When all of our customers are allowed to choose

Tomorrow has finally become today. The product range model on which we have been working for the past three years was finally implemented in September 2013 and we are now starting to see the results of all that effort. And it means a massive change for us at Systembolaget, for you as our suppliers and, above all, for our customers.

Customers will now find a lot of new items on our shelves: we launched almost 300 new items in the fixed range during the year as a result of requests for tender, but we also moved 426 items from the available for order range to the fixed range.

But perhaps the biggest change of all comes in the form of the over 500 items which are now carried in at least one store, somewhere in Sweden, purely on the basis of local demand. This is a change that means that space can be made in-store, even for those items that do not form part of a particular product mix but for which there is a demand in one or more stores.

And that’s the whole point of our model and our launch plan. Our aim is to create a range that offers inspiration for everyone, that allows them to expand their knowledge of wine, beer and spirits, and that which gives them the opportunity to show consideration for the world in which they live.
The work with our product range has become more user-friendly during the year, but it has also become more complex. 160 segments and five range mixes add up to 800 plans that have to be drawn up four times a year by our category managers. This demands a great deal more in terms of analysis than ever before, but it also generates the potential to offer our customers a range that is, to an even greater extent than before, in tune with their needs.

The findings of our Customer Satisfaction Index surveys mirror the comments by the stores: there is no doubt that the customers are happier with the range we now offer. But that’s no reason to rest on our laurels. Customers always want better and more and we will be analysing our range in even greater depth in order to identify how we can achieve an optimum balance between the range we control via our mix plans and the range that the customers steer locally through their purchases.

Maintaining a breadth in our range is absolutely vital, particularly in our smaller stores, where space is limited, and the principal tool we use to achieve this goal is the segments into which we have divided our range. A good segment breakdown makes it easier to ensure that we maintain a level of diversity that not only satisfies the majority of our customers but also leaves space for the slightly narrower products. Knowing this, we are currently conducting a review of our segments and will be implementing a few minor changes in the months ahead.

One change that has already been made in conjunction with this launch plan is that all new items will be launched in the biggest stores with the customers who are most interested in new items – the stores in Premium DE. Analyses have shown that these stores’ customers are also interested in the new items that have a clear standard profile. The total number of launches will, however, be the same in 2015 as in 2014.

Systembolaget’s work in this, the second decade of the 21st century, is characterised across the board by an emphasis on sustainability. We have noted a constant and growing interest in this sphere on the part of customers in terms of the number of sustainability-related questions that they ask. In the light of this trend, 2014 will see us concentrate on providing sustainability-related training for our in-store personnel to make it easy for customers to get the answers they seek when they ask about the benefits of choosing organic or ethically certified products, or more eco-friendly packaging, or drinks with a lower alcohol content.

You will find, as you read through this year’s launch plan, that sustainability crops up in a number of different guises. But we don’t just want to be considerate in terms of our product range work. Our launches also afford us the opportunity to show how knowledgeable and inspirational both we and our suppliers can be. And it is for this reason that we, as usual, are looking to launch numerous exciting new beverages from every corner of the world. Some of them will attract a smaller audience and will take their bow after only a short time in the product range. Others will find a permanent place in our range and will bring about a lasting, long-term change that makes our range into the vibrant, exciting creation we want it to be. That’s what happens when customers – all of our customers – are allowed to choose.

The Category Managers, pp.

Ulf Sjödin, Master of Wine
World wide trends

Systembolaget monitors its operating environment continuously in order to ensure our ability to adapt our product range in line with prevailing trends and changes in customer demand. We monitor both changes in consumption patterns and trends in the retail sector, but we also keep track of more overall trends and the driving forces behind them.

The starting point for our monitoring work is the macro trends, i.e. the overall changes taking place in society in a variety of areas, such as demographics, technology, geography and the economy.

These changes affect trends which, in turn, bring about changes in consumer behaviour. Many of the changes we see are interlinked and become mutually reinforcing and should be seen more as a single trend, rather than individual phenomena.

Comparisons with last year show that several of this year’s trends are actually extensions of previous trends and that a couple of them have become more pronounced, while others have weakened. As in previous years our focus is on the driving forces and trends that affect Sweden and her population, even if some of them also affect other parts of the world.

Macro trends

Demographics
We are continuing to see a successive change in the population structure:

- Sweden’s population is aging. 1.9 million people are aged 65 or more, which means that by the time of this autumn’s general election, one in every four voters will fall within this age group.
- 2.1 million people are aged 20 or below.
- 37.7 per cent of households are single-person, childless households. The single household is the most common type of household in Sweden, and accounts for a far higher percentage of households as a whole than is the case in most other countries.

Geography
We live in a world in which information, capital, goods, services and people are moving with increasing ease between one country and another. This trend means that things that happen outside of our national borders impact us more quickly than ever before, whether we are talking about economic fluctuations, news or competition. We are also seeing a parallel relocation of people from rural areas to towns and cities, and in Sweden, this is happening relatively quickly. According to a long-term forecast from HUI Research, approx. 80 per cent of tomorrow’s income and consumption is expected to be based in the country’s ten biggest regions, with just under 70 per cent of the total based in the three biggest regions.

Technology
Over 91 per cent of the population aged between 16 and 85 has access to computers and the internet at home, and two thirds have access to a smart phone. The rapid development in mobile phones has had an impact on many people’s purchasing patterns. Wherever they may be, they can now either research a purchase or even buy something. This trend has increased people’s expectations: they want companies to offer a straightforward and high quality interaction, irrespective of the purchase channel selected. Mobile phones have for many people – not least for our younger customers – become a deeply personal possession that is the hub of their communication with the outside world. Swedes spend a gross average of six hours every day on media usage and not only are we are now spending more time online than we do watching TV, but daily newspaper circulation figures are falling. These trends have resulted in an increasingly rapid shift in advertising investments from print media to digital media.

Economy
The economy is improving and there are several indicators that suggest rising levels of optimism on the part of both companies and households in Sweden. This is most clearly visible in the strengthening of economic confidence, the fall in unemployment levels, and the reduction in housing interest rates. Tax cuts, low interest rates and low rates of inflation have also helped boost Swedes’ buying power. Swedish e-commerce is continuing to report strong growth, partly as a result of more and more consumers feeling confident about buying goods online, but also partly due to the fact that companies are offering more flexible payment solutions and greater freedom of choice when it comes to deliveries. Surveys have shown that 85 per cent of internet users have shopped online. The percentage of overall sales accounted for by e-commerce is still very modest in the food and drink sector though.
**Enhanced, easier living**

**Convenience**
Time pressure and the need to constantly juggle commitments are a common aspect of everyday living for many people. And as a result, more and more people are looking for things that can make their lives easier. Those who can afford it, are willing to pay for products and services that save time and make day-to-day life simpler. That includes everything from e-commerce, home deliveries and tax deductions for household services, to “one-stop-shops”, streaming TV and take-away meals.

**Accessibility**
The increasing use of digital technology is creating new opportunities to reach out to people. More and more companies are investing in interacting with their customers via a combination of physical and digital interfaces and are creating a range of different personalised offerings and reward systems, with full integration between the channels and 24/7 accessibility. This trend, in turn, increases consumers’ expectations when it comes both to accessibility and to interaction.

**Health & Well-being**

**Health**
The majority of Swedes are interested in health. Almost one in every two Swedes aged between 18 and 74 claim that they exercise a couple of times a week. Entries to competitions that form part of classic Swedish sporting events are breaking new records every year, diet books regularly top the bestseller lists, and sales of alcohol-free beverages continue to rise sharply.

However, alongside the prevailing health trend, one in every four Swedes say that they never exercise, obesity rates are rising and a growing number of Swedes are consuming alcohol in a way that puts them in the risk zone for alcohol abuse.

**Pleasure**
The pleasure-seeking trend has continued and many people are keen to treat themselves to something that makes them feel good about themselves and about life. It might be reading a book, or an experience of some kind such as a visit to the theatre, or the pleasure gained from good food and drink. We watch chefs cooking delicious dishes, we buy colourful cookery books, and the number of cafés in Sweden rose by almost 10 per cent last year. More and more people are looking for something local, exotic, exclusive, new or “hot” – something that gives them a feeling of something extra in their lives.

**Environment & Ethics**

**Local and safe**
The annual survey of social concerns by the SOM Institute (the Society, Opinion and Media Institute of the University of Gothenburg) shows that the list of people’s concerns is topped by concern for the environment. “Natural” is still viewed as healthier than artificial, we are recycling more and more, and increases in sales of organic produce in food stores have reached double figures.

In an increasingly complex world, in which we are exposed on a daily basis to a seemingly endless variety of choices, more and more people are looking for something local – something that feels more “real”. They are looking for “the real thing”, something that has local roots, products that tell you how and where they were produced, and the increasing availability and sales of locally produced food and drink is a clear example of this desire.

**Transparency**
The use of new technology and new channels have resulted in news spreading more quickly, with social media as a key sounding board in moulding people’s responses and attitudes to news. Companies are subjected to ever more stringent examination and the increase in corporate transparency is offering consumers greater potential for “voting with their wallets”. And as a result, it is becoming increasingly important that companies act responsibly, that there are no internal improprieties in their conduct, and that they work towards the creation of a better, more sustainable world.
Individual & Image

Guidance
As product ranges grow, as we make more and more choices on a daily basis and are confronted by more and more complex offerings, consumers’ expectations when it comes to service and expertise are becoming more sharply defined. Personal interactions, whether in a physical setting or a digital one, are becoming increasingly important as the customer’s need to feel understood, to feel special, increases. Customers do not want to feel like a face in the crowd: they want a personal interaction and to have quick and easy access to guidance whenever and wherever they need it. The corporate winners will be the ones that have the courage to be personal in a way that matches their customers’ expectations.

Belonging
Many people view their consumption and their consumer behaviour as a means of creating or strengthening an identity and of creating a sense of belonging. They want to show who they are by the things with which they populate their lives. Food and drink habits are one tool that people commonly use to mark the grouping to which they feel they belong, to mark out their territory – a way of showing that they are curious and experimental, or traditionalists, that they are active and healthy or that they are gourmands who yearn for exclusivity.

What do these trends mean for our range?
They mean, amongst other things, that we need to offer...

... products in all price classes in order to meet the needs of every grouping within our customer base. We have customers who demand value for money, basic items and customers who demand exclusive beverages.

... products with a lower alcohol content and alcohol-free products in order to meet the demand from customers who want a healthier option or who want to be a good host for their entire gathering.

... organic and ethically certified products, in order to meet the growing demand for the ability to choose something that makes the purchaser feel good about themselves, to “do good”, and to help other people.

... locally produced and small-scale products, in order to meet the demand for things that are local and “real”.

... smaller packagings, in order to meet the demand from some of the country’s numerous single-person households.

... different packaging types, such as PET, cardboard packaging, and lightweight glass, in order to reduce our environmental impact and that of our customers, without jeopardising future generations’ ability to meet their own needs.

... new product types, new countries of origin, and new styles, in order to meet the demand for increasingly unique experiences.

Which are the strongest trends at the moment?

− Individual and image is a really strong trend at the moment, particularly amongst young adults. They make their choices deliberately to strengthen their image. When it comes to cider and mixed drinks, for example, we are seeing an increased interest in different flavours and packagings.

− The environment and well-being are other high growth trends, and there is an increasing demand for organic products. We are attempting to meet this demand within the context of our range, particularly when it comes to specialist beers, where we are beginning to see a growth in customer demand.

Finally, I’d like to say how much I enjoy the interaction with our drinks suppliers, many of whom are experts in picking up on trends and who have experience of satisfying new trends in other markets.

Märta Kuylenstierna
Category Manager for Beer, Cider and mixed drinks, Alcohol-free, and Gift items.
Our customers

If we are to ensure that we launch the right products, we must not only monitor the driving forces and trends, we must also understand our customers. To this end, Systembolaget implemented a new, quantitative customer segmentation in the autumn of 2012, with complementary surveys conducted in 2013. One of the roles of this segmentation process is to help us hone our product range strategies and to formulate our offerings in a way that corresponds and lives up to the needs and expectations of our customers.

Systembolaget’s customer segmentation comprises seven different groups, and one group of people who do not drink alcohol at all – teetotallers – who make up just over 10 per cent of the adult population. The names of our customer segments have changed since last year’s publication – “The 2014 Launch Plan” – and although the segment content is very similar, there are differences, which is why we have not referenced the old names.

The figure in the parentheses after the name of each segment shows the segment’s share of the population in 2012, while the second figure refers to that segment’s share of our customer visits in 2013.

**The Bon Viveurs**  
(13 per cent, 21 per cent of our customer visits)  
Wine is a key interest of 2 per cent of our customer base, while a further 8 per cent say that they are very interested in wine. These customers come under the Bon Viveur segment heading, and are looking for taste experiences when it comes to both food and drink.

This group includes the customers who are most knowledgeable about wine, although levels of knowledge do vary across the segment, which makes up 13 per cent of the population. The Bon Viveurs are sensitive to drinks trends and they, together with the beer-interested The Social Beerdrinkers segment, make up the portion of our customers who are most open to trying something new. When they buy wine, it is not necessarily for immediate consumption, and their purchases can equally well be made with a view to laying down for consumption at a later date.

The segment includes both men and women, often couples, with the majority aged 60 or above. Many have college or university level education, have an above-average income, and live in and around our biggest towns and cities. They are relatively digitally aware and are far more likely than the majority of customers to have downloaded Systembolaget’s “Search & Find” app, to have visited Systembolaget’s website from their smart phone and to have ordered items from our online available for order range.

They are interested not only in wine, food and dinner with friends, but in gold, sailing, travel, reading books, and social issues, but are less likely to visit local bars and restaurants than our other customers do, on average.

