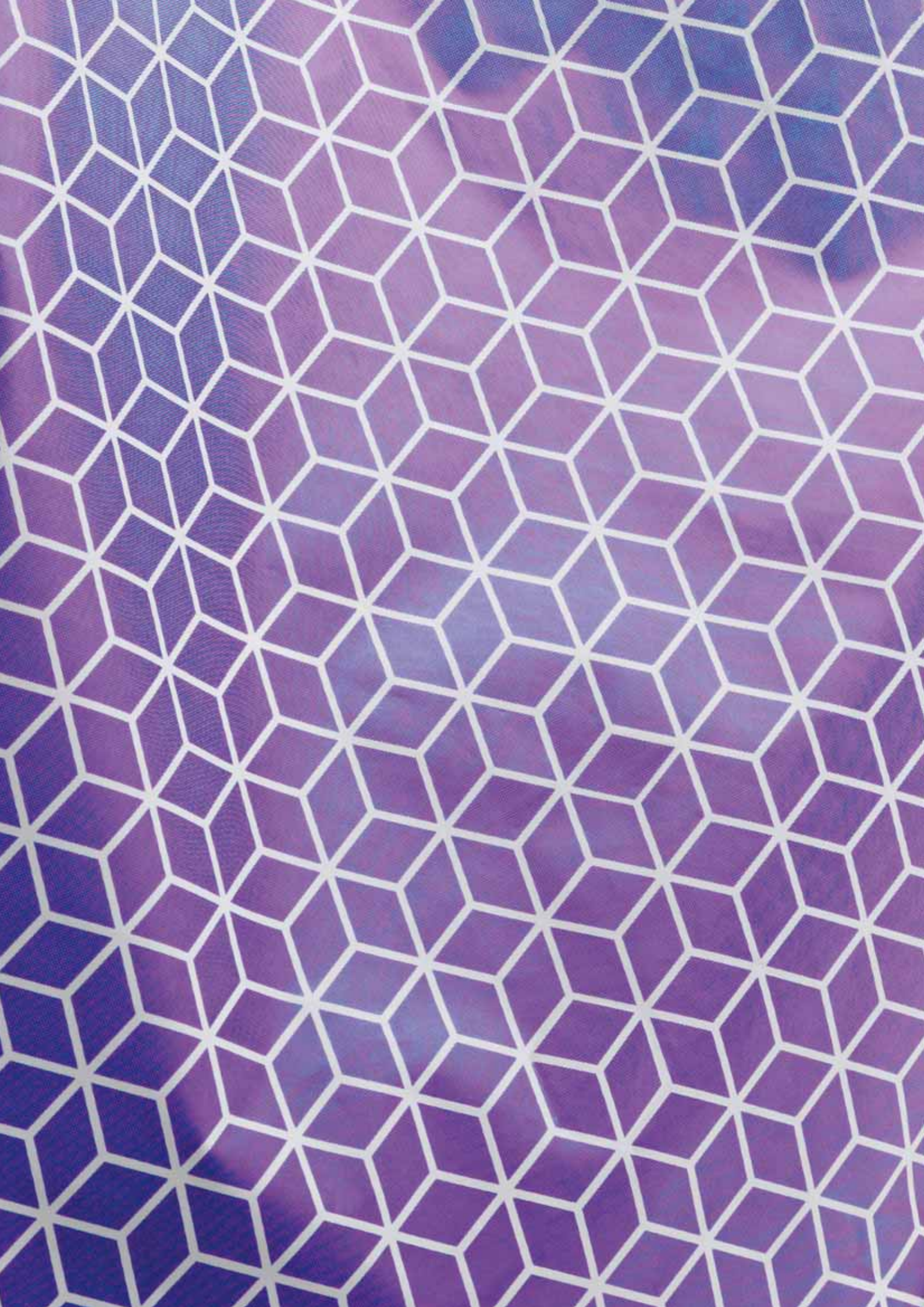


The cover features a purple and blue geometric pattern of interconnected hexagons and pentagons. A light green tag with a scalloped bottom edge is centered, containing the text 'Annual Report 2010'. A thin black line extends from the top of the tag.

Annual Report
2010



2010 – a year of adjustment for Apoteket

Challenges during the year



At year-end 2010, the market share in the outpatient pharmacy segment was about 35%.

2010 was a year of adjustment for Apoteket, and one that presented a number of major challenges. The comprehensive reregulation of the Swedish pharmacy market meant that Apoteket encountered competition in all markets. A total of 615 pharmacies with about 5,000 employees were smoothly transferred to new owners, with customer safety intact. Operations were adjusted to a considerably smaller market share, at the same time as major efforts were devoted to forward-looking ventures to ensure that Apoteket provides customers with the best offering on the market.

Read more about changes at Apoteket in this annual report.



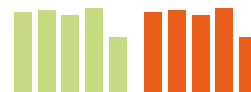
Sweden's leading pharmacy player

Apoteket's aim is to continue to be a leading player in a changed and competitive pharmacy market. Apoteket offers consumers nationwide drugs and attractive health products. The aim of our counselling is to provide inspiration for a healthy life and make it easier to feel good. Apoteket has a large range of knowledge-based services and supplies drugs to a wide variety of activities in the nursing and healthcare market. Key customers in this market are county councils, municipalities and nursing companies.

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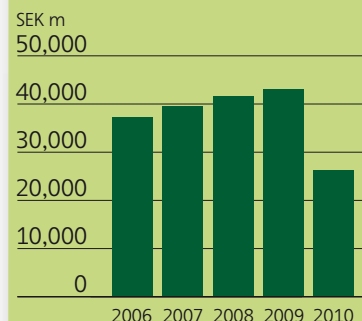
2010 in brief

- Net sales totalled SEK 26,275 m (43,073). Net sales in comparable pharmacies rose 1.9%.
- Operating earnings amounted to SEK 63 m (804).
- Net earnings totalled SEK 4,520 m (532), of which capital gains from the sale of subsidiaries accounted for SEK 4,430 m. Earnings per share totalled SEK 25,829 (3,040). Adjusted for capital gains, earnings per share were SEK 514.
- During the first quarter, 615 pharmacies were transferred in stages to new owners.
- Ann Carlsson took up her position as the new President and CEO on 15 November.

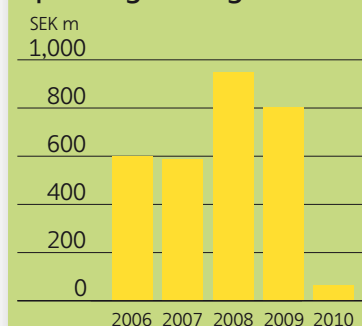
Key figures	2010	2009	2008
Net sales, SEK m	26,275	43,073	41,710
Gross earnings, SEK m	5,189	8,901	8,447
Operating earnings, SEK m	63	804	950
Net earnings, SEK m	4,520	532	711
Earnings per share, SEK	25,829	3,040	4,063
Cash flow, SEK m	-577	-244	551
Operating margin, %	0.2	1.9	2.3
Gross profit margin, %	19.7	20.7	20.3
Equity/assets ratio, %	56.6	34.5	32.8
Return on equity, % ¹⁾	77.3	13.5	19.9
Average number of employees ²⁾	5,655	10,319	10,666

¹⁾ Return on equity, adjusted for capital gains of SEK 4,430 m, was 2.5%.
²⁾ The decrease during the year resulted primarily from the transfer of employees to new employers in conjunction with the sale of 615 pharmacies.

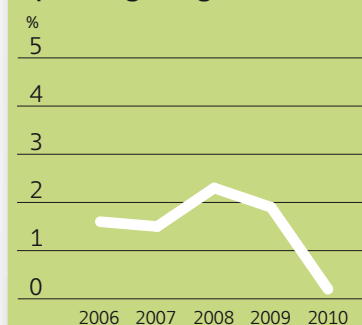
Net sales



Operating earnings



Operating margin



2010 – a year of adjustment for Apoteket

The reregulation of the pharmacy market gained its full impact on Apoteket over the course of 2010. During the year, 615 pharmacies were sold to new players, with the workforce declining from 10,319 employees to 5,655. Earnings were charged with reregulation and restructuring costs totalling SEK 244 m. Overall, these major changes resulted in decreases in net sales, lower operating earnings and operating margin.

Apoteket is to be the pharmacy for all of Sweden!



Apoteket continues to hold a strong market position and our customers have considerable confidence in us. This was noted in December, for example, when Apoteket was awarded a prize by the Association of Swedish Advertisers for long-term brand building. For me as the new President and CEO, it is inspiring to be given the opportunity to head a company that is so well positioned in the new market situation. I'm convinced that competition will stimulate us as a company.

Apoteket's sales and operating earnings declined compared with the preceding year. The primary reason, of course, was that a large number of pharmacies in the retail chain were sold during the first quarter of 2010. Operating earnings totalled SEK 63 m, based on sales amounting to SEK 26,275 m. During 2010, operating earnings were charged with non-recurring items relating to restructuring and development costs for the new IT system, which has been adapted for the reregulated pharmacy market. The return on equity, excluding capital gains from the sale of subsidiaries, was 2.5%. The equity/assets ratio was 56.6%.

While Apoteket is facing stiff competition in all markets in which it is active, our owner has imposed clear profitability requirements on us. I find the overall situation stimulating – I'm spurred on by competition and clear requirements.

A year of change

The past year was one of radical change for Apoteket. We divested 615 of our pharmacies and about 5,000 employees thereby switched to new employers. I feel it was an achievement to transfer 615 pharmacies to new owners – while retaining security and delivery assurance for customers.

For Sweden's pharmacy customers, the change in the pharmacy market has been noticeable. I'm thinking primarily of two developments during the past year: firstly, customers were given the opportunity to select from among 20 pharmacy owners; secondly, it became possible to buy non-prescription drugs at more than 7,000 retail outlets.

After having focused our energy on programmes of change, we opened new pharmacies during the latter part of the year and launched campaigns via commercial media. Overall, we established

24 pharmacies during the year, of which 13 were completed in the fourth quarter. A significant milestone during the final quarter was that on 1 October we opened our first franchise pharmacy. The plan is to switch 50 pharmacies to franchise operation during 2011. I'm convinced that our focus on franchise activities will add benefits to how we develop our business in the consumer market, while simultaneously being viewed as an attractive employer.

Competition in nursing and healthcare also became tougher during the year. The subsidiary, Apoteket Farmaci, won the key procurement contract for the supply of drugs and the manufacture of extemporaneous drugs for the Skåne region (southern Sweden). However, we also lost procurement contracts due to the stiff competition, which is only natural and offers us valuable lessons for the future, when we will develop and enhance our offering. I'm confident that Apoteket Farmaci will continue to be the leader in this market.

