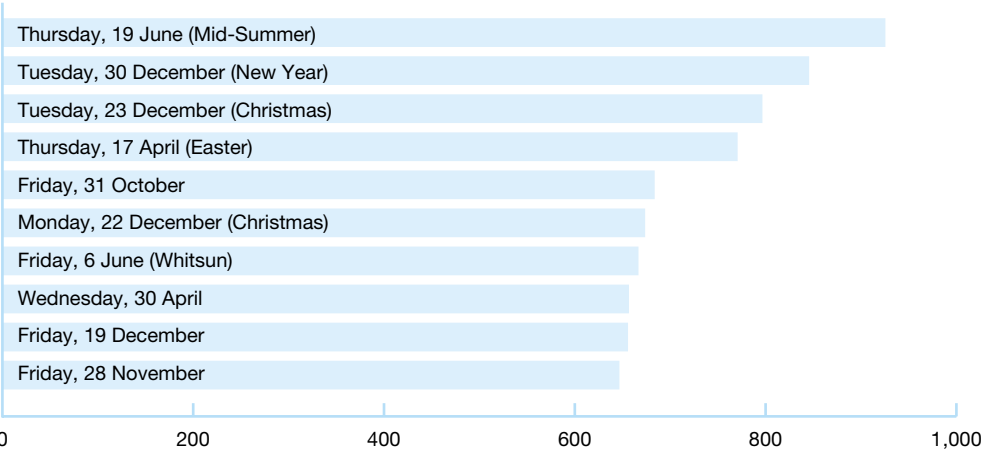
Number of brands in Systembolaget's standard range, 1991 – 2004
(January each year)



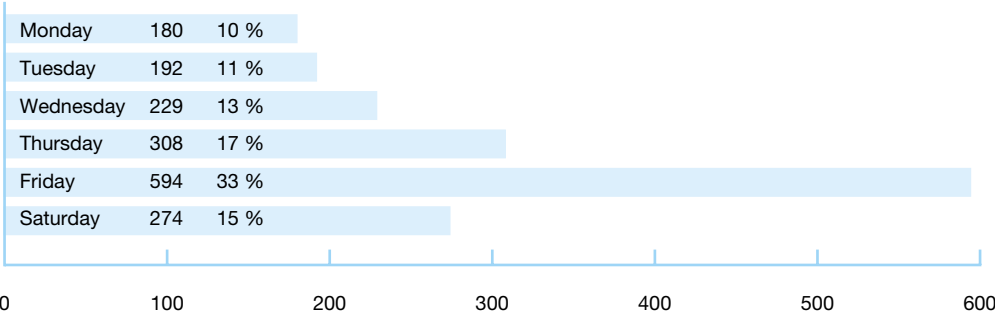
Systembolaget sales, by week through the year in 2003 (millions of litres)



Days of peak customer demand (1,000s) in 2003



Number of customers (1,000s) per day during an average week in 2003

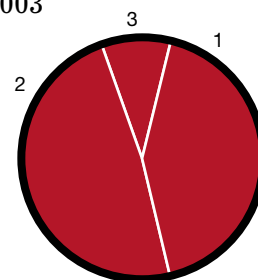


Systembolaget sales of wine (not fortified) 1994 – 2003 (1,000s of litres)

Country	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	% in 2003	% change 2003/2002
Italy	8,082	11,620	12,013	15,454	14,826	15,344	17,498	21,250	28,627	28,311	20.8%	-1.1%
Spain	25,523	31,576	29,902	27,266	30,633	32,501	30,288	31,379	31,439	27,454	20.1%	-12.7%
France	16,014	11,889	9,496	11,491	13,263	14,281	15,728	16,676	18,487	18,639	13.7%	0.8%
Chile	4,034	4,025	4,962	5,206	4,697	6,265	7,788	10,143	12,165	12,586	9.2%	3.5%
South Africa	475	968	2,297	2,747	3,086	3,555	4,494	5,527	5,999	11,172	8.2%	86.2%
Australia	13,026	6,839	6,334	5,028	3,827	4,692	5,601	5,817	7,287	11,011	8.1%	51.1%
Germany	13,921	12,258	9,785	8,679	8,299	8,462	8,634	8,179	7,631	7,040	5.2%	-7.7%
Hungary	1,511	1,940	2,059	1,859	1,661	2,108	2,592	3,821	5,846	6,310	4.6%	7.9%
USA	6,920	4,905	5,661	5,917	5,101	5,468	4,825	4,254	4,345	5,110	3.7%	17.6%
Sweden	5,139	4,391	3,733	3,358	3,063	2,953	2,567	2,611	2,584	2,356	1.7%	-8.8%
Portugal	2,185	1,975	2,380	2,697	3,371	4,108	4,051	3,088	1,960	2,275	1.7%	16.1%
Bulgaria	2,874	2,799	2,963	2,746	3,022	2,461	2,352	2,391	1,999	1,461	1.1%	-26.9%
Argentina	610	267	425	607	1,050	1,011	1,139	855	634	891	0.7%	40.5%
Romania	1,043	1,091	1,230	1,103	848	661	611	527	470	453	0.3%	-3.6%
Cyprus	442	489	478	441	376	351	331	327	342	328	0.2%	-4.1%
Greece	445	664	819	652	595	635	712	439	255	296	0.2%	16.1%
New Zealand	862	558	442	366	430	419	321	261	175	178	0.1%	1.7%
Austria	476	916	806	753	500	470	375	314	177	131	0.1%	-26.0%
Denmark	55	70	73	78	80	86	99	107	141	127	0.1%	-9.9%
Others	719	725	705	613	594	633	774	499	287	228	0.2%	-20.6%
Total:	104,356	99,967	96,562	97,062	99,323	106,465	110,779	118,462	130,851	136,359	100.0%	4.2%