**The Social Beerdrinkers**  
(11 per cent, just over 17 per cent of our customer visits)  
The customers with the biggest interest in beer are to be found almost exclusively in the Social Beerdrinkers segment, which was the fastest growing segment in terms of share of customer visits in 2013. 9 per cent of our customers state that they are very interested in beer, 2 per cent of whom say that it is one of their main hobbies. The Social Beerdrinkers’ interest and consumption is naturally mainly about taste, but the strongest reason for their interest in beer is a social one. Beer is seen as a way of getting together, socialising and strengthening bonds.

Knowledge levels vary from those with in-depth knowledge to those who are mainly interested in finding something new and fashionable and about which they can talk. The Social Beerdrinkers are, along with the Bon Viveurs with their interest in wine, the customer that is most interested in trying something new. In the Social Beerdrinkers’ case, this interest may also extend to spirituous drinks, which they also tend, on average, to consume more extensively than our average customer. Some of their purchases are for relatively immediate consumption, while others are for future use. The Social Beerdrinkers segment consumes more alcohol than any other, and is also the segment that most frequently drinks beer and spirits in bars and restaurants.

The segment is mainly made up of men, most of whom are young or middle-aged and live in Stockholm or medium-sized towns and cities across Sweden. They are interested not only in beer and spirits, but in socialising with friends and acquaintances, and in music, sport, food, and travel. Hunting and fishing are also key interest areas. The Social Beerdrinkers segment is the most digitally aware group after the young customer segment, and uses both websites and apps for smartphones. It is also the group most likely, after the Bon Viveurs, to order goods from Systembolaget.
**The Partydrinkers**  
(13 per cent, almost 20 per cent of our customer visits)  
The “party segment” comprises men and women of all ages, but the majority are aged 30 or below. They consume alcohol for social reasons, or, more specifically, “Because it’s a party!” They drink to relax, to get in the mood and to escape reality for a while. They consume above average amounts of all product groups, but mainly drink beer and cider, or mixed drinks. When they buy alcohol, it is usually for immediate consumption and for over half of them, the alcohol they buy at the end of the week is gone by Monday.

They have the strongest habitual behaviour of all our customer segments, which means that once they have found something they like – which can be down to taste, price or image – they continue buying their favourites. When the Partydrinkers buys a new product, it is because their friends have recommended it, to try something new, or because the look of the bottle or the label appeals to them.

This group is largely made up of “digital natives”, so they are also the most digitally aware of all of our customer segments, and hence are more extensive users of both the Internet in general and social media. Their main interests, apart from socialising with friends, are music, reading, travel, and TV/computer games.

**The Traditionalists**  
(16 per cent, 8 per cent of our customer visits)  
The Traditionalists segment comprises both men and women, usually couples, and is evenly spread over all age groups, although there is a slight majority who are aged 50 or above. They think that too much alcohol is drunk in Sweden. They generally do not keep alcohol at home and don’t find the idea of trying something new in the drinks sphere particularly exciting.

When they do consume alcohol, it is usually in conjunction with specific, traditional occasions. Tradition tends, therefore, to determine what and when they drink – sparkling wine on New Year’s Eve and birthdays, schnapps on Midsummer’s Eve and with crayfish, and wine for a special celebratory dinner. Otherwise, they drink alcohol-free products, and the Traditionalists segment consequently has the lowest alcohol consumption. They tend to focus, instead, on the family, books, crosswords, Sudoku, arts and crafts, or evening classes.

**The Regulars**  
(10 per cent, 9 per cent of our customer visits)  
The Regulars segment comprises both men and women, usually couples, and the majority of them are aged 50 or above. They are not particularly interested in wine or beer, and think there’s a little too much snobbery associated with wine. They drink more than the average customer, particularly when they’re not working, and they tend to spend their holidays in their summer cottage, on their boat, or by traveling. They usually keep wine, spirits or some other type of alcoholic drink at home, and enjoy a glass or two, particularly with a meal or to relax.

The Regulars very seldom buy new products, but when they do, it is because a friend has recommended it or because they have tried it while visiting a friend.

Their biggest interests are watching sports, solving crosswords, reading books, and arts and crafts.

**The Independent**  
(13 per cent, 15 per cent of our customer visits)  
The Independent segment enjoys wine with a good meal, and many of them like having their first glass as they stand over the stove. Unlike the Bon Viveurs, who are also looking for taste experiences, the Independent’ interest in drinks is not such that they are keen to increase their knowledge, as the Bon Viveurs do, and they consequently tend to need more advice before making a purchase. They seek this advice in a number of ways, not least in-store, where they can find out what goes with the food they intend to eat. Because they don’t just drink any old thing: it has to be the ‘right’ wine.

The Independent segment comprises both men and women, usually couples, mainly aged 50 and above, and seldom aged below 30. They often live in major cities, such as Gothenburg, Malmö and Uppsala. They generally have a more independent view of society and alcohol consumption. Many are dubious about the “dry month” concept, and one fifth of the segment believes that alcohol can be beneficial to one’s health and can help one stay healthy.

Their interests are, by and large, the same as those commonly found amongst Swedes as a whole, which means, amongst other things, that they are interested in travel, music and books.
The Ambitious
(15 per cent, 10 per cent of our customer visits)
The Ambitious segment comprises people who, for a variety of reasons, often choose not to drink alcohol, because they see alcohol consumption as potentially posing a hindrance for them – something that would prevent them from achieving a goal. This goal might relate to their health, their appearance, to “getting their lives together”, or to their career.

The Ambitious customer segment mainly comprises women, most of whom are aged 40 or below, and who are spread pretty much evenly across the country. They are interested not only in travel, listening to music and reading books, but in exercise, keeping in shape, fashion, and interior design.

Alcoholic drinks are not one of their interests, and they tend, as a result, to have little knowledge in this sphere. When they find a product they like, they often continue to buy it. At the same time, however, they are interested in new things and may, for example, choose a new drink on the basis of its bottle or label design. They don’t consume alcohol very often, but when they do, they do it in order to enjoy a bit of luxury, or during a party with friends. They are more likely to visit bars and restaurants than the average customer. The most popular drink in this segment is wine, but they also drink cider and mixed drinks.
Monitoring

Customer Satisfaction Index (CSI)
We have been conducting surveys of how satisfied our customers are since 2001. The survey forms the basis of the CSI (Customer Satisfaction Index). Data collection for the CSI takes place in all stores four times a year, and in 2013, just over 30,000 such interviews were carried out. Customers are surveyed at random in stores and the questionnaire covers questions about quality areas such as the product range, selection, store layout, attitudes towards Systembolaget, the staff-customer interaction and staff expertise.

CSI 2013 summary
Systembolaget’s customers have never been more satisfied, and the Customer Satisfaction Index (CSI) for 2013 increased by one point to a new record high of 81.6. The ratings for all three of the areas with the biggest impact on the CSI trend rose in 2013, namely Range and Selection, which increased by one point to 77, Social Responsibility, which increased by two points to 75, and Store Staff, which rose by one point to a record high of 88. The survey also shows that Range and Selection is one of the two areas with the greatest potential for further boosting the overall CSI rating.

Range and selection
The CSI for Range and Selection has fluctuated between 75 and 76 for a number of years now, but took a step forward in 2013, rising to 77. All of the major categories have risen by one point to new record levels: Spirits (80), Red wine (79), White wine (79), Cider and mixed drinks (77), and Beer (76). Customer perceptions of the alcohol-free range also improved to a new record level (80), while Other wines remained at its previous level (77). Customers’ perceptions of how well the range meets their requirements in terms of organic (74) and ethical products (71) are still at a level far below that of the rest of the range.

Customers’ expectations of Systembolaget increase as their interest in and the knowledge of the drinks we sell grows. Today’s consumers increasingly expect the range to reflect their specific demands and that “their products” will be available, whenever and wherever they choose to shop.

After a year and a half of careful in store testing, the new product range model was introduced to all of our stores in September 2013. The survey conducted in the fourth quarter of 2013 showed a positive CSI trend when it came to the Range and Selection, but it is still too early to say what effect the new product range model has had.

Historically speaking, Systembolaget has enjoyed the least success in reaching out to its customers with regard to new products. In 2013, therefore, we introduced a new method of launching new products, and this may have contributed to the increase in CSI for new products rising by one point to 74. The digital channels are another area in which we are working to improve our position. More and more customers prepare their purchases online, not least via smartphones. Our digital customer interaction saw a 21 per cent rise in 2013, while the smartphone interaction improved, year-on-year, by a massive 59 per cent.

Value for money
The index for the Value For Money quality area – which is one of the areas with the least impact on the overall CSI figure – rose by one point in 2013 to 72, whilst customer perceptions of price levels in general rose by two points to 65. Customers’ perceptions of quality relative to price improved by one point for wine (78) and spirits (70), while beer remained at the same level as last year (73).
Quality Supplier Index (QSI) – increased customer value key ratio
Since March 2012, all of Systembolaget’s suppliers have received performance-related information, based on a number of key ratios with a direct or indirect effect on customer value. The key ratios measured include delivery date precision, product availability and quality complaints. Every supplier can now monitor their key ratios and the factors behind each ratio via a control card in the Supplier Portal. The system is designed to enable and incentivise the improvement both of the supplier’s internal processes, and at Systembolaget when it comes to identifying smarter solutions in the common interfaces. All with the overall aim of generating increased customer value. Every supplier also receives a weighted total key ratio that summarises the component elements.

In the autumn of 2012, Systembolaget decided to introduce a new strategic key ratio, namely the Quality Supplier Index (QSI). The QSI comprises the average of the weighted total key ratios of the 100 suppliers who account for the biggest share of sales at Systembolaget. In 2013, the 100 biggest suppliers collectively accounted for 98.6 per cent of Systembolaget’s total sales. The average of their weighted key ratios in December was 92.8, and this is, therefore, the QSI key ratio for 2013.

Systembolaget’s objective in making the QSI a strategic key ratio that is monitored continuously is to generate better preconditions for increased customer value in partnership with our suppliers.
Systembolaget promotes sustainability

Parliament and the Government impose stringent demands on state-owned companies and expect them to act as a role model in the context of their sustainability work. In February 2014, Systembolaget introduced a new sustainability strategy that covers the period until 2020. The strategy comprises our mandate, working conditions, human rights, the environment, anti-corruption work, and equal opportunities.

A tripartite sustainability strategy
Systembolaget exists in order to help reduce the harmful effects of alcohol, but we don’t just care about the health of our customers and their friends and family – we are also keen to take responsibility for and to promote decent conditions for both people and the environment throughout the chain. Our sustainability strategy is based on our mandate – to reduce the harmful effects of alcohol – and comprises three discrete areas:

Sustainable choices for the customer
We shall create awareness on the part of the customer of the risks associated with alcohol and shall offer expertise, information and inspiration that enables the customer to make informed choices that enhance their own health, help the environment, and ensure decent working conditions.

Sustainable supplier chain
Our products, together with the materials and service we use in our operations, shall be manufactured under conditions that are favourable for both people and the environment.

Sustainable operations
We shall conduct operations that use resources in an intelligent way, that enable personal development for our employees, and in which everyone is afforded the same opportunities for development at work with regard both to their conditions of employment and their other working conditions.

A sustainable supplier chain
Strength through unity
Systembolaget has been working with the alcohol monopolies in Finland, Norway, Iceland and the Faeroes since 2009 with the aim of ensuring a socially, environmentally and ethically sustainable supplier chain. The core of this work is provided by the BSCI (Business for Social Compliance Initiatives) Code of Conduct, which has been a distinct and important component of both Systembolaget’s and the other Nordic monopolies’ purchasing agreements since 2012.

The Code of Conduct states that all of the suppliers that make up Systembolaget’s beverages supplier chain are responsible for ensuring that both they, and any subcontractors, comply with the requirements of the Code of Conduct. Systembolaget actively supports both its suppliers and the producers in their work with the Code of Conduct by providing training courses, self-assessment forms, and stakeholder dialogues. We also organise complementary third party audits of the producers.

Fourteen producer audits carried out – all with “fails”
Systembolaget carried out fourteen third party audits in South Africa, Chile and Bulgaria in 2013. All of the audits were of producers of wines included in Systembolaget’s range and all of the audits revealed discrepancies that required action on the part of the producers during the year ahead. The most common discrepancies involved deficiencies in terms of health and safety, overtime, and overtime pay.

Systembolaget will carry out follow-up audits in 2014 in order to ensure that the “fails” identified have been actioned. We will also carry out new audits in Chile and Argentina, and as of 2015, we will be expanding our audits to include the entire supplier chain, starting with the cultivation of the raw materials as it has become clear to us that the problems increase in scale, the further back along the chain we go.
Pilot projects – learning by doing
Systembolaget and the Nordic monopolies also plan to initiate a range of pilot projects starting in 2015 in order to try out a variety of improvement measures on a small scale, primarily in the fields of working conditions and the environment. We welcome, as part of these pilot projects, close collaboration with you, our suppliers, and with other stakeholders, too.

We are working, in partnership with the other Nordic monopolies, to follow up on environmental performance in the supplier chain in a clearer and more pronounced way. As a first stage towards this goal, we will be charting the type of environmental requirements with which we can reasonably require compliance. We will then try out these requirements on a small scale and evaluate the results.

The Code of Conduct – a living document
In 2012 and 2013, BSCI carried out an extensive programme of work aimed at updating its Code of Conduct to bring it into compliance with changes in and the expectations of the outside world by means of, amongst other things, a range of stakeholder dialogues. As with the previous Code, the revised version contains fundamental requirements, such as the right to reasonable remuneration, the right of association, and a ban on discrimination and forced labour. The biggest innovation in the revised Code of Conduct is that it demonstrates more clearly than before that all of the players in the supplier chain are personally responsible for identifying and rectifying the sustainability challenges that they face. The revised Code accordingly also requires that all operators within the chain endeavour to identify and action any sustainability deficiencies present in their own operations, or those of their business partners. The revised Code also includes another innovation, namely provisions requiring the establishment of complaint mechanisms at operational level.