During 2010, we emphasised the importance of adjusting and efficiency-enhancing our operations. We strengthened our purchasing organisation, launched a modernisation of the IT support system, established a function for goods supply and continued our consolidation of the multidose-dispensing pharmacies. Of course, these efforts required considerable energy, but they also meant that we created favourable conditions for a continuing competitive offering.

Best customer offering wins

Now as we close the books on 2010, I would like to take the opportunity to look ahead. On a highly competitive market that offers many new choices for our customers, our paramount challenge is to provide the market's best customer offering. The customer should always perceive us as credible and considerate. We plan to improve and consistently develop our offering while spearheading progress in the health field. Our aim is to ensure that customers choose Apoteket's stores, and that municipalities and county councils opt for Apoteket's tenders for procurement contracts.

In the period ahead, I would like Apoteket to look at new sales channels, and business collaboration that creates new services in the

*"I'm convinced
that competition
will stimulate
us as
a company."*

“We must listen carefully to the customer, dare to be innovative and provide the market’s best offering.”

nursing and consumer market – both in Sweden and abroad. All for the purpose of ensuring that we are perceived as the market leader.

Other areas in which we could improve our performance include purchasing and our product line. Thanks to superior prices and closer cooperation with our suppliers, we can offer an attractive product range at competitive prices.

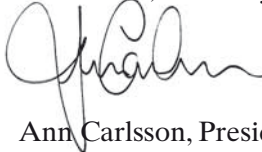
We shall also further develop our goods supply so that – using a sustainable approach – we enhance the efficiency of transport and deliveries to all stores. Customers expect responsible companies and it is important that they can purchase Apoteket products with a good conscience. Apoteket plans to carry on working on strategic sustainability programmes with continuing favourable profitability, permitting us to develop new offerings to match customer requirements.

Apoteket’s employees – our key asset

I feel it a great privilege to have the opportunity to lead Apoteket. I am profoundly impressed after my many visits to Apoteket’s various operations. I feel tremendous confidence in all our skilled and committed employees. We must continue to work towards attracting, developing and retaining our workforce. The goal is to recruit the very best in the sector – those who wish to work in a values-governed and profitable company and who are inspired by realising the vision of a healthy life.

Finally, we must listen carefully to the customer, dare to be innovative and provide the market’s best offering. With committed employees, a strong brand and a robust financial base, we are well poised to meet the challenges ahead of us.

Stockholm, February 2011



Ann Carlsson, President and CEO

Administration Report

The Board of Directors and the President of Apoteket AB (publ.), Corp. Reg. No. 556138-6532, hereby submit the annual accounts and consolidated financial statements for the financial year 1 January–31 December 2010.

Owner

As of 29 April 2010, Apoteket is once again owned directly by the Swedish State. During the reregulation process, Apoteket was owned by Apoteket Omstrukturering AB, which in turn was 100% owned by the State.

The number of shares in Apoteket AB totals 175,000.

Significant events of 2010

- During the first quarter, the 465 pharmacies that Apoteket sold to new owners were gradually transferred, and in March the subsidiary Apoteksgruppen i Sverige, with its 150 pharmacies, was spun off allotted to Apoteket's then owner, the Parent Company Apoteket Omstrukturering AB.
- March saw the termination of most of the curtailments that applied to Apoteket during what was referred to as the stand-still period during the sales process.
- On 30 June, the subsidiary Apoteket Produktion & Laboratorier was spun off to the State.
- As part of its international focus, Apoteket established a wholly owned subsidiary in Germany for the supply of multidose dispensed drugs to the expanding German market.
- As part of efforts to secure efficient goods supply, Apoteket established a wholesale function in cooperation with Schenker Logistics AB, commencing on 1 July. Apoteket received a permit for cash-and-carry sales for drugs and, effective 1 October, this operation also included deliveries of non-prescription drugs.
- Consolidation of multidose dispensed drugs operations commenced during the fourth quarter. In November, production was relocated from Linköping to Örebro. A decision was also made to switch production in Växjö to Malmö during the first half of 2011.
- Apoteket Farmaci won the procurement contract for extemporaneous drugs and drugs supply for the Skåne region (southern Sweden). Commissions on behalf of the county councils in Kalmar, Kronoberg and Blekinge counties will cease during the first quarter of 2011, and for Gotland and Västmanland during the third quarter of 2011.



- Apoteket opened 24 new pharmacies in 2010.
- Ann Carlsson took up her position as the new President and CEO on 15 November.

Business environment, market and trends

Apoteket currently works on a reregulated pharmacy market in competition with many other players. Reregulation was carried out in a number of stages. The nursing and healthcare market was opened to competition as of 1 September 2008 and the county councils already had the potential to assume responsibility for the supply of drugs. As of 1 November 2009, the sale of prescription drugs in retail outlets became permissible. 2009 also witnessed the sale of about two-thirds of Apoteket's pharmacies: 465 till to private players, who gradually took over the facilities during the first quarter of 2010, and an additional 150 to the newly established Apoteksgruppen, a State-owned pharmacy chain for small businesses.

International activities

The pharmacy market is strictly regulated in most European countries. The EU Service Directive, which came into effect during 2010, exempts services in the health sector. Each member state may set its own criteria regarding the ownership and location of pharmacies, and the sale of non-prescription drugs. In 12 EU member states, only pharmacists may own pharmacies, while 17 member states apply geographic and/or demographic criteria and 13 member states have rules stating that non-prescription drugs may be sold only via pharmacies.

The two major issues in the EU in the drugs area are, firstly, the proposals in what is referred to as the Pharmaceuticals Package, and, secondly, the Patients' Rights Directive. The Pharmaceuticals Package comprises three proposals: information for patients on prescription drugs, monitoring of drug utilisation and counterfeit medicines. There is still uncertainty regarding if and when the first directive will be ratified; while the two others have already been adopted (December 2010 and February 2011, respectively), and are now being implemented in Swedish legislation.

Meanwhile, rapid change is in progress in markets throughout Europe as a keener focus on the cost of pharmaceuticals exerts greater price pressure at all stages. Major players are integrating vertically and the trend is towards greater consolidation and the establishment of chains. The three major, internationally active companies – Celesio, Phoenix and AllianceBoots – have a combined share of 50% of the wholesale market in Europe. In the UK and Norway, where markets were deregulated at least ten years ago, the major pharmacy chains dominate.

Prescription drugs

Sales of prescription drugs¹⁾ in Sweden in 2010 amounted to SEK 25,095 m, up 0.3% from the preceding year. The marginal increase was due mainly to the lapse of many patents, which increased sales of lower cost generic preparations.

At the same time, the level of prescription is rising. Chronic common illnesses such as asthma and allergies, diabetes and cardiovascular diseases require treatment with drugs. The trend is also affected by rising average life expectancy and by an increasing number of people receiving multi-diagnoses that must be treated with a variety of drugs.

Consumer market

On the new pharmacy market, Apoteket encounters competition from pharmacy chains and independent pharmacies, as well as from closely related sectors, such as the health food trade, service trade and convenience goods stores.

The consumption of non-prescription drugs and other health products is relatively immune to economic conditions. Major sellers are pain killers, nicotine substitutes and nose drops. About 7,000 service and convenience stores have permits to sell non-prescription drugs, accounting for almost 14% of total sales in the third quarter of 2010.


Apoteket has a market share of about 35% in the new pharmacy market. The start-up rate for new outlets is high, with some 200 new pharmacies opening in 2010. Major competitors are Apoteket Hjärtat, Kronans Droghandel, Apoteksgruppen, Medstop and Vårdapoteket. International players have emerged, including the German chain Doc Morris Pharmacies, which is owned by Celesio, and Alliance Boots, which started a retailer-owned chain in cooperation with the Swedish Pharmaceutical Association (Farmaceutföretagarna).

Sector convergence of pharmacies and the convenience goods trade is gaining momentum, as exemplified by the ICA supermarket chain's launch of ICA Cura, a store-in-store pharmacy concept.

Nursing and healthcare

The social costs of improper drug utilisation are considerable and qualified drug utilisation reviews raise the effectiveness of nursing activities and contribute to higher patient safety and life quality.

The overall cost of drugs amounts to some SEK 30 billion annually. The cost trend is driven primarily by new drugs and improved treatment of chronic illnesses, a rising number of elderly people and those suffering from multiple illnesses, drug treatment of lifestyle diseases and special drugs. Pressure on the public financing systems that underpin hospital care and pharmaceuticals,



200 new pharmacies started up during 2010.

¹⁾ Excluding prescriptions from veterinary surgeons.

More than half of all Swedes seek information on health and medical issues on the Internet.

combined with a keener focus on patient safety, is the key driving force underlying the higher demand for pharmaceutical expertise.

The Swedish Government is placing stimulus funds at the disposal of municipalities and county councils in a bid to raise the quality of nursing and healthcare for the elderly. A total of SEK 1.3 billion was distributed in 2010.

It is only now that the new competitive situation is impacting on the nursing and healthcare market. An increasing number of county councils are employing pharmacists and run operations using their own resources. Apoteket is also encountering new competitors in all areas concerning the procurement tenders on offer.

County Councils have been permitted to procure drug suppliers since 1 September 2008 and they also have the potential to perform this service under their own auspices; nevertheless, Apoteket Farmaci had delivery agreements with all county councils throughout 2010. The contracts will expire steadily during the period 2010–2013. In 2010, Apoteket won one of four procurement tenders.

Health and pharmaceuticals are popular on the Internet

More than half of all Swedes use the Internet to seek out information on health and medical issues. This includes the young and old, but especially people in the 26-to-45 age group. The most active users are doctors and nurses and others working in nursing and healthcare. The number of websites, social networks and blogs dealing with health issues continues to grow, although quality varies and information is occasionally incorrect and outdated.

In principle, it is permissible to purchase non-prescription drugs across the Internet and individuals may also order prescription drugs for personal use from another EU country if the sender is a pharmacy and the prescription is written by an authorised prescriber. However, it is still complicated in practice to handle this at the pharmacy level, not least to secure the validity of the prescription and the prescriber's identity. Internet trading in prescription drugs is banned in 20 of the EU's 27 member states.

According to a proposal from the EU Parliament, Internet pharmacies should be more strictly regulated and operations inspected and approved. Internet pharmacies are included in the new directive aimed at counterfeit drugs and there is a proposal that all approved Internet pharmacies be registered in a special database.

Currently, products are sold without any supervision and an increasing number of Internet pharmacies are selling counterfeit, ineffective – or directly harmful – preparations.

Apoteket is unique in being the only pharmacy in Sweden that has an approved Internet pharmacy and sells only medicines approved by the Swedish Medical Products Agency.