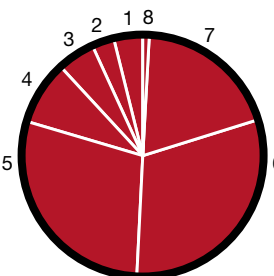
Systembolaget sales of red, white and rosé wine in 2003 by type of packaging

1. Bottles 42 %
2. Bag-in-box 48 %
3. Paperboard 9 %

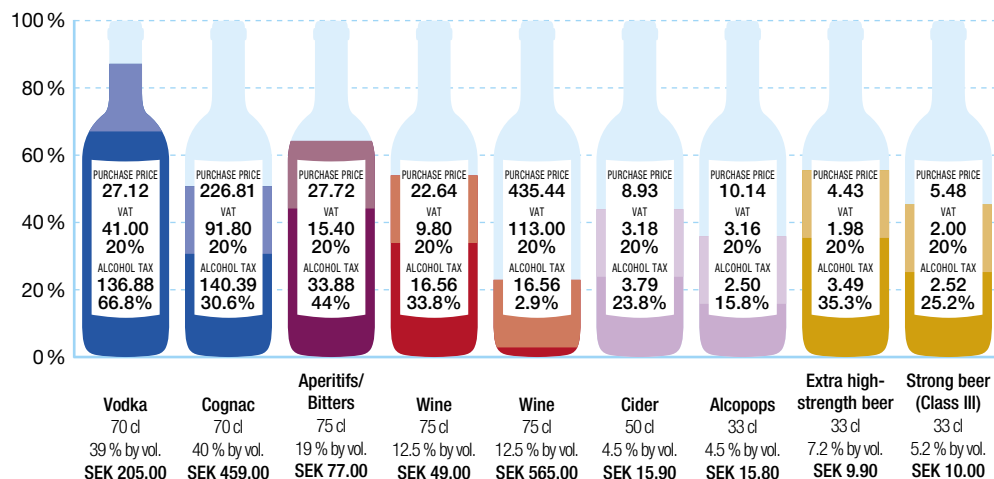


Systembolaget sales of wine (excl. fortified wine) in 2003 by price category (only whole bottles)

1. More than SEK 100 3.9 %
2. SEK 91 – 100 3.0 %
3. SEK 81 – 90 5.0 %
4. SEK 71 – 80 8.6 %
5. SEK 61 – 70 28.8 %
6. SEK 51 – 60 30.6 %
7. SEK 41 – 50 19.3 %
8. Max. SEK 40 0.9 %



Tax as a percentage of various product prices (SEK), 1 January 2004



Taxes on alcohol, 1 January 2004

Value added charged extra

Beer

Alcohol content, % by volume	Tax in SEK per litre
More than 2.8	0
2.8	1.47

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

Wine (incl. cider etc.)