The updated Code of Conduct is based, as before, on a number of different international conventions and declarations, such as the conventions of the International Labour Organisation, the UN Declaration on Human Rights, and the Global Compact principles regarding the rights of the child and responsible enterprise. The new Code is also based on the UN’s “Guiding Principles for Human Rights”, which were adopted unanimously by the United Nations Human Rights Council.

Systembolaget and BSCI will be organising a number of training courses addressing the revised Code of Conduct in 2014, and as of 1 January 2015, the updated Code of Conduct will be incorporated into Systembolaget’s general purchasing terms and conditions for alcoholic beverages.

Increased focus on organic and fair trade products
The percentage of organically labelled products available in grocery retail stores increased markedly in 2013 and Systembolaget has a clearly expressed goal of increasing the percentage of organic products we carry in our range, too. By increasing the percentage of organic products, we will help reduce the impact on biological diversity and improve the working environment of those working in the field.

On the ethical certification front, we are continuing to request products with Fairtrade or IMO Fair for Life labelling. We will also, in 2015, be increasing the number of requests for tender from producers certified in accordance with a variety of country-specific initiatives. Examples include requests for tender from South Africa, where we will require producer accreditation from WIETA: Agricultural Ethical Trade Initiative Level 3, and from Chile for products that bear the Chilean “Certified Sustainable Wine of Chile” producer label.

These initiatives will promote a positive trend in terms of the work environment and working conditions for the wine industry’s production chain in the countries in question. The Chilean labelling also requires a reduction in the producer’s environmental impact by limiting the use of pesticides and making more efficient use of water during the wine production process.
SYSTEMBOLAGET PROMOTES SUSTAINABILITY

Suggested approaches for producers:

• Check how well your producers live up to the requirements of the Code of Conduct and use the SAQ questionnaires available via the Supplier Portal.
• Discuss with your producers such subjects as wage levels for employees, the mechanisms that exist for workers to submit complaints, and the extent and nature of the dialogue between employees and employers.
• Visit http://bsci-intl.org for the latest news.
• Visit http://bsciplatform.org/home for information on training courses and to register your producers.
• Pass on your comments, views and suggestions to us!

Lightweight glass

Companies have an important part to play in reducing global climate impact. We have expanded our knowledge of the environmental impact of various different types of packaging by means of, amongst other things, the lifecycle analysis commissioned by Systembolaget in 2010. The study showed that boxes, bags, and liquid packaging cardboard generally have a lower environmental impact than glass bottles. PET bottles are rated between glass bottles and the other types of packaging. The biggest environmental impact for all types of packaging occurs during the manufacturing phase.

Enormous potential exists for glass bottles to reduce their environmental impact by reducing the bottle weight, and Systembolaget consequently intends to impose a general requirement for the use of lightweight glass for all still wines. The term, lightweight glass, refers to a maximum bottle weight of 420 grams for a 75 cl bottle.

• The requirements will be communicated at least 18 months before its introduction.
• All still wines will be covered, including the available for order range.
• There are some producers who, for a variety of reasons, either cannot or will not change their packaging. These producers will be offered an alternative, namely the payment of a fee that is proportional to the amount by which their bottle exceeds the specified maximum weight.

<table>
<thead>
<tr>
<th>Consequence</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weight (grams)</td>
</tr>
<tr>
<td>479.5</td>
</tr>
<tr>
<td>595.0</td>
</tr>
<tr>
<td>758.0</td>
</tr>
</tbody>
</table>

• The fee will be donated to some form of sustainability project in order to compensate for the environmental impact of the heavier bottles.
The product range model

Systembolaget uses a product range model in order to ensure our ability to live up to our mandate of offering a customer-orientated, broad, cost-effective and brand-neutral product range. The product range model is based on customer demand and means that stores with similar patterns of customer demand will receive the same product range.

The product range
Systembolaget’s product range is divided into three different sections, each of which has different terms and preconditions, namely the Fixed range, the Available-for-order range, and the Temporary range.

Fixed Range
The fixed range shall satisfy the demands of the majority of Systembolaget’s customers, inasmuch as its composition reflects certainty, continuity and a long-term approach that also ensures breadth and depth. The allocation of the product range to every single store is carried out in a brand-neutral way and is based on customer demand. The range’s six different mixes enable Systembolaget to ensure that every individual store meets this objective. The fixed range is renewed four times a year, in March, June, September and December.

The Available-for-order Range
The Available-for-order range includes items that can be ordered from the drinks suppliers’ stocks.

The items can be ordered in stores, from agents, and from our website – systembolaget.se. Items in the available-for-order range that prove to be very popular with the customers may, after evaluation, be incorporated into the local demand range of an individual store or qualify for the fixed range. Tenders for the available-for-order range are submitted on a rolling basis and new products are released every month. Unless otherwise specified by the supplier, items in the available-for-order range are included in the ranking – the evaluation of the products to be carried on the stores’ shelves.

A private import service is offered for customers who require help with ordering an item not listed in any of Systembolaget’s regular ranges.

Temporary Range

Temporary Range – Exclusive
The items in the Temporary Range – Exclusive are exclusive in nature and the target group comprises customers with a substantial interest in new items. These launches take place in selected stores (as volumes are small) and are primarily announced to customers on systembolaget.se.

Temporary Range – Seasonal
Temporary Range – Seasonal comprises the items that we buy in for a very limited period of time because these products are linked to a particular festive season or tradition. We carry them for the duration of the season and if customer demand is high, they may return the following year. Examples include seasonal beer for Easter and Christmas, Oktoberfest beer and mulled wine.

Distribution of the range
Systembolaget has a nationwide retail network comprising just over 420 stores and over 500 agents. The entire range can, furthermore, be ordered via systembolaget.se for delivery to stores, and in some areas, for home delivery.

Store groupings and product range mixes
We base our store grouping process on each individual stores’ customer demand in order to ensure that we provide the right products for the right customers. We have identified six different store groupings where customer demand and requirement patterns are similar. Each store grouping receives a product range mix tailored specifically to their customer demand, irrespective of the size of the store or its geographic location.
The product range mixes differ with regard to composition in terms both of volume, profile and cutting edge products, and of the number of wine, spirits and beer categories. Each store grouping contains different sized stores. The smaller stores will receive fewer items than the larger ones, but the product range mix is the same.

<table>
<thead>
<tr>
<th>Store size</th>
<th>Number of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>approx 500</td>
</tr>
<tr>
<td>B</td>
<td>approx 940</td>
</tr>
<tr>
<td>C</td>
<td>approx 1,480</td>
</tr>
<tr>
<td>D</td>
<td>approx 1,930</td>
</tr>
<tr>
<td>E</td>
<td>approx 2,130</td>
</tr>
<tr>
<td>Specialist wine stores</td>
<td>approx 3,200</td>
</tr>
</tbody>
</table>

**Product range mix 1**

The customers who shop in store grouping 1 outlets demand more beer than the average, and primarily pale lager in cans. Wine is mainly sold in boxes and tetra packaging, and white spirits dominate spirit sales. The product range mix comprises all product groups and product range roles, but emphasises beer and the product range role, volume. Approximately 130 stores receive Product range mix 1 and they account for 16 per cent of sales. The stores are largely small or medium-sized ones and are located in smaller towns nationwide. Some of the suburbs of Stockholm and Gothenburg are also represented in this grouping, as are a number of stores on the Norwegian border and stores in Vimmerby, Bromölla, Orsa, Arvidsjaur and Söderhamn.

**Product range mix 2**

The customers who shop in store grouping 2 outlets have an average demand for wine, spirits and beer. There is, however, a slightly higher demand for whisky, boxed and tetra packaged wine, cider and mixed drinks than in the average stores. The 160 or so stores with this product range mix account for 43 per cent of sales. The stores are located in small and medium-sized towns and in the suburbs of Stockholm and Gothenburg, and the majority of these stores are in the southern and central areas of Sweden. Jakobsberg, Köping, A6 in Jönköping, Ronneby, Örnsköldsvik, Eslöv and Hudiksvall are all examples of this type of store.

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The product range mix is adapted in line with the size of the store. Smaller store = fewer items. We call the smallest store size “A” and the largest, “E”.
**Product range mix 3**
The customers at outlets in store grouping 3 buy more wine than customers in the average stores. The main demand is for boxed, tetra packaged and bottled wine priced up to SEK 79. Just over 40 stores have this product range mix and they account for 12 per cent of sales. The stores are located in Skåne, along the west coast, and in the area around Stockholm. Vallentuna, Trosa, Landskrona, Varberg, Jägersro and Ystad are all examples of this type of store.

**Store groupings with a premium requirement**

**Product range mix 4**
The product range mix contains an average breakdown of beer, wine and spirits, with the emphasis on items from ranges that are part of the Profile and Cutting Edge Product range roles. The customers in these stores buy more expensive and more exclusive items. There is a higher level of customer demand for specialist beers, champagne, other sparkling wines and bottled wine, irrespective of price band. Demand for the spirits product group is slightly lower than the average but higher when it comes to digestifs, malt whisky and drinks and cocktails.

Just under 20 stores have product range mix 4 and they account for 7 per cent of sales. The stores are primarily located in larger towns and some medium-sized ones. Globen and Rotebro in Stockholm, Karl Johansgatan in Gothenburg, Wasagallerian in Umeå and Åre are all examples of this type of store.

**Product range mix 5**
Demand for wine is higher amongst customers in store grouping 5 outlets than in the average store and demand for products from segments in the Product range roles Profile and Cutting Edge is high. The customers buy more than the average amount of champagne, other sparkling wines and bottled wine priced at over SEK 80. Demand for beer is lower than average but higher in the specialist beer and pale bottled beer segments. This product range mix meets a customer requirement for more expensive and more exclusive products and the focus is on wine. The product range mix can be found in just under 70 stores that account for 22 per cent of sales. The stores are located in and around Stockholm, Malmö and Gothenburg, but can also be found in smaller towns in southern Sweden. Regeringsgatan, Brommaplan and Lidingö in Stockholm, Nova in Lund, Hansacompagniet in Malmö, Båstad and Grebbestad are all examples of this type of store.

**Product range mix 6**
Our two food halls in Stockholm have product range mix 6 and their customers buy wine, first and foremost. The stores are in a setting in which food is sold and breadth is consequently important in order to be able to offer drinks to go with all types of food. The special circumstances generated by very small stores with over the counter sales also affect the composition of the range. The spirits sold are, by and large, exclusive.
The stores’ locally popular range
In addition to the range determined by the product range mixes, every store also carries a local range. These items are chosen to complement and broaden the store’s range in light of local demand.

Product range evaluation
Systembolaget has four product range changes per year in the stores: on 1st March, 1st June, 1st September and 1st December. The updating of the range is based on an evaluation of the items’ sales over a 3-month period. The evaluation includes all items from the fixed range and the available-for-order range and is based on the volume of sales for individual items and Systembolaget’s trading margin. All items are also assigned a volume correction and a weighting factor for market coverage that yields the item’s points total. A ranking list per segment is then drawn up, comparing items in the same segment with one another. The item with the highest points total receives the most widespread distribution within that segment. The number of items distributed and the scale of the distributions is determined by the product range mix plans.

Product range mixes 1-3 and 4-6 are evaluated separately, resulting in two ranking lists per segment. This breakdown improves our ability to meet differences in customer demand within the various store groupings.

New items are also launched in conjunction with every product range change. New items are available for a minimum of six months. The first selling month is not included in the evaluation period, which covers months two up to and including four.

Drinks suppliers receive a weekly preliminary ranking, via the Supplier portal, that enables them to track their items’ performance in comparison with others in the same segment. The aim is to facilitate forecasting of future volumes in both the short and the long term.
**Exclusive product range**

The exclusive product range comprises products with very limited availability and a relatively high price level. The items are bought in from standing requests for tender, without blind tasting, as agreed with the respective purchasers.

Systembolaget’s ability to buy in and launch exclusive products is far, far outstripped by the number of exclusive products available worldwide and the selection is consequently made by the purchasers in line with the product range requirements, customer demand and the product’s reputation.

Interest in exclusive beer has exploded in recent years and beer not only accounts for the biggest percentage increase but is also responsible for the massive total volume increase. For 2013 as a whole, the exclusive range increased, year-on-year, by a total of 13.5 per cent by value and by 34.7 per cent in litres sold. All categories, with the exception of Spirits, are showing growth in both value and volume.

### Sales trends for the Exclusive product range

<table>
<thead>
<tr>
<th>TSE 2013</th>
<th>Value (sales, SEK m incl. VAT)</th>
<th>Change in value, %, full year</th>
<th>Volume (1,000 litres)</th>
<th>Change in volume, %, full year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Red wine</td>
<td>134.6</td>
<td>4.2</td>
<td>396.8</td>
<td>10.2</td>
</tr>
<tr>
<td>White wine</td>
<td>37.3</td>
<td>14.0</td>
<td>143.9</td>
<td>21.8</td>
</tr>
<tr>
<td>Other wines</td>
<td>32.4</td>
<td>12.7</td>
<td>102.6</td>
<td>31.7</td>
</tr>
<tr>
<td>Spirits</td>
<td>58.5</td>
<td>-4.8</td>
<td>52.3</td>
<td>-8.4</td>
</tr>
<tr>
<td>Beer</td>
<td>68.3</td>
<td>72.8</td>
<td>669.8</td>
<td>67.0</td>
</tr>
<tr>
<td>Total</td>
<td>331.0</td>
<td>13.5</td>
<td>1,365.4</td>
<td>34.6</td>
</tr>
</tbody>
</table>

**Distribution model**

The exclusive product range is distributed via distribution stages I-VI.