Source: Olle Findahl et al., Swedes and the Internet, 2010

Strategic focus

Apoteket aims to be the leading and most profitable player in the new pharmacy market. Apoteket's previous mandate – namely, to assume responsibility for the safe and secure distribution of drugs nationwide – ceased in conjunction with reregulation.

However, Apoteket continues to have a number of key tasks in the reregulated market. Among others, Apoteket must provide ApoDos (multidose dispensed drugs) on equal and non-discriminatory terms to the extent required, transfer systems and registers relating e-dose (web application for ApoDos) to Apotekens Service, provide a transitional solution in respect of system support to outpatient pharmacies up to 1 July 2011 and retain the approximately 800 pharmacy representatives to the extent required to maintain a favourable distribution of drugs up to 1 July 2012.

Apoteket may not establish outpatient pharmacies to a degree exceeding what is required to retain the market share that Apoteket had after the divestment, meaning 35%.

Vision

Apoteket's vision is a Life of Health. Apoteket helps people to prevent illness and live a life of health despite illness – We make it easier to feel good.

Business concept

We are the leading and most profitable pharmacy player in Sweden and a leading pharmacy player in the European health market by offering customers (individuals, companies, municipalities and county councils) a broad range of goods and services in pharmaceuticals and healthcare.

Apoteket's core values

Apoteket is one Sweden's strongest brands. It is a strategic asset that must be nurtured and developed. The brand is Apoteket's pledge to customers in the consumer and nursing and healthcare markets in Sweden and abroad.

Apoteket's core values permeate the corporate culture and day-to-day activities. We wish to be perceived as *credible* and *considerate* in all our customer encounters. By being *innovative* and *proactive*, we strengthen the perception of Apoteket as a modern and attractive player that is working towards sustainable development in all its operations.

Overall objective up to 2013

Up to 2013, the overall objective is that Apoteket will be the leading and most profitable pharmacy player in Sweden and a player in the European health market.





Strategic focus areas

To develop operations towards the vision and long-term objectives, Apoteket has identified six strategic focus areas that apply to all units, but are of varying significance depending on the priority operating areas of the particular unit.

The market's most attractive customer offering

Apoteket shall have the most attractive customer offering in markets in which it is active.

New markets, business partnerships and offerings

Proceeding on the basis of its experience and know-how, Apoteket will consistently develop the business through new partnerships and offerings in Sweden and abroad.

Sustainable development

Upholding sustainable development and a sustainable society will be a natural part of Apoteket's overall operation, thus providing

the basis for the confidence that customers, employees, owner and other stakeholders have in the company.

Attractive employer

Apoteket will actively recruit and develop the best employees in the sector – those who wish to work in a values-governed and profitable company and who are driven by our vision of a life of health.

Efficient purchasing and goods supply

Apoteket will continuously develop and upgrade the efficiency of purchasing and the supply of drugs and other pharmaceuticals.

Efficient and effective processes

Apoteket will simplify and enhance the efficiency of its processes in an effort to reduce costs and simultaneously create value.

Financial objectives

Apoteket established the following financial objectives at the 2010 Annual General Meeting:

An equity/assets ratio – calculated as equity as a percentage of the balance sheet total – within a target range of 25–30%.

A return on equity – calculated as earnings for the year as a percentage of average equity – of at least 20% in the long term.

Group operations and structure

Apoteket operates under market-based terms and requirements. It offers a broad range of goods and services in pharmaceuticals, and healthcare to individual consumers, companies and producers active in nursing and healthcare.



Operating segments

Operations in 2010 were conducted in the form of three business segments:

- *Apoteket Konsument* offers individuals nationwide drugs and other health-related products, as well as information and counselling via 341 pharmacies.
- *Apoteket Farmaci* offers innovative distribution and pharmacy services for patient-safe nursing and healthcare thereby raising quality and efficiency by means of drugs distribution, operation of hospital pharmacies, drug utilisation reviews and other counselling services for county councils, municipalities and private nursing companies.
- *Apoteket Partner* is responsible for the Group's production of multidose dispensed drugs (ApoDos), distance commerce and customer service, as well as the Group's food supplies and IT.

Other Operations

Other Operations include Apoteket International, which is responsible for Apoteket's international activities and has subsidiaries in Norway and Germany. Also included is Apoteksakademin, which offers consulting services for managers involved in change processes and skills development in values-governed companies and organisations.

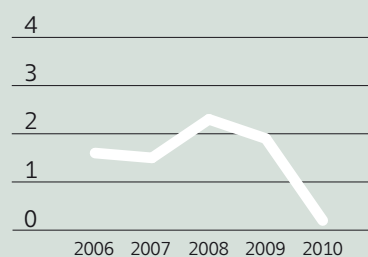
Net sales

SEK m
50,000

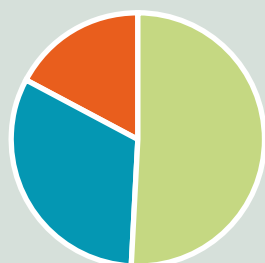


Operating margin

%
5



Share of net sales



■ Apoteket Konsument, 51%
■ Apoteket Farmaci, 32%
■ Apoteket Partner, 17%

Net sales

During the year Apoteket's net sales declined 39.0% (+3.3) compared with the preceding year and amounted to SEK 26,275 m (43,073). The decrease was due to the lower volume of operations resulting from the sell-off of 615 pharmacies. Net sales in comparable pharmacies rose 1.9%.

Operating earnings

Operating earnings totalled SEK 63 m (804), down SEK 741 m compared with 2009. Operating earnings were charged with costs incurred for efficiency-enhancement throughout the organisation as well as costs attributable to reregulation of the pharmacy market, totalling SEK 244 m. Excluding these items, operating earnings totalled SEK 307 m (1,537). The operating margin was 0.2% (1.9).

Gross earnings fell 41.7% (+5.4) to SEK 5,189 m and gross profit margin was 19.7% (20.7).

Personnel costs declined 45.9% (+0.7) to SEK 2,698 m. The decrease was due primarily to the transfer of personnel to the new owners of the 615 pharmacies that were gradually divested during the year.

Depreciation, amortisation and impairments amounted to SEK 330 m (508), of which SEK 110 m related to changes in the assessment of the useful life of store fittings and SEK 91 m to impairment of capitalised development costs for IT systems and tangible fixed assets.

Net earnings totalled SEK 4,520 m (532) and included a capital gain of SEK 4,430 m from the sale of subsidiaries.

Cash flow and investments

Cash flow from operating activities was a negative SEK 11 m (890).

Cash flow from investing activities was a negative SEK 424 m (neg: 282). Investments during the year totalled SEK 287 m (296) and consisted primarily of new construction and refurbishment of pharmacies and investments in IT systems.

Cash flow from financial activities amounted to a negative SEK 142 m (neg: 852) and primarily related to the dividend paid to the owner during the period. Cash flow from financial activities in the preceding year derived mainly from a reduced borrowing requirement.

Apoteket's total cash flow was a negative SEK 577 m (neg: 244), while cash and cash equivalents at 31 December 2010 totalled SEK 189 m (766).

Financial position and return

Equity totalled SEK 7,665 m, up SEK 3,639 m compared with the preceding year-end figure. The change corresponds essentially to earnings for the year, which included capital gains of SEK 4,430 m from the sale of subsidiaries and the dividend paid to the owner.

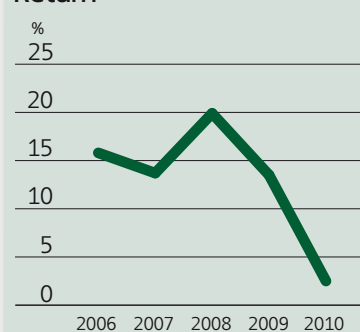
The equity/assets ratio was 56.6%. The return on equity was 77.3%. The return on equity, adjusted for capital gains, was 2.5%. The owner's return requirement on equity is 20% over the long term.

Net financial items amounted to income of SEK 31 m (3). Other financial income totalled SEK 4,430 m (expense: 1) and consisted of capital gains from the sale of subsidiaries. Interest-bearing net liabilities totalled SEK 4,112 m.

Equity/assets ratio

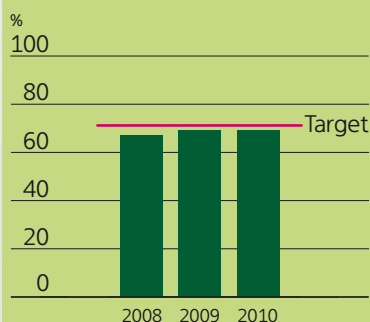


Return



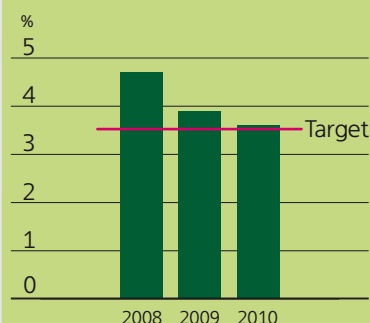
Return on equity, adjusted for capital gains of SEK 4,430, totalled 2.5%.

Work attendance



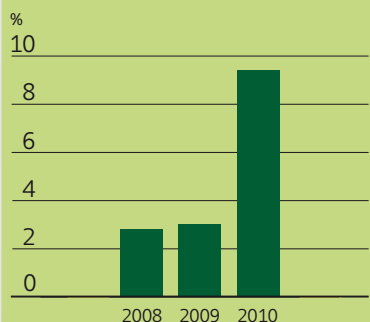
Percentage of employees with a maximum of seven sick days during the past 12-month period.

Sickness absence



The trend shows a steady decline in sickness absence at Apoteket, a pattern that has become more pronounced than the trend in society as a whole.

Employee turnover



Employee turnover increased during 2010 compared with the preceding year. The increase was due to exposure to competition, which led to employees resigning, and new recruitment, and to workforce adjustments being implemented at various units.

Apoteket's sustainability programmes

The aim is that Apoteket's vision of "A Life of Health" will promote a sustainable society. Customers have considerable confidence in Apoteket's personnel, products and services, and they also have high expectations of Apoteket in terms of it being a sound and responsible company.

Apoteket works for better drug utilisation

When used correctly, drugs can cure, alleviate and prevent illness. However, improper drug use is a growing problem that causes suffering for people, in addition to considerable social costs. Apoteket is working to improve drug utilisation, which it sees as a significant contribution to sustainable social development.