Alcohol content, % by volume	Tax in SEK per litre
More than 2.25	0
2.25	7.58
4.5	11.20
7	15.41
8.5	22.08
15	45.17

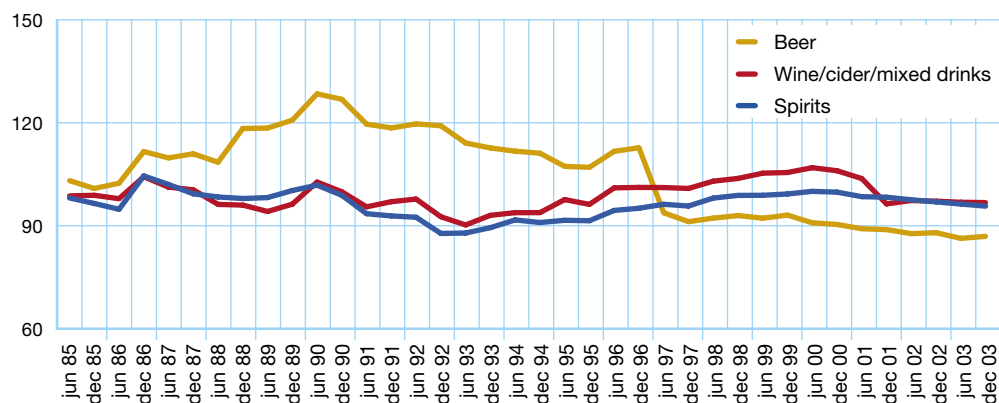
Intermediate products (fortified wine etc.)

Alcohol content, % by volume	Tax in SEK per litre
More than 1.2	15
15	22

Spirits

Duty, SEK per litre of pure alcohol
501.41

Real prices of spirits, wine and Strong beer (Class III), 1985-2003 (real price index, December 1984 = 100)



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Value of product/ taxes 2003 (Group, SEK thousand millions)

Systembolaget sales	19.2
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Of which:

Purchase price for goods	7.6
Systembolaget costs	2.4
Product taxes	9.0
Tax on profit for the year	0.1
Systembolaget's profit	0.1

Ten years in brief

Sales per inhabitant aged over 15 years (litres)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Spirits	4.5	4.1	3.7	3.4	3.2	3.2	3.2	3.2	3.2	3.0
Wine	15.7	15.0	14.5	14.4	14.6	15.6	16.1	17.0	18.6	19.2
Strong beer (Class III)	15.2	15.0	14.2	15.3	15.6	17.9	19.6	21.4	23.3	24.3
Cider and mixed drinks	0.3	0.3	0.9	1.7	1.5	1.8	1.8	1.9	2.3	2.5
Total, as pure alcohol	4.3	4.2	3.9	3.9	3.9	4.2	4.4	4.6	5.0	5.1

Sales in millions of litres

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Spirits	32.2	29.6	26.8	24.3	23.3	23.3	23.4	23.4	23.3	22.1
Wine	112.2	107.7	103.8	103.6	105.5	112.5	116.6	124.2	136.5	141.8
Strong beer (Class III)	108.9	107.8	102.2	110.2	112.5	129.6	142.4	156.0	170.5	179.1
Cider and mixed drinks	1.9	2.4	6.5	12.0	11.1	12.8	13.2	13.7	17.1	18.7
Low-alcohol	0.7	0.6	0.6	0.5	0.5	0.4	0.4	0.4	0.4	0.5
Total, as pure alcohol	30.8	29.8	28.4	28.3	28.3	30.2	31.7	33.6	36.4	37.4

Highlights of Parent Company Income Statement (MSEK)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Sales	16,199	16,063	15,837	15,320	15,352	16,456	17,175	17,996	18,809	18,984
Operating profit before appropriation	342	119	151	238	350	463	194	185	182	202
Pre-tax profit	352	74	146	196	292	382	261	158	176	188
Tax on profit for year	89	29	46	58	82	112	106	52	51	57
Profit for year	263	45	100	138	210	270	155	106	125	131

Number of employees

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Full-time employees	1,222	1,258	1,336	1,322	1,293	1,298	1,378	1,371	1,389	1,415
Part-time employees	3,404	3,398	3,187	3,127	3,042	3,085	3,122	3,071	2,847	2,686
Whole-time equivalents	2,552	2,658	2,712	2,573	2,508	3,131	3,303	3,229	2,857	3,177

Sales network

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of communities with stores	275	284	293	296	298	304	310	314	315	322
Stores	375	384	395	396	397	403	411	416	419	426
Local agents	551	557	571	589	586	575	575	579	590	580

Systembolaget – 2003 in brief

Stores	426
Local agents	580
Brands stocked (including brands available to order)	6,225
Sales of wine, 1,000s of litres	141,800
Sales of spirits, 1,000s of litres	22,100
Sales of strong beer (Class III), 1,000s of litres	179,100
Customer visits	99.6 million
Customer visits, Saturdays	14.0 million
Peak sales day during year	Thursday, 19 June – 925,000 customers
Employees, permanent and probationary	4,101
Sales, MSEK (Group)	19,207
Net profit, MSEK (Group)	138

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