<table>
<thead>
<tr>
<th>Distribution stage</th>
<th>Number of stores</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Web launch</td>
</tr>
<tr>
<td>II</td>
<td>1</td>
</tr>
<tr>
<td>III</td>
<td>3</td>
</tr>
<tr>
<td>IV</td>
<td>8</td>
</tr>
<tr>
<td>V</td>
<td>25</td>
</tr>
<tr>
<td>VI</td>
<td>40</td>
</tr>
</tbody>
</table>
Structuring the product range

Systembolaget shall develop and deliver a sustainable offering that inspires a healthy enjoyment of our products for everyone in Sweden. The ability to offer a customer-orientated product range and a high quality offering are important factors for success. We must select the right product, at the right price, and of the right quality for every customer segment and must distribute it in the right quantity to the right channel at the right time. And we must do this in a manner that is both sustainable and responsible.

Product range strategy
Systembolaget's product range strategy is an internal steering document. The product range strategy, which is revised annually, defines guidelines, goals and activities for the entire product range. The range shall be brand-neutral, quality assured and profitable. It shall also be permeated by our core key words: consideration, expertise and inspiration.

Systembolaget’s product range strategy shall, first and foremost, endeavour to realise our vision: a society in which alcoholic drinks can be enjoyed with due regard for health considerations so that no one is harmed.

The product range and product range structuring shall be adapted in line with changes in the world in which we operate and shall be developed in a way that improves our ability to interact with our customers and live up to their expectations. Our customers shall always feel welcome at Systembolaget and should feel that we share our expertise with regard to the product range. We shall, from a starting point of customer benefit, act transparently and work in partnership with our suppliers to generate the preconditions for mutual success.

Systembolaget works responsibly with its product range with due regard both to the harmful effects of alcohol and to sustainability for people and the environment. We are also keen, in our capacity as a monopoly, to satisfy the potential requirements of minorities on the basis of, for example their religion (e.g. kosher dietary regulations) or a specific dietary requirements (e.g. gluten-free beer).

Important cornerstones of our product range work
We shall:
- offer a product range that is both broad and deep and which is, at the same time, perceived as modern and innovative;
- offer a product range that enhances the food and drink experience;
- offer many products in smaller packagings;
- offer products with lower or zero alcohol content;
- promote the trend towards more sustainable drinks production;
- offer organic alternatives;
- offer more climate-friendly packagings;
- offer more products that meet the guidelines for ethical production;
- meet the requirements for profitability and efficient management in the logistics chain and in-store.

Innovations
We endeavour to progress development within our field and we test innovations that may help improve the customer offering. Our aim is to be amongst the first in the world to sell innovations. All innovations are tested on the basis of their quality and shall comply with Systembolaget's basic requirements. They shall also preferably support not only the product range strategy, but Systembolaget’s mandate and operational goals.
Product range roles
We have divided the range into different product range roles in order to ensure that we meet our customers’ requirements. Each product range role is carried by all of our stores, but their precise distribution will vary, depending on the size of the stores and their individual demand levels. By analysing the sales of the respective roles, taking into account the different requirements and sizes of the stores, we create a useful tool for distributing the range across our stores. The roles are Profile, Cutting Edge, Volume, Service and Seasonal. The strategies for the product categories in general are complemented by a variety of strategies for the respective roles, and the product range's structure, launch level, and product placement will, for example, be adapted in line with the categories’ respective roles.

Product range role Volume
The Volume product role represents the majority of Systembolaget's sales, in terms of both volume (number of litres) and value. Most of our customers buy from the volume role, and the quality/price ratio is the most important parameter for them. Systembolaget wishes, therefore, to offer a wide Volume range that is perceived as offering value for money.

Product range role Profile
The Profile product role should be broad and deep – we want to be the best in the world in this sphere. The range shall be both inspirational and responsible and should also encourage customers to want to learn more about our products. We also use this range to show off the importance of different manufacturing methods, raw materials and countries of origin to the flavour profile of the drinks we sell.

Product range role Cutting Edge
We offer a Cutting Edge range to satisfy the most demanding customers. The Cutting Edge categories add depth to the range and focus primarily on the classic and recognised countries or regions of origin and product types when it comes to wines. The Cutting Edge product role also includes the exclusive range of beers, spirits and wines that is constantly renewed through frequent launches of small, limited offerings on Systembolaget’s website and in selected stores. The vast majority of our launches occur within the Cutting Edge product range role.

Product range role Service
The categories within the Service product role ensure that our customers are offered a wide selection of products in relatively low demand. The selection of products in the majority of the service categories is consequently narrow and lacks depth.

Product range role Seasonal
The Seasonal product role is designed to ensure that Systembolaget can offer its customers an up-to-date and seasonally adjusted range of products in line with impending holiday seasons or other seasonal drinks traditions. The range shall be broad and inspirational.

Our categories
Systembolaget’s range is divided into three category groups: Wines, Spirits and Beers, Ciders & mixed drinks. The groups are, in turn, divided into different subcategories and segments. The segmentation is based on the customers’ purchasing patterns within the respective categories. Items largely regarded by customers as interchangeable are grouped within the same segment, and the segmentation is consequently based on such factors as product types, packaging types and price. Systembolaget currently has a total of approximately 150 segments.

Category action plan
The customers' requirements and the guidelines and goals of the product range strategy form the basis for the categories’ action plans, constituting the category managers’ primary tools in their category work. The category action plans describe in detail how each category shall be run in the year ahead in order to satisfy customers' requirements and achieve the product range goals. The purchasing staff’s analyses of their areas of responsibility and the product and business intelligence provided by the suppliers are important parameters in drawing up the category action plans.

Range mix plan
The range mix plans describe the range mix to be supplied by the stores, i.e. the number of articles within each segment to be carried by a given size of store in a given store grouping. The category managers adjust the range mix plans four times a year in line with customer demand, Systembolaget’s product range strategy, and the category action plans. The range mix plans are the steering documents for the product range evaluations.
**Launch plan**

The launch plan is an overall steering document for our launches and describes the sort of products that Systembolaget will be looking for in the year ahead. The launch plan is published twice yearly with the main launch plan published in May and a complementary plan published in November. The plan published in May offers 100% coverage of the launches in March and June and only includes some of the September and December – these are included, instead, in the plan published in November. Our launches shall satisfy the customers’ requirements and respond to changes in the outside world that affect customers’ drinks choices. They shall provide competition for and complement the existing range, and shall offer inspiration and novelty value for the customer.

**Requests for tender and blind tasting**

A request for tender is formulated for each launch on the basis of the launch plan and specifies in detail the type of product that Systembolaget is looking for. The request for tender specifies, for example, the segment, price, and flavour description. Once the submitted tenders have been reviewed, the purchasers request product samples. Systembolaget’s sampling room takes charge of the product samples and prepares to test them. The order in which the tasting panel test the samples is always random and samples are always tested blind. The panel evaluates the products’ quality in relation to the flavour description in the request for tender. The product or products that receive the highest score after blind tasting, and have the highest internal priority are bought in and launched. The product’s characteristics are determined and a bouquet and flavour description and the pie charts used in our product catalogues are produced ahead of the launch. The characteristics are then published on Systembolaget’s website, on the shelf labels in the stores.

*We work to a yearly plan, in order to create transparency in the purchasing process. The yearly plan shows when we would like to receive input at strategic level from you, as a supplier, when we would like input on the orientation of the launch plan, and when the focus is on the structure of the requests for tender.*
Categories and segments

* The following graphic is only intended to act as an illustration of Systembolaget’s segment breakdown, and differs slightly from the similar one contained in Systembolaget’s general purchasing terms. Systembolaget intends to review the breakdown contained in the purchasing terms in 2014 and will adjust it in line with the one shown below, which is more easily accessible by, and comprehensible to, the reader.

The graphic below also includes the following seasonal segments: Christmas lager beer, Christmas specialist beer, Christmas cider/mixed drinks, and Christmas spirits. These segments have been included in Appendix 4 since 1 March 2014 and will be incorporated into the graphic found at the end of Appendix 7 in conjunction with the next revision of the purchasing terms.

[The segments for alcohol-free items are only intended to act as an illustration of Systembolaget’s approach to ensure that its customers are given access to an attractive range of different alcohol-free items.]

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Vin

<table>
<thead>
<tr>
<th>Category</th>
<th>Segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>White wine</td>
<td>White wine bottle at least 50 cl</td>
</tr>
<tr>
<td></td>
<td>Wine bottle SEK 0 – 79</td>
</tr>
<tr>
<td></td>
<td>3101 White wine (0 – 59)</td>
</tr>
<tr>
<td></td>
<td>3102 White wine (60 – 69)</td>
</tr>
<tr>
<td></td>
<td>3103 White wine (70 – 79)</td>
</tr>
<tr>
<td></td>
<td>Wine bottle SEK 80 – 119</td>
</tr>
<tr>
<td></td>
<td>3104 White wine (80 – 89)</td>
</tr>
<tr>
<td></td>
<td>3105 White wine (90 – 99)</td>
</tr>
<tr>
<td></td>
<td>3106 White wine (100 – 119)</td>
</tr>
<tr>
<td></td>
<td>Wine bottle SEK 120 – 159</td>
</tr>
<tr>
<td></td>
<td>3107 White wine (120 – 149)</td>
</tr>
<tr>
<td></td>
<td>3108 White wine (150 – ...)</td>
</tr>
<tr>
<td></td>
<td>Wine large bottles</td>
</tr>
<tr>
<td></td>
<td>3110 White wine large bottles</td>
</tr>
<tr>
<td></td>
<td>White wine carton at least 50 cl</td>
</tr>
<tr>
<td></td>
<td>Wine small sizes</td>
</tr>
<tr>
<td></td>
<td>3109 White wine small bottles</td>
</tr>
<tr>
<td></td>
<td>3206 White wine not box or bottle &lt;= 500 ml</td>
</tr>
</tbody>
</table>

| Red wine                | Red wine bottle at least 50 cl                                         |
|                        | Wine bottle SEK 0 – 79                                                  |
|                        | 2101 Red wine (0 – 59)                                                 |
|                        | 2102 Red wine (60 – 69)                                                |
|                        | 2103 Red wine (70 – 79)                                                |
|                        | Wine bottle SEK 80 – 119                                                |
|                        | 2104 Red wine (80 – 89)                                                |
|                        | 2105 Red wine (90 – 99)                                                |
|                        | 2106 Red wine (100 – 119)                                              |
|                        | Wine bottle SEK 120 – 159                                               |
|                        | 2107 Red wine (120 – 149)                                              |
|                        | 2108 Red wine (150 – 199)                                              |
|                        | 2109 Red wine (200 – ...)                                               |
|                        | Wine large bottles                                                     |
|                        | 2110 Red wine large bottles                                            |
|                        | White wine carton at least 50 cl                                        |
|                        | Wine small sizes                                                       |
|                        | 2110 Red wine small bottles                                            |
|                        | 2205 Red wine not box or bottle <= 500 ml                              |

| Rosé                    | Rosé bottle at least 50 cl                                             |
|                        | Wine bottle SEK 0 – 79                                                  |
|                        | 4101 Rosé (0 – 69)                                                     |
|                        | 4102 Rosé (70 – ...)                                                   |
|                        | Rosé carton at least 50 cl                                             |
|                        | Bag-in-box wine SEK 0 – 199                                            |
|                        | 4201 Rosé box                                                          |
|                        | Wine tetra packaging                                                   |
|                        | 4202 Rosé not box or bottle                                            |
|                        | Rosé small sizes                                                       |
|                        | Wine small sizes                                                       |
|                        | 4103 Rosé small bottles                                                |

| Sparkling wine          | Sparkling wine bottle at least 50 cl                                    |
|                        | Wine bottle SEK 0 – 79                                                  |
|                        | 4301 Champagne (0 – 249)                                               |
|                        | 4302 Champagne (250 – 399)                                             |
|                        | 4303 Champagne (400 – ...)                                             |
|                        | 4305 Champagne large bottles                                           |
|                        | 4401 Sparkling wine (0 – 69)                                           |
|                        | 4402 Sparkling wine (70 – 99)                                          |
|                        | 4403 Sparkling wine (100 – ...)                                        |
|                        | 4405 Sparkling wine large bottles                                      |
|                        | Sweet sparkling wine                                                  |
|                        | 4406 Sweet sparkling wine                                              |
|                        | Sparkling rosé & other                                                 |
|                        | 4306 Rosé Champagne                                                    |
|                        | 4408 Sparkling rosé                                                    |
|                        | 4410 Other sparkling wine                                              |
|                        | Sparkling small bottles                                                |
|                        | Dry sparkling wine                                                     |
|                        | 4304 Champagne small bottles                                           |
|                        | 4404 Sparkling wine small bottles                                      |
|                        | Sweet sparkling wine                                                  |
|                        | 4407 Sweet sparkling wine small bottles                                |
|                        | Sparkling rosé & other                                                 |
|                        | 4307 Rosé Champagne small bottles                                      |
|                        | 4409 Sparkling rosé small bottles                                       |

| Other wine              | Apéritif                                                                |
|                        | 4503 Vermouth                                                            |
|                        | 4504 Vermouth small bottles                                             |
|                        | 4505 Apéritif                                                            |
|                        | 4506 Apéritif small bottles                                             |
|                        | 4507 Saké                                                               |
|                        | 4508 Dry fruit wine                                                     |
|                        | 4509 Other wine, segment                                                |
|                        | Port/sherry/Madeira                                                     |
|                        | 4501 Sherry/Madeira                                                     |
|                        | 4502 Sherry/Madeira small bottles                                       |

| Dessert                 | Sweet white wine                                                        |
|                        | 4601 Sweet white wine                                                   |
|                        | 4602 Sweet white wine small bottles                                     |
|                        | Port/sherry/Madeira                                                     |
|                        | 4603 Red port                                                           |
|                        | 4604 Red port small bottles                                             |
|                        | 4605 White port                                                         |
|                        | 4606 Sweet sherry/Madeira                                              |
|                        | 4607 Sweet sherry/Madeira small bottles                                 |
|                        | Madeira                                                                 |
|                        | 4608 Madeira                                                            |
|                        | 4609 Madeira small bottles                                              |
|                        | Other dessert wine                                                      |
|                        | 4610 Flavoured wine                                                     |
|                        | 4611 Flavoured wine small bottles                                       |
|                        | 4612 Sweet fruit wine                                                   |
|                        | 4613 Sweet fruit wine small bottles                                     |
|                        | 4614 Other dessert wine                                                 |
|                        | 4615 Other dessert wine small bottles                                   |

| Mulled wine             | 4701 Mulled wine                                                         |

---
Beer, cider & mixed drinks

CATEGORIES AND SEGMENTS

Lager
- Pale lager
  - Beer can
    - 6101 Lager can <= 355 ml (<6.0%)
    - 6102 Lager can > 355 ml (<6.0%)
    - 6103 Lager extra strong can (6.0%–..)
  - Beer bottle
    - 6201  Lager btl <=355 ml & <20 (<6.0%)
    - 6202  Lager btl <=355 ml & >=20 (<6.0%)
    - 6203 Lager extra strong bottle (6.0%–..)
- Dark lager
  - Beer can
    - 6104 Dark lager can
  - Beer bottle
    - 6204 Dark lager bottle

Ale
- Beer can
  - 6303 Ale can (6.0%–..)
- Beer bottle
  - 6304 Porter/stout can (6.0%–..)