At the prescription dispensing stage, the customer is offered advice regarding correct drug use. In addition, a check is always made to ensure that, for example, dosage and strength are appropriate. During the year, Apoteket introduced an electronic expert support system (EES) at all pharmacies, which – subject to customer approval – triggers an automatic check of electronic prescriptions so that pharmaceutical interactions, age-related risks and so forth can be identified and rectified. Apoteket also has supplementary counselling services aimed at further improving drug utilisation.

Employee health

The intention is that Apoteket's vision of "A Life of Health" will permeate the customer interface and the everyday life of employees. During the year, Apoteket introduced workplace health certification, which among other aims, is designed to ensure that current health initiatives, such as allowances for keep-fit programmes and work environment training courses, are fully exploited. Despite the extensive adjustment programmes required to meet the new market situation, both work attendance and sickness absence improved during the year.

Diversity

Since Apoteket aims to be the pharmacy for all of Sweden, it is important that the employees as a group reflect society as a whole. About 20% of Sweden's population are of non-Swedish origin. Apoteket has many employees with a non-Swedish background and it is working actively to promote diversity in the company. However, gender-based diversity represents a definite area for improvement: 87.3% of the company's employees are women.

Drugs and the environment

Apoteket's operations contribute indirectly to the dispersal of pharmaceutical substances in the ecosystem. In a bid to reduce the environmental impact, Apoteket takes various actions to attain improvements in drug use. Among other efforts, customers are informed of the importance of returning residual drugs to

pharmacies. In 2010, some 700 tonnes of pharmaceutical waste was collected, including packaging.

Distinct environmental profile in the product line

Non-pharmaceutical products are environmentally assessed before being added to the product line. Customers are increasingly assigning greater importance to environmental issues and Apoteket is working in a structured manner to increase the number of environmentally labelled goods in its product line.

Collaboration with suppliers for greater responsibility

Apoteket has adopted a code of conduct for suppliers, the requirements of which involve issues such as child labour, health, safety and the environment. During the year, code implementation programmes focused on suppliers of non-pharmaceutical products that offer Apoteket the greatest potential to control its product line. Suppliers categorised by Apoteket as high-risk suppliers have been particularly scrutinised, resulting in valuable insights into conditions at the supplier stage.

Apoteket's climate impact

In 2010, Apoteket's total carbon dioxide emissions were reduced by 52%, which was due primarily to Apoteket becoming a significantly smaller company. Apoteket has established an in-house goods supply system and has taken over part of the transport operations that were previously managed externally, thus offering greater potential to reduce carbon dioxide emissions from goods transport.

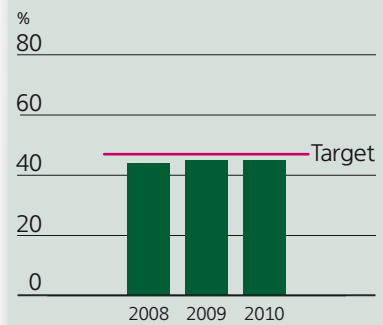
ISO 14001 certification

Since 2008, all of Apoteket's operations have been certified in accordance with the ISO 14001 international environmental management standard. Following the completion of an environmental audit, Apoteket's certification has been extended by three years, providing confirmation that Apoteket works on consistent improvements in the environmental area.

Operations requiring permits and environmental-sanction fines

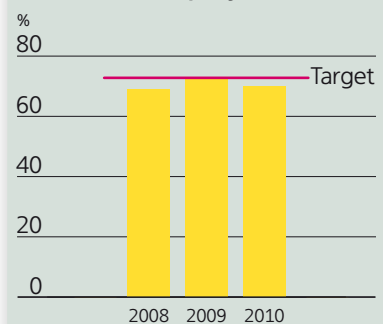
Apoteket's manufacturing facility – Apoteket Produktion & Laboratorier – was divested during the year and is thus no longer part of Apoteket. This operation required a permit pursuant to the Swedish Environmental Code. No limit values pursuant to the permit were exceeded during the year and Apoteket was not the subject of environmental-sanction fines or other injunctions pursuant to the Environmental Code.

Attractive employer

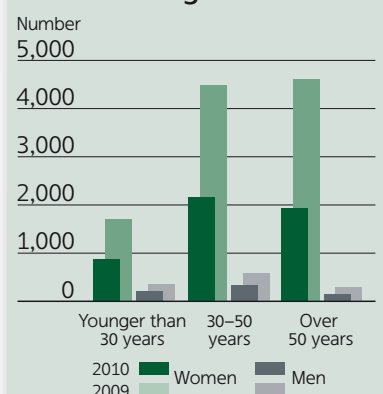


Surveys comparing different industries show that Apoteket could become better in terms of its attractiveness as a company. One of several new initiatives aimed at changing this view is what is known as health certification, which entails an overview of how, for example, the work environment and keep-fit programmes can be developed.

Motivated employees



Gender and age distribution



Parent Company

Net sales by the Parent Company totalled SEK 16,274 m (25 556), down 36.3%. The decline was due to the inclusion of subsidiaries divested during the first quarter of 2010 in the Parent Company's operations up until 1 July 2009.

The operating result was a loss of SEK 701 m (earnings: 252). Operating earnings were charged with costs totalling SEK 221 m for efficiency enhancement of the organisation and the reregulation of the pharmacy market. Excluding these items, the operating result was a loss of SEK 480 m.

Net earnings totalled SEK 4,752 m (250) and included capital gains of SEK 4,775 m from the sale of subsidiaries.

The Parent Company's cash and cash equivalents at 31 December amounted to SEK 180 m (645). Cash flow from operating activities was SEK 7 m (435). After net investments of SEK 296 m (239) and changes in financial liabilities and dividend paid, totalling SEK 176 m (546), cash flow for the year was a negative SEK 465 m (neg: 350).

Events of significant importance to an assessment of development, risks and uncertainties

The significant risks and uncertainties reported for the Group are also relevant for the Parent Company.

Significant risks and uncertainties

Like all business operations, Apoteket's activities are exposed to risk and uncertainties that could impact the Group's earnings and growth. Apoteket's risk management is designed to identify and prevent known risks and provide the requisite preparedness to handle risks that the company cannot influence.

Business risks

New game rules in the pharmacy market

Reregulation of the Swedish pharmacy market was formally terminated in March 2010 when the last pharmacy was scheduled to be transferred from the Group to the new owner. Apoteket's operations in the nursing and healthcare market have been exposed to competition since 2008.

During 2010, Apoteket reduced its operations from having previously covered the entire market to currently only about one-third of the consumer market. It is a challenge to adjust costs as rapidly as possible to the new operational dimensions. Meanwhile, forward-focused activities are in progress to generate revenue and raise profitability. These efforts are aimed at ensuring that Apoteket will remain the leader in a market characterised by a rapid rate of new start-ups and competition for customers, employees and attractive store locations.

Throughout 2010, Apoteket had supply agreements with all Swedish county councils in respect of drug supplies and other services. During the year, four procurement tender processes were completed, of which Apoteket won one. During 2011, an additional number of procurement tenders will be completed. The loss of a contract entails reduced revenue and requires operational adjustments to match the costs.

Apoteket International's establishment of multidose dispensed drugs operations and distance trading in Norway required more time than anticipated, entailing a risk of lower volumes and thus a profitability risk.

Apoteket aims to develop and strengthen its offering of own branded products. Failure by Apoteket to achieve the set objectives for its product line could entail a profitability risk.

Operational risks

In conjunction with reregulation of the pharmacy market, Apotekens Service was established to assume responsibility for the nationwide infrastructure required for prescription management. Apotekens Service has drawn up a rules schedule for information exchange and safety/security management. Apoteket's current prescription dispensing and cash management system, ATS, does not meet the requirements and thus must be replaced by a new system no later than 31 December 2011. As a result, an extensive project is in progress at Apoteket to replace ATS and the Group-wide IT back-up system to meet new requirements and to modernise and boost operational efficiency.

The commissioning of a new IT system for more than 300 pharmacies over a short period represents a risk of reduced efficiency and disruptions for customers.

During 2010, Apoteket organised goods distribution using in-house resources. The build-up phase presents a major challenge in getting processes and routines in place to ensure there are no disruptions in goods supplies to pharmacies.

Sensitivity analysis	SEK m
1% change in revenue, prescription sales	119
1% change in revenue, proprietary nursing and healthcare sales	30
1% change in pay expenses, including social security contributions	23
0.25% change in the discount rate in the calculation of the present value of the defined-benefit pension commitment	190

Shortcomings in the management and use of drugs could result in widespread consequences, although product and patient safety are core factors for Apoteket. Consequently, extensive safety measures are pursued to minimise dispensing errors. Incorrect or a complete lack of counselling entails a risk of inappropriate drug use.

Apoteket's workforce receives continuous training in this area.

Shortcomings and gaps in the product line, and goods manufacturing conducted in a non-ethical manner, in addition to faulty counselling and incorrect dispensing, could seriously damage the brand and, thus, profitability.

Financial risks

Apoteket has a substantial pension commitment that is secured in Apoteket's Pension Foundation. The task of the foundation is to secure the employer's pension commitment by investing the foundation's assets in a prudential manner. If the value of the assets in the pension foundation trends negatively, this could result in Apoteket having to inject capital to secure the pension commitment.

Apoteket's operations are limited in scope in terms of currency, interest rate and credit risks. For more information on financial risk management, refer to Note 23, Financial instruments and financial risk management.

Significant events after the closing date

No significant events occurred after the closing date.

Remuneration of the Board of Directors

Remuneration of the Chairman of the Board and other Board members is determined by the Annual General Meeting (AGM). At the AGM held on 13 April 2010, remuneration of the Chairman of the Board was set at SEK 300,000 annually and the amount for other Board members at SEK 150,000. The AGM also resolved that Board members active on the Audit Committee will receive – in addition to director remuneration – fixed remuneration of SEK 50,000 for the Chairman of the Committee and SEK 25,000 for other Committee members. No remuneration is paid for work on the Remuneration Committee.

Guidelines regarding the remuneration of senior executives

The AGM approved the Board's proposed guidelines, which entail that the company shall apply the guidelines for employment terms and conditions for senior executives in State-owned companies, as set by the Government on 20 April 2009.

The guidelines encompass a number of guiding principles. Total remuneration of senior executives shall be reasonable and well balanced. It shall be competitive, have a set ceiling and be

appropriate, in addition to contributing to a sound ethical and corporate culture. Remuneration must not be pay-leading vis-à-vis comparable companies but should instead be marked by moderation. It should also act as a guide for the total remuneration of other employees.

Moreover, the company should regularly conduct market comparisons to ensure that pay levels are compatible with the remuneration principles of comparable companies. In conjunction with remuneration-related decisions, written underlying material should show the company's overall costs for the set remuneration. Reasons for deviation from the set guidelines must be presented in Board decisions.