Porter & stout
- Porter & stout can (6.0%–..)
- Porter & stout bottle (6.0%–..)

Wheat beer
- Wheat beer bottle
  - 6307 Wheat beer bottle/can

Other beer
- 6402 Other ale/porter/stout

Special beer
- 6303 Ale can (..– 5.9%)
- 6304 Porter/stout can (..– 5.9%)

Seasonal beer
- 6501 Easter
- 6503 Oktoberfest
- 6504 Christmas lager
- 6505 Christmas beer special beer

Wheat beer
- Wheat beer bottle
  - 6307 Wheat beer bottle/can

Other beer
- 6402 Other ale/porter/stout

Cider & mixed drinks
- Dry cider
  - 6601 Dry/medium-dry cider bottle
  - 6602 Dry/medium-dry cider can
- Sweet cider & mixed drinks
  - 6604 Medium-sweet/sweet cider can
  - 6605 Medium-sweet/sweet cider bottle
- Mixed drinks
  - 6606 Mixed drinks

Cider & mixed drinks bottle
- 6606 Mixed drinks

Seasonal cider & mixed drinks
- 6506 Christmas cider & mixed drinks

Spirits

Digestif
- Cognac
  - 5401 Cognac
  - 5402 Cognac small bottles
  - 5403 Other brandy
  - 5404 Other brandy small bottles
  - 5405 Calvados
  - 5406 Grappa/marc
  - 5407 Dark rum
  - 5408 Dark rum small bottles
  - 5409 Other whiskies
  - 5410 Other spirits
  - 5702 Bitters
  - 5703 Other spirits

Whisky
- Blended whisky
  - 5201 Blended Scotch whisky
  - 5202 Blended Scotch whisky small bottles
  - 5203 Canadian whiskey
  - 5204 Canadian whiskey small bottles
  - 5205 American whiskies
  - 5206 American whiskies small bottles
  - 5207 Irish whiskey
  - 5208 Irish whiskies small bottles
  - 5209 Other whiskies
  - 5210 Other whiskies
  - 5211 Scotch malt whisky
  - 5301 Scotch malt whisky
  - 5302 Scotch malt whiskies <= 18 years old
  - 5303 Scotch malt whiskies <= 18 years old small bottles
  - 5304 Other malt whiskies

Drinks & cocktails

Unspiced distilled spirits
- 5101 Unspiced distilled spirits
- 5102 Unspiced distilled spirits small bottles
- Flavoured vodka
  - 5103 Flavoured vodka
- Gin
  - 5104 Gin
  - 5105 Gin small bottles
- White rum
  - 5106 White rum
  - 5107 White rum small bottles
- Flavoured rum
  - 5108 Flavoured rum
- Tequila
  - 5109 Tequila
- Anise
  - 5701 Anise
- Ready-mixed drinks
  - 5703 Ready-mixed drinks
  - 5704 Ready-mixed drinks small sizes

Unspiced distilled spirits
- 5101 Unspiced distilled spirits
- 5102 Unspiced distilled spirits small bottles
- Flavoured vodka
  - 5103 Flavoured vodka
- Gin
  - 5104 Gin
  - 5105 Gin small bottles
- White rum
  - 5106 White rum
  - 5107 White rum small bottles
- Flavoured rum
  - 5108 Flavoured rum
- Tequila
  - 5109 Tequila
- Anise
  - 5701 Anise
- Ready-mixed drinks
  - 5703 Ready-mixed drinks
  - 5704 Ready-mixed drinks small sizes

Liqueur
- Chocolate, coffee & nut liqueur
  - 5501 Chocolate, coffee & nut liqueurs
  - 5502 Chocolate, coffee & nut liqueurs small bottles
- Cream & egg liqueur
  - 5503 Cream & egg liqueurs
  - 5504 Cream & egg liqueurs small bottles
- Brandy
  - 5403 Other brandy
  - 5404 Other brandy small bottles
  - 5601 Spiced distilled spirits
  - 5602 Spiced distilled spirits small bottles
- Other liqueurs
  - 5508 Other liqueurs
  - 5510 Other liqueurs small bottles
- Snaps
  - 5509 Other liqueurs
  - 5510 Other liqueurs small bottles
- Seasonal spirits
  - 5801 Christmas spirits

Alcohol-free

Alcohol-free wine
- 7101 Alcohol-free wine
- 7301 Alcohol-free beer
- 7401 Alcohol-free cider & must
- 7501 Water
- 7601 Alcohol-free other
Quality assurance

Ensuring that the products we sell maintain a high and consistent quality level that corresponds to what we have bought in is vital to create an optimum offering for our customers.

Quality assurance work forms part of the launch process for new items and is conducted on a continuous basis for the existing range. The work involves, amongst other things, chemical analyses of all products conducted by Systembolaget’s laboratory, sensoric checks of new products by the purchasers, and tracking of the products most commonly returned by the complaints department, and the provision of feedback to you, our suppliers.

New launches
The quality assurance for new launches begins in conjunction with the request for tenders. Systembolaget grades the request for tender by risk on a scale from A (greatest risk) to C. The augmented monitoring mainly applies to requests for tender in the Volume product role, but requests for tender that are prioritised from a CSR perspective are also assigned an A-risk rating.

The product we choose to launch is determined entirely by the product’s sensoric and qualitative properties in relation to those specified in the request for tender. One of the fundamental requirements is, therefore, that the products delivered to our stores are of the same sensoric style, quality and chemistry as the winning tender sample. Our customers must receive the right product and you, as the supplier, should be able to rest assured that the product that has won the blind tasting is the product that ends up on the shelves in our stores.

Winning tenders
The product that wins the tender sampling is sent for chemical analysis and the bottles left from the tender samples submitted are saved for pre-launch checks. The second and third place tender samples from the blind tasting are also saved for A-risk rated requests for tender. We do this to ensure we can carry out the same checks if the winning tender proves unable to deliver the agreed quality.

Launch sampling
The launch samples are used as a checkpoint en route to the launch but are not a formal approval of the quality delivered. The samples are also used for labelling controls and characteristic sampling. A chemical analysis is conducted. The samples are also used for tastings by journalists, provided that there are no question marks when it comes to quality. The extra tender samples submitted for A-risk rated launches are used for comparison testing purposes.

Sampling when sales begin
Sampling when sales begin constitutes the formal approval of the launch and involves comparing the tender samples saved with samples taken from our stores. Triangle testing – special systematic tests during which the request for tender samples are compared with the products taken from our stores – is always conducted for A-risk rated launches. If the triangle test indicates inconsistencies, a comparative quality test is carried out in order to identify any quality discrepancies. If a discrepancy is confirmed, and if the quality discrepancy is adjudged to be significant, a chemical analysis is conducted. The A-risk rated launches always undergo a chemical analysis.

If an inconsistency is identified, we contact the supplier. If the inconsistency is judged to be significant, we return the product on quality grounds. The supplier is then, in accordance with the purchasing terms, given the opportunity to deliver a product with the agreed quality. If this is not possible, Systembolaget will cancel the purchasing agreement for the product in question.

Post-launch controls
Post-launch controls take place after 3 months and entail comparing the product most recently delivered to the stores against the products taken from the stores in conjunction with sampling when sales begin. The A-risk rated items are checked in this way every four weeks in a test that includes chemical analyses.

Guarantee of Supply
Some requests for tender demand a Guarantee of Supply. Where this is the case, it shall be completed correctly and appended to the tender. The party identified in the document as the producer shall be the same party as the one identified as the producer in the tender. The party identified in the document as the supplier shall be the party who submits the tender.
Time to tender? Remember that:

- the persons or person who own(s) the wine at the time when the tender is submitted must be specified as the producer and/or subcontractor in the tender;

- the volumes and the quality that you specify in the tender must be closely monitored and confirmed by the specified producer or producers (either in that they own it themselves or in that they have an agreement that gives them control over the volume). You cannot, for example, switch vintage before you have delivered the volume specified in your tender;

- the tender sample shall be physically, chemically and biologically stable and shall be treated in the same way as the end product will be treated – e.g. the filtration must be the same;

- the tender sample shall be mixed in the same proportions and with the same components/ingredients as the end product. The product delivered in conjunction with the launch must correspond, both chemically and sensorically, to the tender sample.
Alcohol sales in Sweden
- the background to Systembolaget’s 2015 launches

The alcoholic drinks market in Sweden
Systembolaget’s sales in 2013 totalled 468 million litres with a total retail value of SEK 32 billion. These figures correspond to a year-on-year increase of 1.4 per cent in terms of volume, but of 2.4 per cent in value. If importers’ price increases during the year are excluded, the growth in value largely corresponds to the growth in volume, suggesting that the premiumisation trend seen in recent years is now less pronounced.

There were no dramatic movements between the various category groups in 2013. A continued weak fall in sales of spirits and of cider and mixed drinks in favour of beer and wines is apparent, but the categories are otherwise very stable. This trend will, in all probability, continue in the next few years, with the exception of an anticipated increase in cider and mixed drinks as a result of an increase in the number of launches in 2014.

Beer

Sales of beer have remained more or less constant over the last four years, growing by 0.5 per cent by volume between 2009 and 2012. This trend was broken in 2013, however, when the growth by volume rose to 1.7 per cent – the highest increase seen since 2009. A warm and long summer may be one reason for this change, but the growth has primarily occurred in the specialist beer sector where the increase is due, more, to a general growth of interest in beer.

Beer accounts for 49 per cent of Systembolaget’s total sales by volume and 23 per cent of the total retail value. The volume of beer sold in 2013 totalled 231.5 million litres. The value of the beer sold totalled SEK 7.4 billion, corresponding to a year-on-year increase of 3.7 per cent.

The volume of beer sold through the temporary exclusive product range totalled 670,000 litres in 2013. This is still a small percentage of total beer sales, but corresponds to a year-on-year increase of 67 per cent and confirms what we have seen in the fixed range: interest in beer is experiencing strong growth in Sweden. A relatively large percentage of the exclusive beer is, in comparison with other categories, sold outside the biggest towns and cities.

Lager beer

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<tbody>
<tr>
<td>Lager can &lt;= 355 ml (&lt;6.0%)</td>
<td>36,080,470</td>
<td>32,938,703</td>
<td>10%</td>
<td>21%</td>
</tr>
<tr>
<td>Lager can &gt; 355 ml (&lt;6.0%)</td>
<td>97,878,105</td>
<td>100,397,084</td>
<td>-3%</td>
<td>57%</td>
</tr>
<tr>
<td>Lager extra strong can (6.0+ %)</td>
<td>34,503,704</td>
<td>33,122,185</td>
<td>4%</td>
<td>20%</td>
</tr>
<tr>
<td>Dark lager can</td>
<td>1,695,209</td>
<td>1,846,422</td>
<td>-8%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>170,157,489</td>
<td>168,304,394</td>
<td>1%</td>
<td>100%</td>
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</thead>
<tbody>
<tr>
<td>Lager bottle &lt;= 355 ml &amp; &lt;17/ &gt;355 ml &amp; &lt;20 (&lt;6.0%)</td>
<td>36,811,670</td>
<td>37,478,706</td>
<td>-2%</td>
<td>83%</td>
</tr>
<tr>
<td>Lager bottle &lt;= 355 ml &amp; &gt;=17/ &gt;355 ml &amp; &gt;=20 (&lt;6.0%)</td>
<td>2,608,443</td>
<td>1,974,304</td>
<td>32%</td>
<td>6%</td>
</tr>
<tr>
<td>Lager extra strong bottle (6.0+ %)</td>
<td>3,944,682</td>
<td>4,878,487</td>
<td>-19%</td>
<td>9%</td>
</tr>
<tr>
<td>Dark lager bottle</td>
<td>942,878</td>
<td>1,001,769</td>
<td>-6%</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>44,307,673</td>
<td>45,333,266</td>
<td>-2%</td>
<td>100%</td>
</tr>
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Lager sales dominate the category, with 92.7 per cent of the total volume of beer sold. This corresponds to a year-on-year decline of just over 1 percentage point, despite sales of lager beer actually having increased slightly during the year.

Canned lager volumes noted a weak increase during the year, while bottled lager reported a fall of 2.3 per cent. Lager may be assumed to have suffered most in terms of volumes lost to specialist beers, and this is confirmed by the fact that the more expensive bottled segment is going against the general trend for lager beer, reporting an increase of 32 per cent.

The growth in canned lager is occurring exclusively in the smaller can segment, where an increase of 9.5 per cent occurred in 2013.

Extra strong canned lager is experiencing a higher growth than lager beer in general, increasing by 4.2 per cent. At the same time, however, sales of extra strong bottled lager fell by 19 per cent, and the total increase for extra strong lager was consequently just over 1 per cent.

We intend to rejuvenate the pale lager product range in 2015, primarily by means of launches from new countries of origin, but also by focusing on new styles that are more in the style of craft beers.
Specialist beers overtook cider in terms of volume for the first time ever in 2013, with sales increasing year-on-year by 29.5 per cent to 13.4 million litres. In terms of volume, specialist beers account for 7.3 per cent of the total volume of beer sold, but in terms of value, they account for 11 per cent. The volume of specialist beer sold has more than doubled since 2007 and it is, alongside rosé wine, the fastest growing category.

Virtually all segments have noted growth, but the highest growth figures are to be found in segments with a high percentage of craft beers. Given that increase occurred in both the temporary and the fixed ranges, it is clear that the increase is not simply due to a small number of beer enthusiasts but to broader customer groups taking an increasing interest in the category. There is every indication that the trend towards local, smaller breweries will continue. The flavourful hoppy beer that originates from the American craft breweries will probably continue to be in high demand amongst customers, but we intend to slow down our launch rate for ales slightly in order to establish a balance between new launches and recognised brands in our customers' minds.

We will launch a broad palette of styles, in such forms as mixed packs that include different types of beer, in order to continue to provide inspiration and impart knowledge. There is substantial interest in trying new types of beer, and much of our new launch focus is, therefore, linked to the launch of small quantities in the exclusive, temporary range.

There is also a clear interest in beers with a lower alcohol content – up to 4.5 per cent alcohol – and we are keen to see the range develop in this area to ensure that customers who seek flavour over strength have a broad range from which to choose.

### Organic beer

Beer made from organically cultivated raw materials accounted for only 1.2 per cent of total beer volumes in 2013, which is a substantially lower share than those achieved by organic wines or spirits and corresponds to a slight year-on-year reduction. In the fourth quarter of 2013, however, we saw an increase in sales of this type of beer. The share of sales for organic canned pale lager was 0.8 per cent, whilst the equivalent figure for organic specialist beers was 4.8 per cent, and it can, therefore, be assumed that the “real thing” trend is what lies behind both the increasing interest in specialist beers and an increasing interest in organic beers.

Increasing the percentage of total beer sales for which organic beer accounts is one of our strategic goals and we would ask all of our suppliers to submit suggestions and input so that we can expand our organic beer offering in future. We are aware of the challenges that exist in relation to raw material availability and are happy to enter into a discussion of these issues with our suppliers.

### Sales of beer by packaging type

- **Can**
- **Bottle**
- **PET**
- **Barrel**
Cider and mixed drinks account for 3.7 per cent of Systembolaget’s total sales by volume and for 2.6 per cent of the total value of sales. Volumes have fallen, year-on-year, by 2.4 per cent or 427,000 litres, and totalled 17.5 million litres in 2013.

After several years of low launch levels in the category, 2014 will see the launch of a relatively large number of new items and this high new launch rate will continue in 2015.

The customer satisfaction survey that we carried out in 2013 showed that customers were generally satisfied with the flavours included in the range, but that they would like to see drinks with a fresher, slightly drier style, and this is, therefore, something we will continue to seek. Many customers combine cider and mixed drinks with food, and we are seeing signs that the borders between this and other categories – such as demi-sec white wine – are no longer as clearly defined. The base flavours, pear and apple, are still of interest, but this will be complemented with new, more innovative and more contemporary flavours.

Smaller packagings and lower alcohol contents are of the greatest interest to us for 2015, partly due to the clear health trend amongst customers but due also to the fact that the unit price per unit is important to many customers in this category.

Cider

The volume of cider sold decreased slightly, falling by 0.6 per cent to a total of 11.3 million litres in 2013, but the value of cider sales increased during the period by just over 1 per cent. This shows a break in the trend seen last year, when growth of just over 6 per cent was noted, and dry cider, which reported growth of 35 per cent last year, reported almost zero growth in 2013. One probable reason for this stagnation is that customers are increasingly looking for innovation in the segment and there was a lower level of this in the launches that occurred in 2013.

We are, however, seeing an increasing interest in dry cider originating from traditional production countries in Europe, and it looks as though the craft trend in the beer category is in the process of spreading to cider as well.

Sales of sweet cider fell slightly, but still account for almost 10 million litres and are, therefore, the type of cider that defines the category and which the majority of customers in Sweden associate with cider. The development of the range in this area will primarily occur within the basic flavours and we are also keen to see more articles with a lower alcohol content.

Mixed drinks

Sales in the mixed drinks segment fell by 5.5 per cent by volume to 6.2 million litres and the category’s rate of decline has, therefore, slowed in comparison with last year’s fall of 19 per cent. The category has a customer group with a lower average age than other categories, and we are seeing a substantial interest in organic products. We will, therefore, continue to launch new products in this category, in order to achieve breadth in the range, and there will be a particular focus on PET. We have also seen that the customer group that is interested in this category also has a higher level of interest in organic products.
Spirit sales in 2013 totalled 18.9 million litres, or SEK 6,753 million in retail value. Spirits account for 4 per cent of Systembolaget’s total sales volumes, and for 21 per cent of the retail value. Volumes fell by 2.1 per cent during the year, while the fall in retail value was only 1.3 per cent.

Spirit sales have remained fairly stable over a 10-year period, with only moderate variations and a minor break in sales in 2009. The level reached in 2013 was, historically speaking, the lowest sales volume for spirits in Systembolaget’s history. There has been a general trend towards the consumption of lower alcohol drinks for many years now, and this has resulted in the comparatively low sales figures we are now seeing.

Looking at the trend in the longer term, it is white spirits that account for the total decline in volumes, whilst brown spirits in general, and whisky in particular, have remained relatively constant.

The spirits category group is the one with the lowest level of renewal and, indeed, the customer survey carried out by Systembolaget in 2012 showed that customers are very conservative when it comes to making choices within this category group, with greater brand loyalty than that seen in other categories.

White spirits are the biggest category within spirits, with sales of 6.9 million litres. Sales fell by 2.5 per cent during the year in line with a long-term trend. Sales of both large and small bottles have declined, but sales of PET bottles increased by 12 per cent during the year.

Virtually the entire segment is experiencing a decline in sales, with the exception of gin and tequila, both of which reported increases of around 1 per cent.

There is an interest in higher quality products when it comes to gin and we are seeing a greater growth in value than in volumes. Sales of tequila are stable, but we are not seeing the same strong interest in premium items in Sweden as has been seen in many other markets.

Light rum sales grew in previous years, but are now declining at the same rate as the category as a whole, as is also the case for spiced rum.

The decline is even greater for unspiced distilled spirits amongst premium products than amongst products in a lower price bracket. Sales of flavoured vodkas continued to decline, falling by 6.6 per cent in 2013, despite an international trend that has been showing strong growth for a number of years now.

We are also seeing the same trend in the HoReCa sector.

“Spirit sales have reached an historically low level so it is more important than ever before to think about the customer benefit that every single item adds to the range. Sales may be falling, but levels of customer satisfaction with our spirits range is high, and that is a display of confidence in us that we must continue to deserve. We want to invite you, our suppliers, to enter into an open and constructive discussion that starts with the customer, about the future direction of Systembolaget’s spirits range.”

Mats Olauson
Category Manager
Red wine and Spirits
Spiced distilled spirits

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<tbody>
<tr>
<td>Spiced distilled spirits</td>
<td>874,951</td>
<td>902,429</td>
<td>-3%</td>
<td>78%</td>
<td>75%</td>
</tr>
<tr>
<td>Spiced distilled spirits small bottles</td>
<td>292,013</td>
<td>294,482</td>
<td>-1%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Total</td>
<td>1,166,964</td>
<td>1,196,911</td>
<td>-3%</td>
<td>100%</td>
<td>100%</td>
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Spiced distilled spirits are experiencing a long-term, weakly negative sales trend, falling by 2.5 per cent by volume in 2013. The segment is heavily seasonal and approximately half of all volumes are sold around Easter, Midsummer and Christmas.

Half bottles have noted a less negative trend, which suggests that customers are less inclined to keep spiced distilled spirits in stock at home and are, instead, buying it specifically for the occasion when it will be drunk.

Whisky and Whiskey

Whisky and Whiskey, excluding malt whisky, accounts for 6.1 million litres in sales, corresponding to 32.4 per cent of the total volume of spirits sold. The category declined by 3 per cent in 2013, with the decline spread relatively evenly over the different types. The exception to this is American whiskey, sales of which have, by contrast, increased by almost 6 per cent. Sales are primarily increasing amongst the small and exclusive types and sales of these items have increased during the year from 9 to 14 per cent of the segment’s volume.

Malt whisky

Malt whisky enjoys a special position in the Swedish market and deviated from the general downwards trend for spirits in that it increased by 2.4 per cent by volume and by 3.5 per cent by value in 2013. Malt whisky accounts, with its 1.2 million litres sold, for 6.5 per cent of spirit sales volumes and for over 11 per cent of the value of those sales. If sales of all types of whisky or whisky are taken into account, malt whisky accounts for 17 per cent of these sales by volume and for 26 per cent by value.

The Swedish malt whisky customer is knowledgeable and is not as brand loyal as other customers in the spirits category, and we are consequently seeing greater changes in the ranking lists for this category from one year to another. In 2013, two new items joined the ranks of the 20 best-selling items in the segment, which is unusual in the spirits segment.

Malt whiskies from the islands around Scotland account, in Sweden, for an unusually high percentage of malt whisky sales. Islay alone accounts for approximately 25 per cent of sales, and if the other islands are included, the percentage rises to just over 40 per cent of the total volume of sales and 46 per cent of the value of those sales. Swedish malt whisky accounts for a relatively large share of the volume at 6 per cent, and there is also increasing customer interest in other countries of origin, such as Japan.

We are seeing a continued growth in value that is higher than the growth in volume, largely due to the limited availability of cask whisky in Scotland. More and more producers are now tapping whisky without indicating its age in order to meet the growing global demand, but age-indicated whisky still accounts for 80 per cent of sales by volume in Sweden. The age-indicated types of whisky will, in all probability, continue to be most in demand amongst our customers in future. We will, therefore, primarily be looking for these types of whisky, although we will, of course, also welcome suggestions from our suppliers with regard to malt whiskies both with and without age indications.

Digestifs

Sales of digestifs decreased at the same rate as those of spirits as a whole, falling by 2.3 per cent to 987,000 litres. Cognac is the biggest seller in this category, with 400,000 litres sold during the year, but is, nonetheless, steadily declining, falling by 4.3 per cent in 2013. The increase in sales of dark rum by 2.9 per cent to 367,000 litres may mean, in a few years’ time, that cognac is no longer the biggest seller in this category. The most likely alternative beverage of choice for the cognac drinkers amongst our customers is, however, malt whisky, and it is probable that most of the loss in volume by cognac has gone over to this category.
Nordic brand name cognacs account for a massive 75 per cent of total sales, but sales of a number of French brands have increased during the year.

Dark rum has experienced an unbroken series of growth years since 2007 and increased more by value than by volume in 2013, which demonstrates a continued shift towards the more craft types of rum. This category noted a growth in value of 8 per cent during the year.

**Aperitif**

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<tbody>
<tr>
<td>Anise</td>
<td>40,022</td>
<td>41,506</td>
<td>-4%</td>
<td>19%</td>
</tr>
<tr>
<td>Bitters</td>
<td>155,473</td>
<td>156,415</td>
<td>2%</td>
<td>77%</td>
</tr>
<tr>
<td>Other</td>
<td>8,637</td>
<td>9,623</td>
<td>-10%</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>208,131</td>
<td>207,545</td>
<td>0%</td>
<td>100%</td>
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</table>

Aperitifs, as a category, showed weak growth of 0.3 per cent to 208,000 litres in 2013. The bitters segment accounts for almost 80 per cent of the category and is also the only segment to report growth – a growth that is evenly spread over the best-selling items in the segment. Ouzo is predominant amongst the other items. We are not seeing any trend towards absinthe in Sweden, despite the clear trend in this direction in other markets.

**Ready-mixed drinks and cocktails**

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</thead>
<tbody>
<tr>
<td>Ready-mixed drinks</td>
<td>145,044</td>
<td>112,302</td>
<td>29%</td>
<td>73%</td>
</tr>
<tr>
<td>Ready-mixed drinks small bottles</td>
<td>54,124</td>
<td>94,324</td>
<td>-43%</td>
<td>27%</td>
</tr>
<tr>
<td>Total</td>
<td>199,167</td>
<td>206,626</td>
<td>-4%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Ready-mixed drinks and cocktails sales volumes continue to fall, declining by 3.6 per cent in 2013, but we are seeing clear growth amongst the larger packaging items. This type is a good fit with the convenience trend and we will continue to renew this category with the launch of 70 cl bottles.