The Remuneration Committee's task is to prepare all decisions relating to the remuneration of senior executives and present proposals to the Board, taking into account the aforementioned principles. There is no outstanding stock or stock-based incentive programme for the Board or Group executive management.

Salary and benefits for the President and other senior executives are presented in Note 9.

Proposed guidelines for the period up until the next AGM

The Board's motion to the AGM is that Apoteket apply the guidelines for employment terms and conditions for senior executives in State-owned companies as set by the Government and which comply with the guidelines applying during 2010.

For further information on the State's ownership policy, refer to the Swedish Government's website.

Distribution of earnings

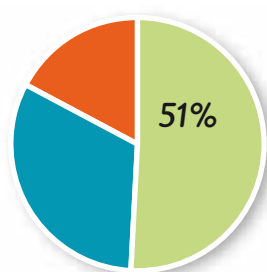
The Board's proposal for the distribution of earnings is presented on page 72.

Apoteket Konsument business segment



The Apoteket Konsument business segment offers pharmaceuticals and other health-related products, as well as information and counselling, to individual consumers nationwide.

Share of Apoteket's net sales



Strategic focus areas

Apoteket Konsument works on the basis of the Group-wide focus areas, with a special focus on:

- The market's most attractive customer offering
- Attractive employer
- Efficient and effective processes

Significant events in 2010

- During the first quarter, Apoteket gradually transferred the 465 pharmacies that it had sold to new owners and, effective in March, 150 pharmacies in the subsidiary Apoteksgruppen i Sverige were spun off to Apoteket's then Parent Company, Apoteket Omstrukturering.
- 15 March marked the termination of most of the mandates applying to Apoteket during the "stand-still" period in conjunction with the pharmacies sales process.
- Apoteket Konsument opened 24 new pharmacies during the year.

Apoteket Konsument	2010	2009
Sales, SEK m	13,786	31,578
Operating earnings, SEK m	216	1,444
Number of pharmacies	341	930

Net sales and operating earnings

Net sales declined 56.3% compared with the preceding year to SEK 13,786 m, due to the gradual transfer of 615 pharmacies to new players. Net sales – with due reference to the divested pharmacies – rose 1.9%, with the sale of prescription drugs as the primary factor underlying the increase.



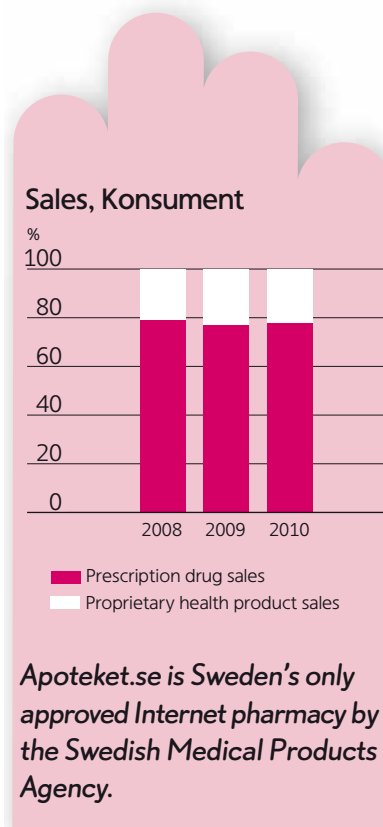
Prescription sales accounted for 78% (77) of total sales and self care products for 22% (23). Self care products include non-prescription drugs and other health products.

Operating earnings declined by SEK 1,228 m to SEK 216 m, which was primarily the result of the transfer of 615 pharmacies to new owners during the first quarter 2010.

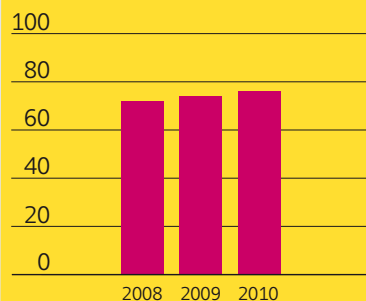
Personnel costs declined 55.2% compared with the preceding year.

Other costs declined 43.3%. The costs did not fall proportionately with revenue because, as of 1 July 2009, Apoteket pays compensation to Apotekens Service for access to the National Pharmacy Register, the high-cost database and other services.

Depreciation, amortisation and impairments totalled SEK 194 m (108), of which SEK 110 m was the effect of changes in assessments regarding the useful life of store fittings, while SEK 35 m pertained to the impairment of fixed assets.



Customer satisfaction, Konsument



Source: Swedish Quality Index.

Proprietary product brands

Apoteket

Apoliva

Hudsalva Försvaret

Apoteket's mustard and saffron

Customer offering

Apoteket Konsument has a comprehensive and attractive line of goods and services.

Employees are highly qualified and their ability to offer excellent service provides the cornerstones for a favourable customer interface. Apoteket continued to receive high rankings in a number of brand and quality surveys during the year. In December 2010, Apoteket was awarded a prize by the Association of Swedish Advertisers in its "100-Watts" competition for long-term brand building. Also during 2010, Apoteket received the highest ranking for customer satisfaction among pharmacy chains (Swedish Quality Index) and for best service among all store brands (Market and Growth from Knowledge, from Gfk).

During the year, Apoteket launched Apoteket's Hälsokoll (health check) in almost 100 stores to inspire customers to take personal efforts to improve their health. The service is aimed at the public and companies and includes a health questionnaire, a meeting with a qualified pharmaceutical specialist, blood pressure and cholesterol checks as well as a follow up. As a supplement, a service referred to as Hälsolabbet (Health Lab) was launched. This is a website that supports lifestyle changes. An already existing service – Apoteket's Hälsocoacher (health coaches) – is available for customers requiring personal support.

Apoteket also offers other qualified services to individuals. Personal drug counselling offers customers a review of their medications. Customers can also readily check their blood pressure at 111 pharmacies.

Apoteket is the first player in the market to launch a series of own branded non-prescription drugs, Apofri. The products were developed in cooperation with Evolan, a Swedish pharmaceuticals company, and have the same favourable effects as established brands.

Sales channels

Store sales account for 96% of sales to consumers. Spring 2010 saw the launch of Apoteket's new store concept featuring larger areas for self-service and self care products. All new stores are designed in line with the new concept and existing stores will be similarly refurbished steadily over the next three years.

During 2008 and 2009, Apoteket operated franchise pharmacies on a trial basis. The first franchise pharmacies opened in October 2010 and the objective is to have 50 franchise pharmacies in operation over the course of 2011. The franchise pharmacies are run under the same brand as other pharmacies.

Apoteket's proprietary consumer site, apoteket.se, is the only one of its kind that has been approved by the Swedish Medical Products Agency. Telephone and Internet-based sales accounted

for 4% of consumer sales in 2010. Apoteket.se also offers counselling and plays a key role in the building of Apoteket's brand and loyalty programme. Apoteket's customer club, ApoPlus, which offers a number of benefits such as a members' newsletter with in-depth information on selected themes, points for goods not classified as drugs and valuable offers, has about 500,000 members.

2010 marked the launch of Apoteket's first mobile service, Apoteket's Pollenkoll (pollen check), which has already attracted 29,000 downloads.


Apoteket is increasing its presence on the Internet and is available on Facebook with news of products, services and tips on vacant positions, as well as on YouTube and Careerbook.

Apoteket also interfaces with its customers through some 800 pharmacy representatives.

Efficient and effective processes

Apoteket works consistently to improve efficiency and reduce costs while retaining high patient safety and releasing more time for the customer interface.

Apoteket Konsument is also part of the major programme involving the modernisation of Apoteket's IT infrastructure in a bid to reduce costs, strengthen competitiveness and better match the Group's requirements in the new market. Planned developments include introduction of a new system for prescription support during the year.

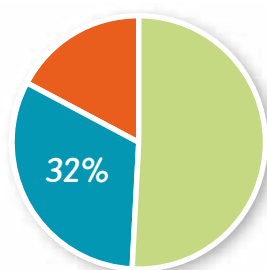


Apoteket's customers contributed SEK 3.7 m to breast cancer research by buying the Pink Ribbon (Rosa Bandet) at pharmacies in autumn 2010.

Apoteket Farmaci business segment



Share of Apoteket's net sales



Apoteket Farmaci offers services that contribute to higher patient safety, cost-effective processes for the management and use of drugs, better health and sustainable development through drug distribution, the operation of hospital pharmacies, drug utilisation reviews and other counselling services to county councils, municipalities and private nursing companies.

Strategic focus areas

Apoteket Farmaci works on the basis of the Group-wide focus areas, with a special focus on:

- The market's most attractive customer offering
- New market, business partnerships and offering
- Effective and efficient processes

Significant events in 2010

- During 2010, a number of county councils procured the manufacture of extemporaneous drugs and drug supplies. Apoteket Farmaci won the procurement contract for the Skåne region (southern Sweden). Commissions on behalf of the county councils in Kalmar, Kronoberg and Blekinge, Gotland and Västmanland counties will cease during 2011.
- Apoteket Farmaci has commenced a collaborative venture with Sveriges Pensionärsförbund (Swedish Association of Pensioners) and PRO (National Pensioners' Organisation) relating to better utilisation of drugs under the "Check your drugs" slogan.
- In November, Apoteket Farmaci conducted the first national trend seminar on drugs in tomorrow's healthcare system, with the participation of Swedish and foreign expertise
- Apoteket's FarmaciDirekt – an interactive service that offers distance access to expertise for drug utilisation – was developed during the year.

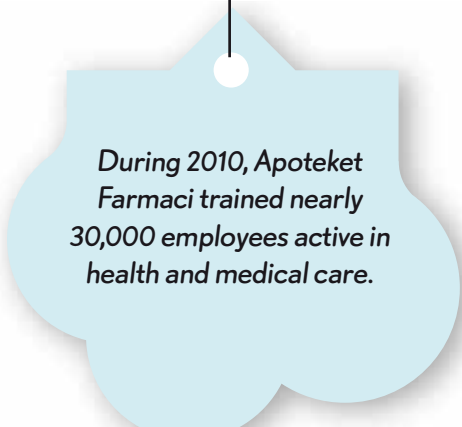
Apoteket Farmaci	2010	2009
Sales, SEK m	8,458	8,020
Operating earnings, SEK m	241	172
Number of hospital pharmacies	73	74



Net sales and operating earnings

Net sales rose 5.5% compared with the preceding year to SEK 8,458 m. Sales of goods increased 5.6%, primarily attributable to volume increases in manufacturing (institutional care preparations) and rises in average prices in goods supply (institutional care supplies). Service sales accounted for 4.2% and were primarily attributable to the inclusion of a clause in the base agreements that Apoteket Farmaci signed with customers covering annual revenue adjustments, plus added sale of supplementary services, including pharmaceutical services.