**Liqueur**

<table>
<thead>
<tr>
<th>Liqueur</th>
<th>2013 Liter</th>
<th>2012 Liter</th>
<th>+/- 2013 andel</th>
<th>2012 andel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chocolate, coffee &amp; nut liqueurs</td>
<td>25,394</td>
<td>30,484</td>
<td>-17%</td>
<td>1%</td>
</tr>
<tr>
<td>Chocolate, coffee &amp; nut liqueurs</td>
<td>95,925</td>
<td>91,995</td>
<td>2%</td>
<td>9%</td>
</tr>
<tr>
<td>small bottles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cream and egg liqueurs</td>
<td>314,046</td>
<td>358,002</td>
<td>-12%</td>
<td>16%</td>
</tr>
<tr>
<td>Cream and egg liqueurs</td>
<td>127,595</td>
<td>137,754</td>
<td>-7%</td>
<td>6%</td>
</tr>
<tr>
<td>small bottles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fruit and berry liqueurs</td>
<td>163,029</td>
<td>163,514</td>
<td>0%</td>
<td>8%</td>
</tr>
<tr>
<td>Fruit and berry liqueurs</td>
<td>252,893</td>
<td>270,925</td>
<td>-7%</td>
<td>13%</td>
</tr>
<tr>
<td>small bottles</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Swedish punch</td>
<td>136,766</td>
<td>144,232</td>
<td>-5%</td>
<td>7%</td>
</tr>
<tr>
<td>Other liqueurs</td>
<td>418,619</td>
<td>414,112</td>
<td>1%</td>
<td>21%</td>
</tr>
<tr>
<td>Other liqueurs small bottles</td>
<td>480,869</td>
<td>476,365</td>
<td>2%</td>
<td>24%</td>
</tr>
<tr>
<td>Total</td>
<td>2,018,037</td>
<td>2,087,383</td>
<td>-3%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Liqueurs are a large category comprising a number of wildly different products in terms both of flavours and areas of use. The category noted a fall of 3.3 per cent to just over 2 million litres sold in 2013, but there were substantial differences in the performance of different segments within the category. Sales of cream- and egg-based liqueurs fell by 12 per cent, spread over the majority of items in the segment. The “other liqueurs” segment, by contrast, grew by 1.5 per cent, with much of the growth occurring in whisky-based liqueurs with an alcohol content of around 35 per cent.

**Wine**

Wine sales increased by 1.7 per cent by volume in 2013 and totalled 197.9 million litres – a figure that corresponds to 42 per cent of Systembolaget’s total sales. The value of the wine sold during this period increased by 3.6 per cent to SEK 16.8 billion, corresponding to 53 per cent of total sales by value. The Swedish market for wine is mature and sales are stable. The positive growth is likely to continue over the next few years.

Wine accounts for over half of our net sales in stores and completely dominates media coverage of our product range. Many customers are open to, and ask about, new launches in the wine segment and the number of launches in 2015 will consequently continue to be high.

Our wine launches will comply with our three core values: consideration, inspiration and expertise. The emphasis we place on the core values varies in line with the different profile roles of the product range. Consideration emphasised most strongly in the volume role, Inspiration in the profile role, and Expertise in the cutting edge role.
Sales of organic wine at Systembolaget decreased in the spring of 2013, only to recover again in the autumn, and sales for the year as a whole were consequently on a par with those in 2012. Growth was high and stable for a number of years up to 2012 and it is clear that the range must be developed to enable us to meet the demands and expectations of our customers. We will therefore continue our focus on organic wines, with launches in all of the range roles.

The trend in ethically certified products took a big step forward in 2013, with sales increasing by a massive 94 per cent. This increase was primarily due to the new launches during the year, but the certification of items that already formed part of the range also played a part. The percentage of ethically certified wines from South Africa, Chile and Argentina rose from 4.8 per cent to 9.6 per cent.

We will continue to launch ethically certified wines from these countries in order to ensure that we can offer our customers a wide range of items from which to choose.

Low alcohol wines
Our mandate means that health aspects are, of course, always central for Systembolaget. We will continue to ensure that the product range contains a good selection of wines in smaller packagings and with lower alcohol contents and will continue to ask for dry wines with an alcohol content of less than 10 per cent. As the availability of this type of item is limited, we are keen to receive input from our suppliers on low alcohol products.

Product range roles
The work with our wine range follows the product range roles that is allocated to the various segments through our product range strategy.

Volume wines
In the volume rule, the country of origin is often subordinate to the taste, which must appeal to a broad target group. The role includes bottles priced at less than SEK 80, boxed wines priced at less than SEK 200, and all tetra packaged wines.

Our aim, within the volume role, is to cover as many taste types as possible and to place considerable emphasis on responsibility issues in that it is impossible to have a positive impact on the world of wine unless some of the biggest volumes are ethically certified or organic.

Price is important to many customers, so we are looking for offerings in all price classes. That having been said, we never put active pressure on prices in conjunction with new launches, opting instead to set the price threshold slightly higher in order not to generate a risk of poorer working conditions during production.

Profile wines
The focus within the profile role is on both breadth and depth, and it is where we try to launch items with unusual countries of origin and taste profiles, along with well-known grapes from the world’s most famed wine-producing areas. The profile role comprises bottles priced at between SEK 80 and 120, smaller bottles, and boxed wines priced at over SEK 200.

The profile role is home to the biggest number of launches and the wines are afforded plenty of space in our stores, due to the fact that all of our customer segments buy the wines from the profile role. Inspiration is important within this role, but there is also plenty of room for the core values consideration and expertise.
**Cutting edge wines**
The cutting edge role is the narrowest of all the roles and focuses on expertise and depth, rather than breadth. The role comprises bottles priced at over SEK 120.

The launches in this role usually come from classic wine-producing areas, such as Italy and France, or well-known grape varieties. A very large part of our launches in the cutting edge role comprise temporary, exclusive launches and the launches made in the fixed range are usually expected to remain part of the range. Country of origin dominates customer interest in this profile, and we are consequently keen to continuously add less well-known wines in order to ensure that the range does not lack variety. We will consequently implement launches that create breadth, rather than depth, in the fixed range.

**Product range role**

**Service**
Segments within the service role are very important to our customers. There is considerable demand for breadth in that the role often comprises wine types that cannot easily be replaced with other items.

We will continue to have a low launch level and the new launches will primarily be designed to ensure a satisfactory range for customers who are looking for specific types of wines.

**Wine sales by packaging type**

**Boxed wines**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Red wine not box or bottle &gt; 500ml</td>
<td>4,188,373</td>
<td>4,680,000</td>
<td>-11%</td>
<td>35%</td>
</tr>
<tr>
<td>Red wine not box or bottle ≤ 500ml</td>
<td>124,017</td>
<td>141,240</td>
<td>-12%</td>
<td>1%</td>
</tr>
<tr>
<td>White wine not box or bottle &gt; 500ml</td>
<td>6,397,199</td>
<td>6,794,876</td>
<td>-6%</td>
<td>51%</td>
</tr>
<tr>
<td>White wine not box or bottle ≤ 500ml</td>
<td>236,695</td>
<td>232,900</td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Rosé not box or bottle</td>
<td>1,672,484</td>
<td>1,674,466</td>
<td>0%</td>
<td>13%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>12,619,458</td>
<td>13,540,030</td>
<td>-7%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sales of wine in other types of packaging decreased by 6.7 per cent to 12.6 million litres, corresponding to just over 6.4 per cent of all wine sales. Demand for wine in cardboard packaging is characterised by a very narrow price band in a low price bracket, and the customer group to which it appeals has been very satisfied by the range for some time now, despite the relative narrowness of the offering.

Cardboard is an extremely good packaging from an environmental viewpoint and we are, therefore, keen to see suggestions for wines of a slightly higher quality capable of challenging perceptions with regard to this packaging type and of achieving success in a slightly higher price bracket.

Boxed wines continue to dominate wine sales in Sweden and the volume of sales in this category totalled 104.4 million litres, corresponding to 52.8 per cent of all wine sales, or 57 per cent if sparkling wines and fortified wines, which are never sold in boxes, are excluded. Sales of boxed wines increased by 2.9 per cent by volume during the year but by 4.6 per cent by value, suggesting a premiumisation trend, and this trend is, indeed, apparent in the fact that the slightly more expensive boxed wines are growing at the expense of boxed wines in lower price bands.

We will continue to launch boxed wines in areas where we can see a lack of offerings, but we also believe that some of the new boxed wines are items that should be launched in the available for order range and which will attract substantial customer demand.
Red wine accounts, with 106 million litres sold, for 53.5 per cent of total wine sales. Volumes decreased by 0.5 per cent in 2013 and we can conclude, on the basis of sales during the summer, that red wine sales are declining in favour of rose wine. Red wine has, however, gained ground over the last few decades: in 1990, red wine accounted for 40 per cent of the total volume of wine sales.

The trend towards more expensive wines continued in 2013. Cut-off points are apparent at SEK 70 and SEK 90 per bottle, with wine costing less than SEK 70 losing 9 per cent of its sales volumes, whilst sales of those costing over SEK 90 increased by 7 per cent. The decrease in sales in the cheap bottled wine segments is probably due to the growth in sales of boxed wines.

A large number of items have moved from the available-for-order range to the fixed range as a result of the introduction of a new product range model. Particular in the most expensive bottled wine segments, which expanded significantly in terms of the number of new items included in the product range of the mix 5 grouping. The majority of the new wines come from Italy and France, but in terms of volume, the trend for different countries of origin is following the trend seen in previous years.

Italy has continued to increase its market share during the past year and now accounts for 35 per cent of volume and 37 per cent of value in the red wine category. The growth is occurring across all of the product range roles: volume, profile and cutting edge. Because we have a relatively large inflow of items from a few countries of origin in the available-for-order range, the launches in 2015 from Italy will primarily be drawn from areas that help increase the breadth of the product range.

France, Portugal and New Zealand also saw increases in volume during the year. Sales of red wines from Chile decreased by volume, but increased by value. Europe, which accounted for 45 per cent of sales in 2009, accounted for almost 60 per cent of sales in 2013. This trend is due to, amongst other things, substantial customer demand for wine from a few Italian regions.

The percentage of single varietal wines has increased, over the last five years, from approx. 45 per cent to 55 per cent. Country of origin is, however, still more important than varietal for our customers, whatever the price bracket or packaging type.

Organic wines accounted for 6.2 per cent of red wine sales, corresponding to a weak year-on-year increase. Spain, Argentina and Italy collectively account for 75 per cent of sales by volume, and there are still countries of origin with virtually no organic volumes at all. We welcome suggestions as to how we can increase the number of organic items from popular countries of origin, such as Australia and South Africa.

White wine accounted for 31 per cent of all wine sold in 2013, with sales of 61.4 million litres. Sales grew by 1.2 per cent by volume, while the growth by value was almost 4 per cent. The average price per litre was SEK 74, in contrast with the average price per litre for red wine, which was just over SEK 85.
Customers are, generally speaking slightly less interested in white wines than in reds, as shown by the fact that they are less inclined to try new products in the whites area. White wines launched in 2013 accounted for 6.6 per cent of sales, while the corresponding figure for reds was 11.9 per cent.

The market share for organic wines in the whites category was 5 per cent, which is lower than the corresponding share for red wines. There is, however, a strong trend towards bottled white wines, with organic wines accounting for just over 10 per cent of the volume of sales, showing the importance of identifying new volumes – particularly for boxed wines – in order to increase organic white wines’ share of sales.

### White wine

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>White wine (0−59)</td>
<td>3,375,413</td>
<td>3,561,278</td>
<td>-5%</td>
<td>5%</td>
</tr>
<tr>
<td>White wine (60−69)</td>
<td>4,569,583</td>
<td>4,734,787</td>
<td>-3%</td>
<td>7%</td>
</tr>
<tr>
<td>White wine (70−79)</td>
<td>3,627,541</td>
<td>3,607,058</td>
<td>3%</td>
<td>6%</td>
</tr>
<tr>
<td>White wine (80−89)</td>
<td>2,814,320</td>
<td>2,550,012</td>
<td>11%</td>
<td>9%</td>
</tr>
<tr>
<td>White wine (90−99)</td>
<td>1,593,365</td>
<td>1,453,817</td>
<td>10%</td>
<td>3%</td>
</tr>
<tr>
<td>White wine (100−119)</td>
<td>1,403,764</td>
<td>1,312,760</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>White wine (120−149)</td>
<td>913,274</td>
<td>784,803</td>
<td>16%</td>
<td>1%</td>
</tr>
<tr>
<td>White wine (150+)</td>
<td>342,004</td>
<td>306,130</td>
<td>12%</td>
<td>1%</td>
</tr>
<tr>
<td>White wine small bottles</td>
<td>618,011</td>
<td>580,633</td>
<td>6%</td>
<td>1%</td>
</tr>
<tr>
<td>White wine large bottles</td>
<td>32,646</td>
<td>25,886</td>
<td>26%</td>
<td>0%</td>
</tr>
<tr>
<td>White wine box 1.5−2l</td>
<td>647,769</td>
<td>489,807</td>
<td>32%</td>
<td>1%</td>
</tr>
<tr>
<td>White wine box &gt;=3l (SEK 0−56.6/l)</td>
<td>15,076,711</td>
<td>16,479,932</td>
<td>-9%</td>
<td>25%</td>
</tr>
<tr>
<td>White wine box &gt; 500 ml</td>
<td>6,397,119</td>
<td>6,794,969</td>
<td>-6%</td>
<td>10%</td>
</tr>
<tr>
<td>White wine not box or bottle &gt;500 ml</td>
<td>236,965</td>
<td>232,900</td>
<td>2%</td>
<td>0%</td>
</tr>
<tr>
<td>Total</td>
<td>61,384,373</td>
<td>60,627,730</td>
<td>1.2%</td>
<td>100%</td>
</tr>
</tbody>
</table>

As with red wines, we are seeing a trend towards more expensive wines, with sales of wines costing less than SEK 60 per bottle decreasing, year-on-year, by almost 10 per cent. Sales of wines costing between SEK 60 and SEK 80 remained, in principle, stable, whilst sales of wines costing over SEK 80 per bottle increased by almost 12 per cent.

South Africa is the country of origin with the highest market share by both volume and value, enjoying just over 25 per cent of sales by volume and 20 per cent of sales by value. France is, in terms of value, almost as significant, accounting for 18 per cent of sales by value and a volume share of 12 per cent. One litre of South African wine costs an average of just under SEK 61, while one litre of French wine costs an average of SEK 112 – which is almost double the amount.

Different segments are dominated by different countries of origin: South Africa predominates in boxed wines, while Germany and Spain dominate in bottled wines costing up to SEK 70 and Spain tetra packaging, respectively. France enjoys a very high market share in the most expensive segments, with a 79 per cent share of sales for bottled wines costing in excess of SEK 150. Much of the category work in the cutting edge segment entails broadening and deepening the range in the areas most in demand amongst customers. The customer who buy from the volume and profile roles are considerably more open to different countries of origin and wine types.

Rosé wines accounted for 7.2 per cent, or 14.1 million litres, of total wine sales in 2013. This corresponds to a year-on-year increase of 19.7 per cent in what was a return to the growth figures that have characterised the past seven years with the exception of 2012, when we saw zero growth. The category’s value exceeded SEK 1 billion for the first time, totalling SEK 1,063 million – proof that rosé wine has now achieved its own, independent status within the wine range.

The average price of rosé wine was just over SEK 75 per litre, which is slightly higher than the average price for white wine. As in previous years, we are seeing the greatest growth amongst boxed wines and bottled wines costing in excess of SEK 70, with increases in sales of 25 per cent and 35 per cent, respectively. The growth in sales of small bottles also exceeded the average for the category as a whole, while the tetra packaging segment essentially reported sales on a par with those achieved last year. In a noteworthy divergence from the trend for red and white wines, where there has been a bigger shift to the boxed wines segment, the segment for bottled wines costing under SEK 70 noted a 12 per cent increase in sales.

The growth in this category exists within the narrower, “food accompaniment wines” sector, where, French wines saw a 64 per cent growth and are now the biggest country of origin with a market share of 17.7 per cent. Sales of fruity, sweet rosé wines from
the USA rose by 11 per cent, and while the USA is still ranked second in terms of sales by country of origin, with a market share of 15.5 per cent, its share of the rosé category nonetheless decreased.

Organic wine only accounts for 1.8 per cent of sales in this category, so considerable potential exists for expanding its share and we are keen to see input on all types of organically labelled rosé wines from our suppliers. Wines with a low alcohol content performed better, with over 5 per cent of sales by volume accounted for by wines with an alcohol content of less than 10 per cent.

**Sparkling wines**

<table>
<thead>
<tr>
<th>Sparkling wine</th>
<th>2013 Litre</th>
<th>2012 Litre</th>
<th>+/- 2013</th>
<th>2012 andel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sparkling wine SEK Offerings</td>
<td>2013</td>
<td>2012</td>
<td>2013 Offerings</td>
<td>2012 Offerings</td>
</tr>
<tr>
<td>Sparkling wine SEK 0–69</td>
<td>1,176,014</td>
<td>1,237,279</td>
<td>-5%</td>
<td>13%</td>
</tr>
<tr>
<td>Sparkling wine SEK 70–99</td>
<td>3,287,005</td>
<td>2,732,032</td>
<td>20%</td>
<td>37%</td>
</tr>
<tr>
<td>Sparkling wine SEK 100+</td>
<td>1,345,750</td>
<td>1,176,639</td>
<td>14%</td>
<td>15%</td>
</tr>
<tr>
<td>Sparkling wine small bottles</td>
<td>371,298</td>
<td>346,406</td>
<td>7%</td>
<td>4%</td>
</tr>
<tr>
<td>Sparkling wine large bottles</td>
<td>110,332</td>
<td>128,829</td>
<td>-8%</td>
<td>1%</td>
</tr>
<tr>
<td>Sweet sparkling wine</td>
<td>723,450</td>
<td>695,290</td>
<td>4%</td>
<td>8%</td>
</tr>
<tr>
<td>Sweet sparkling wine small bottles</td>
<td>64,424</td>
<td>64,789</td>
<td>-1%</td>
<td>1%</td>
</tr>
<tr>
<td>Sparkling rosé</td>
<td>1,289,587</td>
<td>1,173,478</td>
<td>1%</td>
<td>15%</td>
</tr>
<tr>
<td>Sparkling rosé small bottles</td>
<td>41,516</td>
<td>39,767</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Other sparkling wine</td>
<td>363,735</td>
<td>413,884</td>
<td>-12%</td>
<td>4%</td>
</tr>
<tr>
<td>Total</td>
<td>8,742,011</td>
<td>8,005,839</td>
<td>9%</td>
<td>100%</td>
</tr>
</tbody>
</table>

**Dessert wines**

<table>
<thead>
<tr>
<th>Dessert wine</th>
<th>2013 Litres</th>
<th>2012 Litres</th>
<th>+/- 2013</th>
<th>2012 andel</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sweet white wine</td>
<td>150,214</td>
<td>181,030</td>
<td>-17%</td>
<td>7%</td>
</tr>
<tr>
<td>Sweet white wine small bottles</td>
<td>91,018</td>
<td>94,297</td>
<td>-3%</td>
<td>4%</td>
</tr>
<tr>
<td>Red port</td>
<td>207,117</td>
<td>211,007</td>
<td>-2%</td>
<td>10%</td>
</tr>
<tr>
<td>Red port small bottles</td>
<td>62,754</td>
<td>65,318</td>
<td>-4%</td>
<td>3%</td>
</tr>
<tr>
<td>White port</td>
<td>16,736</td>
<td>20,067</td>
<td>-17%</td>
<td>1%</td>
</tr>
<tr>
<td>Sweet sherry/Montilla</td>
<td>71,391</td>
<td>73,283</td>
<td>-3%</td>
<td>3%</td>
</tr>
<tr>
<td>Sweet sherry/Montilla small bottles</td>
<td>9,047</td>
<td>11,397</td>
<td>-13%</td>
<td>0%</td>
</tr>
<tr>
<td>Madeira</td>
<td>55,089</td>
<td>58,087</td>
<td>-5%</td>
<td>3%</td>
</tr>
<tr>
<td>Madeira small bottles</td>
<td>26,132</td>
<td>27,273</td>
<td>-4%</td>
<td>1%</td>
</tr>
<tr>
<td>Flavoured wine</td>
<td>850,337</td>
<td>881,723</td>
<td>-4%</td>
<td>4%</td>
</tr>
<tr>
<td>Flavoured wine small bottles</td>
<td>6,170</td>
<td>4,584</td>
<td>35%</td>
<td>0%</td>
</tr>
<tr>
<td>Sweet fruit wine</td>
<td>284,653</td>
<td>301,261</td>
<td>-6%</td>
<td>14%</td>
</tr>
<tr>
<td>Sweet fruit wine small bottles</td>
<td>25,220</td>
<td>25,248</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Other dessert wine</td>
<td>161,014</td>
<td>176,278</td>
<td>-9%</td>
<td>8%</td>
</tr>
<tr>
<td>Other dessert wine small bottles</td>
<td>24,185</td>
<td>23,168</td>
<td>-4%</td>
<td>1%</td>
</tr>
<tr>
<td>Total</td>
<td>2,042,777</td>
<td>2,154,322</td>
<td>-5%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Sales of dessert wines decreased by 5 per cent to 2.1 million litres in 2013 as part of a trend that has been ongoing for some time now. Traditional wines that have held a place in this segment for many years account for the biggest reductions, but the decline is a general one and no single type of wine has shown positive growth. All of these segments are regarded as service segments and are refreshed on a modest scale only.
Aperitifs are a category that includes numerous different types of wine and one in which sales decreased by 5.8 per cent to 1.5 million litres. The decline is a trend being repeated in many countries where dry wines with relatively high alcohol content are moving in the opposite direction to the majority of trends we are seeing in the outside world. Again, the decline is a general one and the launch level will continue to be low.

Non-alcoholic beverages

Sales of non-alcoholic beverages increased by 9.6 per cent in 2013 to 2.4 million litres, corresponding to 0.5 per cent of Systembolaget’s total sales. The volume of non-alcoholic beverages sold has quadrupled since 2003 and the value of sales last year totalled SEK 124 million, corresponding to an increase of 17.9 per cent. The greater increase in value is mainly due to the revision of the pricing model in late 2012, but an increased interest in craft alcohol-free beverages has also played a part.

The interest in alcohol-free products amongst our customers is primarily driven by the fact that the product range is of high quality and more attractive than the range normally available in grocery retail stores. We are keen to assume the role of market leader for alcohol-free beverages and would encourage all of our suppliers to innovate in this area. The alcohol-free range is a priority one for Systembolaget and we are constantly reviewing its composition in order to ensure our ability to offer our customers a world-class range.

Sales of alcohol-free wines decreased by 7.2 per cent by volume in 2013, showing the need for a renewal of this range – sales of alcohol-free beer increased by 18.9 per cent during the corresponding period. There is, however, considerable interest on the part of producers in developing the wine category and we are keen to receive our suppliers’ input in this area, particularly when it comes to alcohol-free red wine.

Alcohol-free Christmas soda and other alcohol-free beverages grew very strongly, once again, with sales increasing by 43 per cent and 28 per cent, respectively, and we are delighted that customers are so appreciative of our alcohol-free beverages.

The latest information on impending requests for tender for alcohol-free beverages is available via the Supplier portal, with details of the dates that apply for the respective requests for tender, approximately how many products we intend to buy in, and a brief description of the main type of product for which we are looking. When evaluating the products Systembolaget takes into account not only the sensoric quality, but anticipated customer demand, the look of the packaging, the brand, and the price. Alcohol-free launches are not included in the launch plan.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sherry/Montilla</td>
<td>126,541</td>
<td>140,507</td>
<td>-10%</td>
<td>8%</td>
<td>8%</td>
</tr>
<tr>
<td>Sherry/Montilla small bottles</td>
<td>72,800</td>
<td>72,530</td>
<td>0%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Vermouth</td>
<td>517,364</td>
<td>675,755</td>
<td>-25%</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td>Vermouth small bottles</td>
<td>89,144</td>
<td>98,290</td>
<td>0%</td>
<td>5%</td>
<td>4%</td>
</tr>
<tr>
<td>Aperitif</td>
<td>529,861</td>
<td>516,016</td>
<td>3%</td>
<td>34%</td>
<td>31%</td>
</tr>
<tr>
<td>Aperitif small bottles</td>
<td>86,421</td>
<td>105,511</td>
<td>-18%</td>
<td>5%</td>
<td>6%</td>
</tr>
<tr>
<td>Sake</td>
<td>19,635</td>
<td>19,988</td>
<td>-2%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Dry fruit wine</td>
<td>13,653</td>
<td>19,588</td>
<td>-30%</td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Other wines</td>
<td>353,220</td>
<td>276,383</td>
<td>28%</td>
<td>15%</td>
<td>12%</td>
</tr>
<tr>
<td>Total</td>
<td>1,581,284</td>
<td>1,680,724</td>
<td>-6%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

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Contact information

**Purchasing Director**
Sara Norell
+46 8 503 325 60
sara.norell@systembolaget.se

**Category Managers**
The Category Managers should be contacted in connection with enquiries relating to categories, segments, product range mix plans, and evaluation.

See the Supplier portal for the latest category breakdown.

For general questions not related to an individual category, please contact the Category Managers at the following Group email address:
kategoriansvariga@systembolaget.se

**Group Manager**
Ulf Sjödin
+46 8 503 303 76
ulf.sjodin@systembolaget.se

**Märta Kuylenstierna**
+46 8 503 302 92
marta.kuylenstierna@systembolaget.se

**Mats Olauson**
+46 8 503 325 71
mats.olauson@systembolaget.se

**Category Manager until 31 August 2014**
Gad Pettersson
+46 8 503 325 68
gad.pettersson@systembolaget.se

**Assistant Category Manager**
Emelie Westrup
+46 8 503 327 16
emelie.westrup@systembolaget.se

**Maternity leave until 31 August 2014**
Anna Rosenberg
+46 8 503 325 56
anna.rosenberg@systembolaget.se

**Product quality Manager**
Jonas Röjerman
+46 8 503 311 58
jonas.rojerman@systembolaget.se
Purchasers
Questions relating to the Purchasers’ areas of responsibility should be addressed to the Purchaser in question, while general issues relating to tenders, purchasing and launches are best addressed to the Assistant Purchaser in question.

See the Supplier portal for the latest breakdown of areas as of responsibility.

Group Manager
Fredrik Arenander
+46 8 503 301 27
fredrik.arenander@systembolaget.se

Johan Ahlstedt
+46 8 503 303 47
johan.ahlstedt@systembolaget.se

Josef Andirik
+46 8 503 302 57
josef.andirik@systembolaget.se

Anders Barrén
+46 8 503 311 25
anders.barren@systembolaget.se

David Benge
+46 8 503 303 87
david.benge@systembolaget.se

Sebastian Braun
+46 8 503 325 82
sebastian.braun@systembolaget.se

David Jean
+46 8 503 303 95
david.jean@systembolaget.se

Johan Larsson
+46 8 503 305 66
johan.larsson@systembolaget.se

Magnus Lindblom
+46 8 503 325 85
magnus.lindblom@systembolaget.se

Göran Klintberg
+46 8 503 325 61
goran.klintberg@systembolaget.se

Assistant Purchasers
The Assistant Purchasers should primarily be contacted via bitradandeinkopare@systembolaget.se +46 8 503 303 27

Staffan Adin
+46 8 503 303 71
staffan.adin@systembolaget.se

Per Malmring
+46 8 503 306 39
per.malmring@systembolaget.se