Operating earnings totalled SEK 241 m, which was SEK 69 m or 39.9% higher than the preceding year. Increased sales and higher gross earnings, combined with lower overheads, contributed to Apoteket Farmaci's favourable results.



During 2010, Apoteket Farmaci trained nearly 30,000 employees active in health and medical care.

Customer offering

Apoteket Farmaci develops services and concepts in close collaboration with customers with the aim of being the best healthcare partner in terms of maximum drug value.

Drug supply – distribution, operation of pharmacy functions, manufacture of extemporaneous drugs, multidose dispensed drugs and service for hospital nursing wards – constitutes the operational base. During 2010, Apoteket Farmaci had supply contracts with all county councils. Ten years ago, few pharmacists were available in hospital nursing wards; today, however, Apoteket's pharmacists are available at about 800 of the 1,100 major nursing wards in hospitals nationwide.

Apoteket Farmaci also offers a broad range of advanced counselling and training services. In 2010, Apoteket Farmaci conducted, some 35,000 (67,000) drug utilisation reviews on behalf of individual patients. The decrease was due, firstly, to the reduction in the overall number of drug utilisation reviews conducted nationwide; and, secondly, to the county councils carrying out more reviews under their own auspices.

Apoteket Farmaci offers training in the management and utilisation of drugs for personnel involved in nursing and healthcare. The training of personnel in outpatient healthcare – including physiotherapists and occupational therapists – is increasing, as is training for relatives, in line with the rise in the number of patients nursed at home. During 2010, Apoteket Farmaci trained nearly 30,000 personnel involved in healthcare and medical services as part of some 1,500 training courses.

During the year, a new interactive service was developed for drug utilisation reviews using experienced pharmacists. Apoteket's FarmaciDirekt, which was launched in February 2011, focuses primarily on healthcare centres and healthcare personnel outside the major hospitals.

Effective and efficient processes

Apoteket Farmaci has a process-oriented organisation with appointed process owners under the supervision of operations managers. Modern technology and efficient IT systems are utilised to consistently improve and enhance the efficiency of the customer offering.

One example is drugs management, in which Apoteket Farmaci collaborates with the county councils to achieve the efficient introduction of automated drug dispensers, thus facilitating drug management and making stocks safely available throughout the day.

Apoteket Farmaci is also involved in the major programme to modernise Apoteket's IT infrastructure in an effort to cut costs, boost competitiveness and better meet the Group's requirements in the new market.

Apoteket Partner business segment

The Apoteket Partner business segment encompasses pick-and-package solutions such as multidose dispensed drugs, distance trading and Apoteket's goods supply and distribution. The business segment is also responsible for the Group's IT operations.

Strategic focus areas

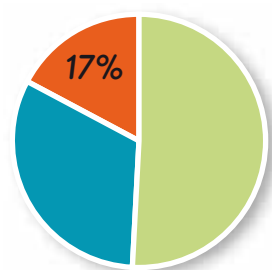
Apoteket Partner works on the basis of the Group-wide focus areas with a special focus on:

- The market's most attractive customer offering
- New market, business partnerships and offering
- Efficient and effective purchasing and goods supply

Significant events in 2010

- A wholesale function was established in cooperation with Schenker Logistics AB to assure Apoteket's goods supply in the reregulated market.
- Consolidation of the multidose dispensing operation commenced during the year as part of efforts to reduce vulnerability ahead of anticipated competition, and to be able to invest in new technology and work processes. In November, production was switched from the multidose dispensing pharmacy in Linköping to one in Örebro. A decision was also made concerning the transfer of production at the multidose dispensing pharmacy in Växjö to Malmö during the first half of 2011.

Share of Apoteket's net sales



Apoteket Partner	2010	2009
Sales, SEK m	4,523	4,767
Operating earnings, SEK m	-124 ¹⁾	91
Number of distance pharmacies	2	2
Number of dose dispensing pharmacies	10	11
Number of veterinary pharmacies	2	3
Number of pharmacy representatives	800	850

¹⁾ Operating earnings, excluding Group-wide IT totalled SEK 72 m in 2010.

- Apoteket Partner conducted the transfer of the IT system to Apotekens Service and initiated the modernisation of Apoteket's IT infrastructure.
- Apoteket Partner secured a procurement contract involving distance trading with the Swedish Board of Agriculture and Swedish district veterinary consulting centres nationwide.
- In 2010, a food portal for customers requiring special foods was launched.

Net sales and operating earnings

Net sales declined 5.3% from the preceding year to SEK 4,523 m. The decline was due to lower sales in distance trading operations and intra-Group assignments, for which internal compensation is paid.

Operating earnings for Apoteket Partner, excluding costs for the Group-wide IT, totalled SEK 72 m, down SEK 24 m compared with the preceding year. The decline was due to earnings being charged with regulation and restructuring costs corresponding to SEK 117 m.

Customer offering

Apoteket Partner's industrial operations focus on consumers, corporate customers, and nursing and healthcare. Operations are based on standardising processes and attaining large volumes to gain economies of scale.

For multidose operations, the core of the service is the professional interplay between pharmacists in multidose dispensing, prescribers and other nursing personnel. The distance trading operation has two facilities for drugs intended for people. There is also a facility that specialises in drugs for the veterinary market, and which focuses on farmers, veterinary surgeons and other companies in the animal and livestock segment.

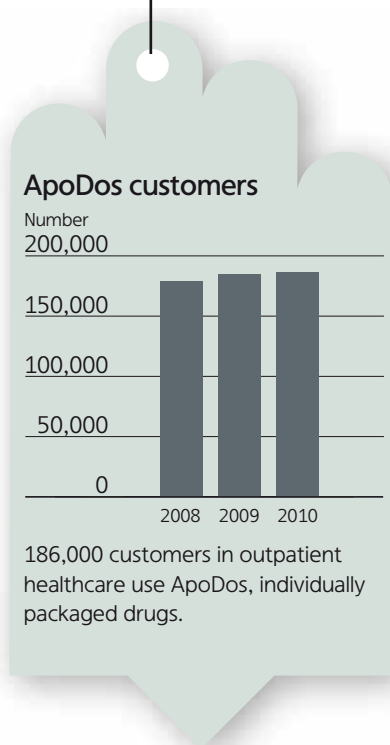
Goods supply and IT have the Group as their main customer and are designed to ensure that Apoteket maintains a market-leading position in the future. Apoteket aims to have a flexible infrastructure that permits cost-effective supply of goods and services.

ApoDos – individually packed drugs

Apoteket Partner produces and sells individually packaged drugs to patients from ten facilities nationwide in Sweden under the ApoDos brand. ApoDos is used in outpatient healthcare units by a total of 186,000 customers, up 1% compared with 2009.

Mechanical dispensing of drugs in packaged daily doses corresponding to the recommended consumption permits optimal tracking of medication and minimises drug use.

ApoDos contributes to simpler and safer drugs management.





Distance trading

Apoteket's distance trading comprises two distance pharmacies and Apoteket Customer Centre (Apoteket's telephone services). The distance pharmacies conduct order picking both for private and professional customers. The customer appreciates the potential to order around the clock and have goods delivered to a selected address. Private customers have a number of channels into Apoteket's distance trading, via the Internet, Apoteket Customer Centre or through pharmacy representatives. Professional customers order through an integrated IT interface in their specialist field with delivery directly to the end customer.

Goods supply

Apoteket Partner is responsible for the Group's goods supply, which includes a wholesale warehouse distribution network and overall transport procurement. The wholesale warehouse was established at mid-year and is a hub for supplies to all the Group's business segments.

Apoteket Partner is responsible for ensuring that the Group's distribution network is optimised, which is noted especially in the reduction in the number of transport operations, despite the increase in the overall volume transported. This has contributed

to a reduction in the environmental load caused by carbon dioxide emissions.

IT

Apoteket Partner includes the Group's IT function. Apoteket's IT infrastructure is being modernised with the aim of reducing costs, boosting competitiveness and better meeting the Group's requirements in the new market. On 14 February 2011, the first pharmacy to feature the new IT support function for prescription dispensing was opened. Apoteket's prescription dispensing system will be completely replaced by year-end 2011/2012.

Other Operations

Other Operations comprise Apoteket International, Apoteksakademin and Apoteket's group staff, including Market & Product Line.

Apoteket International

Apoteket International develops and manages Apoteket's international activities. The focus is currently on the production and distribution of pharmaceuticals-related services such as ApoDos and other supply solutions for patients in nursing and healthcare. Sweden is a world leader in this field and Apoteket's customer offering is based on an effective combination of multidose dispensing pharmacies, distance pharmacies and wholesale operations, which are backed up by pharmacist services for hospital care.

Apoteket International has been operating in Norway since 2009 and established a position in the German market during 2010. Norwegian operations comprise multidose dispensing and distance pharmacies, with distribution to elderly residents and home nursing





Apoteket Pharma Care
is Apoteket's
international brand.

in which the principal customer segments are municipalities and private healthcare suppliers.

During 2010, a production plant was built outside Hamburg Germany, a region with a population of some 5 million. The first deliveries from the German operation are expected to take place in early 2011. In cooperation with local pharmacies, multidose dispensed drugs and distance supply services are offered both to public and private players involved in home nursing.

The customer offering in hospital care and elderly care facilities is marketed internationally under the Apoteket Pharma Care brand.

Apoteksakademin

Apoteksakademin (Apotek Academy) works with executives involved in change processes and skills development in values-controlled companies and organisations.

Apoteksakademin played a key role in the major changes that reregulation of the pharmacy market involved for Apoteket. Thousands of executives have been trained in values-driven leadership, brand know-how and sales. Such training courses are now also offered to other companies and organisations. Teacher-supervised training is supplemented with distance training and personal coaching. Apoteksakademin assists executives in being health-aware leaders and in helping employees to take the first step towards a healthier lifestyle.

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Consolidated statement of comprehensive income

Amounts in SEK m	Note	2010	2009
Net sales	5	26,275	43,073
Other income		16	6
Total revenues	6	26,291	43,079
Goods for resale ¹⁾		-21,086	-34,172
Other external costs	7, 8	-2,114	-2,604
Personnel costs	9, 17, 24	-2,698	-4,991
Depreciation and impairment	14, 15	-330	-508
Operating earnings		63	804
Capital gain on sales of subsidiaries	13	4,430	-
Share of earnings of associated companies	16	0	-1
Financial revenues	23	33	13
Financial costs	23	-2	-10
Pre-tax earnings		4,524	806
Income tax	10	-4	-274
Net earnings for the year		4,520	532
Other comprehensive income			
Change in fair value reserve		-2	-1
Change in translation reserve		-2	-
Total comprehensive income during the year		4,516	531
Net earnings for the year attributable to:			
Parent Company's shareholders		4,520	532
Comprehensive income during the year attributable to:			
Parent Company's shareholders		4,516	531
Earnings per share, SEK	12	25,829	3,040
Number of shares		175,000	175,000

¹⁾ The term "Goods for resale" includes Apoteket's product costs for the sale of pharmaceuticals and other products.

Consolidated cash-flow statement

Amounts in SEK m	Note	2010	2009
Operating activities			
Pre-tax earnings		4,524	806
<i>Adjustment for non-cash items</i>			
Depreciation and impairment		330	508
Net capital gains		-4,430	34
Change in pension claim		-505	-14
Other		87	2
Paid taxes		-108	-263
Cash flow from operating activities before changes in working capital		-102	1,073
<i>Cash flow from changes in working capital</i>			
Changes in inventories		4	-14
Changes in receivables		195	-367
Changes in liabilities		-108	198
Cash flow from operating activities		-11	890
Investing activities			
Investments in intangible assets	14	-59	-159
Investments in property, plant and equipment	15	-228	-137
Sale of associated companies	13	5,783	-
Change in other financial fixed assets		3	-3
Sales of intangible assets		-	7
Sales of property, plant and equipment		-	10
Investments in short-term investments	23	-5,923	-
Cash flow from investing activities		-424	-282
Financing activities			
Change in current financial liabilities		230	-550
Group contribution provided to sister company		-	-25
Dividends paid	31	-372	-277
Cash flow from financing activities		-142	-852
Cash flow for the year		-577	-244
Cash and cash equivalents at the beginning of the year		766	1,010
Cash and cash equivalents at the end of the year		189	766

Cash flow from receipt of interest income amounted to SEK 33 m (13).
Cash flow from payment of interest expense amounted to SEK 7 m (10).

Consolidated balance sheet

Amounts in SEK m as of 31 December	Note	2010	2009
ASSETS			
Fixed assets			
<i>Intangible assets</i>	14	47	49
<i>Property, plant and equipment</i>	15		
Buildings, land and land improvements		43	216
Equipment		369	477
Construction in progress		–	0
Total property, plant and equipment		412	693
<i>Financial fixed assets</i>			
Holdings in associated companies	16	27	27
Available-for-sale financial assets	23	–	3
Pension claim	17	1,917	1,412
Deferred tax assets	11	13	–
Other receivables		0	0
Total financial fixed assets		1,957	1,442
Total fixed assets		2,416	2,184
Current assets			
Inventories	18	1,069	1,073
Accounts receivable	23	3,207	3,119
Current tax assets		184	76
Receivable from Parent Company		–	19
Other receivables	19	427	551
Prepaid expenses and accrued income	20	122	262
Short-term investments	23	5,923	–
Cash and cash equivalents	23	189	766
Total current assets		11,121	5,866
Available-for-sale assets	13	–	3,636
TOTAL ASSETS		13,537	11,686

Consolidated balance sheet

Amounts in SEK m as of 31 December	Note	2010	2009
EQUITY			
Share capital		175	175
Other reserves		–	2
Retained earnings		7,490	3,849
Total equity		7,665	4,026
LIABILITIES			
Long-term liabilities			
Deferred tax	11	628	617
Other provisions	22	36	51
Other long-term liabilities	23	61	81
Total long-term liabilities		725	749
Current liabilities			
Liabilities to credit institutions, interest-bearing	23	2,000	1,750
Accounts payable	23	2,431	2,445
Other liabilities		271	252
Accrued expenses and deferred income	21	245	330
Other provisions	22	200	109
Total current liabilities		5,147	4,886
Total liabilities		5,872	5,635
Liabilities attributable to available-for-sale assets	13	–	2,025
TOTAL EQUITY AND LIABILITIES		13,537	11,686
Contingent liabilities			
Sureties, PRI Pension Guarantee	22	28	25
Guarantee commitments, others		70	132
Pledged assets		none	none

Changes in consolidated equity

Shareholder's equity is, in its entirety, attributable to the Parent Company's shareholder

Amounts in SEK m	Note	Share capital	Translation reserve	Other reserves	Retained earnings	Total equity
Opening balance as of 1 January 2009		175	–	3	3,660	3,838
Total comprehensive income during the year		–	0	–1	532	531
Group contribution provided to sister company		–	–	–	–25	–25
Tax on Group contribution		–	–	–	6	6
Dividend		–	–	–	–324	–324
Closing balance as of 31 December 2009		175	0	2	3,849	4,026
Opening balance as of 1 January 2010		175	0	2	3,849	4,026
Total comprehensive income during the year		–	–2	–2	4,520	4,516
Dividend ¹⁾		–	–	–	–877	–877
Closing balance as of 31 December 2010		175	–2	–	7,492	7,665

¹⁾ Dividend in 2010 comprises a cash dividend of SEK 372 million and a spinoff of shares in the subsidiaries Apoteksgruppen i Sverige AB and Apoteket Produktion & Laboratorier AB.

Parent Company statement of earnings

Amounts in SEK m	Note	2010	2009
Net sales	26, 27	16,274	25,556
Other operating income		15	259
Total earnings	6	16,289	25,815
Goods for resale ¹⁾	26	-12,557	-20,104
Other external costs	7, 8	-1,851	-1,953
Personnel costs	9, 24, 33	-2,278	-3,236
Depreciation and impairment	14, 15	-304	-270
Operating earnings		-701	252
Share of earnings in Group companies	28	5,029	168
Other interest income and similar profit/loss items	23, 26	34	15
Interest costs and similar profit/loss items	23, 26	-2	-9
Earnings before appropriations and tax		4,360	426
Appropriations	29	367	-13
Pre-tax earnings		4,727	413
Income tax	10	25	-163
Net earnings for the year		4,752	250

Parent Company statement of comprehensive income

Amounts in SEK m	2010	2009
Net earnings for the year	4,752	250
Other comprehensive income		
Change in fair value reserve	-2	-1
Total comprehensive income during the year	4,750	249

¹⁾ The term "Goods for resale" includes Apoteket's product costs for the sale of pharmaceuticals and other products.

Changes in Parent Company's equity

Amounts in SEK m	Note	Share capital	Statutory reserves	Fair value reserve	Retained earnings	Net earnings for the year	Total equity
Opening balance as of 1 January 2009		175	35	3	1,499	375	2,087
Dividend paid	31	–	–	–	–324	–	–324
Group contributions provided		–	–	–	–155	–	–155
Tax on Group contributions		–	–	–	41	–	41
Distribution of earnings		–	–	–	375	–375	–
Net earnings for the year		–	–	–	–	250	250
Other comprehensive income		–	–	–1	–	–	–1
Closing balance as of 31 December 2009		175	35	2	1,436	250	1,898
Opening balance as of 1 January 2010		175	35	2	1,436	250	1,898
Dividend paid	31	–	–	–	–762	–	–762
Group contributions provided		–	–	–	–39	–	–39
Tax on Group contributions		–	–	–	10	–	10
Distribution of earnings		–	–	–	250	–250	–
Net earnings for the year		–	–	–	–	4,752	4,752
Other comprehensive income		–	–	–2	–	–	–2
Closing balance as of 31 December 2010		175	35	–	895	4,752	5,857

Parent Company cash-flow statement

Amounts in SEK m	Note	2010	2009
Operating activities			
Earnings before appropriations and tax		4,360	426
<i>Adjustment for non-cash items</i>			
Depreciation and impairment		304	270
Share of earnings of Group companies		-254	-168
Net capital gains		-4,775	34
Other		86	7
Taxes paid		-77	-117
Cash flow from operating activities before changes in working capital		-356	452
<i>Cash flow from changes in working capital</i>			
Changes in inventories		-59	-358
Changes in receivables		613	1,700
Changes in liabilities		-191	-1,359
Cash flow from operating activities		7	435
Investing activities			
Investments in intangible assets	14	-57	-32
Investments in fixed assets	15	-204	-96
Investments in financial fixed assets		-19	-125
Sale of property, plant and equipment	15	100	15
Sale of operations	25	-	-17
Sale of subsidiaries	28	5,783	-
Investments in short-term investments	23	-5,923	-
Repayment of other financial fixed assets		24	16
Cash flow from investing activities		-296	-239
Financing activities			
Change in current financial liabilities		235	-550
Group contributions received/distributed		-39	281
Dividends paid	31	-372	-277
Cash flow from financing activities		-176	-546
Cash flow for the year		-465	-350
Cash and cash equivalents at the beginning of the year		645	995
Cash and cash equivalents at the end of the year		180	645

Cash flow from receipt of interest income amounted to SEK 34 m (15).
Cash flow from payment of interest expense amounted to SEK 7 m (9).

Parent Company balance sheet

Amounts in SEK m as of 31 December	Note	2010	2009
ASSETS			
Fixed assets			
<i>Intangible assets</i>	14	28	32
<i>Property, plant and equipment</i>	15		
Buildings, land and land improvements		1	185
Equipment		336	397
Construction in progress		–	0
Total property, plant and equipment		337	582
<i>Financial fixed assets</i>			
Participations in Group companies	30	335	1,653
Receivables from Group companies		82	35
Holdings in associated companies	16	18	9
Available-for-sale financial assets	23	–	3
Deferred tax assets	11	14	–
Total financial fixed assets		449	1,700
Total fixed assets		814	2,314
Current assets			
Inventories	18	839	780
Accounts receivable		1,856	1,811
Receivables from Group companies		566	789
Current tax assets		141	48
Other receivables	19	267	389
Prepaid expenses and accrued income	20	107	234
Short-term investments		5,923	–
Cash and cash equivalents		180	645
Total current assets		9,879	4,696
TOTAL ASSETS		10,693	7,010

Parent Company balance sheet

Amounts in SEK m as of 31 December	Note	2010	2009
EQUITY			
Restricted equity			
Share capital (175,000 shares with quota value SEK 1,000)		175	175
Statutory reserve		35	35
Total restricted equity		210	210
Non-restricted equity			
Fair value reserve		–	2
Retained earnings		895	1,436
Net earnings for the year		4,752	250
Total non-restricted equity		5,647	1,688
Total equity		5,857	1,898
Untaxed reserves	32	505	872
Provisions			
Deferred tax liability	11	–	5
Other provisions	22	213	156
Total provisions		213	161
LIABILITIES			
Long-term liabilities			
Liabilities to Group companies		7	7
Other long-term liabilities		61	81
Total long-term liabilities		68	88
Current liabilities			
Liabilities to credit institutions, interest-bearing	23	2,000	1,750
Accounts payable		1,606	1,647
Liabilities to Group companies		71	186
Other liabilities		187	169
Accrued expenses and deferred income	21	186	239
Total current liabilities		4,050	3,991
Total liabilities		4,118	4,079
TOTAL EQUITY AND LIABILITIES		10,693	7,010
Contingent liabilities			
Sureties, PRI Pension Guarantee	22	28	25
Guarantee commitments, others		70	132
Pledged assets		none	none

Notes to the financial statements

NOTE 1 General information

Apoteket AB (publ.) (the Parent Company) and its subsidiaries (which jointly form the Group) distribute and sell pharmaceutical and self-care products, as well as services related to pharmaceuticals and healthcare, mainly through a network of pharmacies. The Parent Company is a registered limited liability company, and its registered office is in Stockholm. The address of the head office is Södermalmsallén 36, SE-118 81 Stockholm, Sweden.

The consolidated financial statements and the Annual Report for 2010 were approved for publication by the Board of Directors and the President on 25 March 2011, and will be presented to the Annual General Meeting on 28 April 2011.

NOTE 2 Summary of important accounting policies

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretative recommendations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission. Recommendation RFR 1.2 "Supplementary accounting rules for groups" of the Swedish Financial Reporting Board has also been adopted. The preparation of financial statements in conformity with the IFRS standards requires the use of a number of significant assumptions and accounting estimates. The management is also required to make certain assessments when applying the company's accounting policies. Areas involving significant assessments that are complex, or areas where assumptions and estimates are of material importance to the consolidated financial statements, are presented in Note 3.

Basis of preparation of the consolidated financial statements

The working currency of the Parent Company is the Swedish krona (SEK), which is also the reporting currency for both the Parent Company and the Group. Unless otherwise stated, all recognised amounts have been rounded to the nearest million. The financial statements are based on historical acquisition value (cost).

The principal accounting policies adopted when these consolidated financial statements were prepared are formulated below. Unless otherwise stated, these policies have been applied consistently for all of the years presented. The Parent Company's accounting policies are presented in Note 4.

Changed accounting policies

The Group applies the same accounting policies as those applied in the 2009 Annual Report, with the following exceptions due to new or revised standards, interpretations and improvements as adopted by the EU and applied as of 1 January 2010. The presentation below includes only those changes that are of importance to the Group.

IAS 27 Consolidated and Separate Financial Statements

The amendments to IAS 27 entail a change in the recognition of losses arising in subsidiaries and in when the controlling influence over subsidiaries ceases. It is applied as of 1 January 2010.

IFRS 3 Business Combinations

The amendments of IFRS 3 entail a change in the recognition of future acquisitions of business operations. It is applied as of 1 January 2010.

The change has no impact on the financial statements for 2010.

Information concerning forthcoming standards, amendments and interpretations

IFRS 9 Financial Instruments Recognition and Measurement (not approved by the EU)

This standard is a part of a comprehensive revision of the current standard IAS 39. The standard entails a reduction in the number measurement categories for financial assets and that the main categories for recognition are at cost or fair value via the balance sheet. IFRS 9 will probably be applied for financial years that commence on 1 January 2013 or later. Pending completion of all features of the standard, the Group has not assessed the impact of the new standard.

IAS 24 Related Party Disclosures

The definition of related parties has been amended; in addition, certain relief is permitted concerning disclosures required of state-owned companies. To be applied as of 1 January 2011.

The forthcoming new standards, interpretations and improvements of IFRS standards presented above are not expected to impact the Group's profit or loss or financial position. However, they could require changes in the presentation of financial instruments, in addition to additional disclosures in notes, including, in certain cases, updates of accounting policies.

Consolidated financial statements

Subsidiaries are all companies in which the Group is entitled to formulate financial and operational strategies in a manner that normally accompanies a shareholding exceeding half of the voting rights. They are included in the consolidated financial statements from the date on which the controlling influence is transferred to the Group. They are excluded from the consolidated financial statements from the date on which this influence ceases. The consolidated financial statements have been prepared according to the purchase method, whereby the shareholder's equity of the subsidiaries at the time of acquisition, determined as the difference between the fair values of their assets and liabilities, is eliminated in full. Accordingly, consolidated equity contains only that portion of the subsidiaries' equity arising after the acquisition. Intra-group transactions and balance sheet items, as well as unrealised gains on transactions between Group companies, are eliminated.

Translation of foreign subsidiaries

Assets and liabilities in foreign subsidiaries are translated at the exchange rate prevailing on the balance-sheet date and profit or loss is translated at the average exchange rate during the financial year. The translation difference resulting from this, and from the net investment being translated at an exchange rate at the end of the financial year that differs from that at the beginning of the financial year, is recognised via other comprehensive income in shareholders' equity as a translation reserve. On the divestment of a foreign operation, the accumulated translation differences

are recognised in profit or loss together with the gain or loss resulting from the divestment.

Accounting for associated companies

Associated companies are all companies in which the Group has a significant, but not a controlling, influence, which generally applies to shareholdings comprising between 20 and 50% of the votes. Holdings in associated companies are recognised according to the equity method and are initially measured at cost.

The Group's share of earnings in associated companies, after their acquisition, is recognised in profit or loss. Accumulated changes after the acquisition are stated as a change in the carrying amount of the holding. When the Group's share of the losses of an associated company amounts to or exceeds its holding in the associated company, including any unsecured receivables, the Group does not recognise further losses unless it has taken on commitments or made payments on behalf of the associated company. There are no unrealised gains and losses on transactions between the Group and its associated companies.

Available-for-sale assets

Available-for-sale assets are defined as assets whose value is intended to be recovered by means of sale rather than by being used in a business operation. Assets that are classified as available-for-sale holdings must be reported separately in the balance sheet.

Available-for-sale assets must be recognised at the carrying amount or the fair value less selling costs, whichever is lower.

Depreciation/amortisation of assets classified as available-for-sale holdings is not permissible.

Reporting by segments

An operating segment is defined as a component of a business entity. Characteristics of a segment include the following:

- it engages in business operations from which it can accrue revenues and incur costs (including revenues and costs involving transactions with other parts of the same company),
- its operating profit/loss is examined regularly by the chief executive officer as a basis for decisions concerning the allocation of resources to segments and evaluation of their results,
- separate financial information about the segment is available.

Translation of receivables and liabilities in a foreign currency

Foreign currency transactions are translated to the working currency at the rate of exchange applying on the date of the transaction. Currency gains and losses arising from the payment of such transactions, and from the translation of assets and liabilities in foreign currencies at the year-end exchange rate, are recognised in profit or loss, with the exception of exchange-rate differences pertaining to loans that are to be considered as net investment in a foreign operation. Such exchange-rate differences are recognised in other comprehensive income in shareholders' equity as a translation reserve.

Intangible assets

Capitalised development expenses

Development expenses are capitalised insofar as they are adjudged to generate future economic benefits. The recognised amount includes direct expenditure for acquired services and materials, as well as indirect expenses that can be attributed to the asset in a reasonable and consistent manner. Other development costs are expensed in profit or loss as they arise.

In the balance sheet, recognised capitalised development expenses are entered at cost less accumulated amortisation and impairment. The principal criteria for capitalisation are that future earnings and cash flow can be demonstrated to derive from the end product resulting from the development work and that the technical and financial capabilities for completing the development work existed when the work started. Software licences have a limited useful life and are recognised at cost less accumulated amortisation. Costs that are closely associated with software production include personnel costs for program development and a reasonable portion of assignable indirect costs.

Other intangible assets

Other intangible assets mainly comprise expenditure for the acquisition of tenancy rights as well as fixtures and fittings in premises that are classified as intangible assets.

Additional expenditure

Additional expenditure for capitalised intangible assets is recognised as an asset in the balance sheet only if the expenditure increases the future economic benefits of the specific asset to which the expenditure pertains. All other expenditure is expensed when it arises.

Amortisation method

Amortisation using the straight-line method is recognised in profit or loss over the estimated useful life of the assets. Licences and capitalised development costs recognised as assets are amortised over their estimated useful life, which is estimated as five years. The amortisation period for other intangible assets corresponds to the contractual period.

Property, plant and equipment

Owned assets

Buildings are recognised at their cost less subsequent straight-line depreciation. Land is recognised at cost. Other property, plant and equipment are stated at cost less depreciation. Cost includes expenditure that can be directly attributed to the acquisition of the asset.

Additional expenditure

Additional expenditure is added to the carrying amount of the asset only if it is probable that the future economic benefits associated with the asset will accrue to the Group and the cost of the asset can be reliably determined. Continuous repair and maintenance are recognised as costs in profit or loss during the period in which they arise.

Depreciation periods

Land is not depreciated. Depreciation of other assets is allocated to their cost down to their estimated residual value. Straight-line depreciation is applied over the estimated useful life, as follows:

– Buildings	20–40 years	– Fittings on third-party property	7 years
– Machinery	5–10 years	– Fixtures	5 years
– Vehicles	5 years	– Equipment and installations	3–5 years

A new assessment made regarding the useful life of fittings on third-party property and fixtures impacts on Apoteket's depreciation. As of 1 January 2010, the useful life of these items is adjudged to be seven and five years respectively, as opposed to 20 and 10 years respectively, in the past. The impact on earnings for 2010 will

be an increase in depreciation of fittings on third-party property and fixtures by SEK 54 m and SEK 56 m respectively.

Impairment losses

Whenever there is an indication of a decrease in the value of a tangible or intangible asset, a recoverable amount is estimated for the asset. The recoverable amount is compared with the carrying amount. The amount by which the carrying amount of the asset exceeds its recoverable amount is then recognised as an impairment loss. The recoverable amount is the higher of the fair value of an asset less selling expenses and its value in use. In assessing the need for impairment losses, assets are grouped at the lowest levels at which there are separate identifiable cash flows (cash-generating units).

Leases

Leasing of fixed assets, whereby the Group essentially bears the financial risks and enjoys the benefits associated with ownership, is classified as financial leases. These are recognised at the start of the leasing period at the lower of the fair value of the leased item and the present value of the minimum leasing fees. Each lease payment comprises amortisation of the liability and financial expenses in order to achieve a fixed rate of interest for the recognised liability. Corresponding payment obligations, after a deduction for financial expenses, are included in other long-term liabilities and current liabilities. The interest portion of the financial expenses is recognised in profit or loss distributed over the leasing period, so that each accounting period is charged with an amount corresponding to a fixed rate of interest for the liability recognised during each period. Fixed assets held under financial leases are depreciated over their useful life or the leasing period, whichever is the shorter. Apoteket has no leases classified as financial leases.

Charges for operating leasing are expensed using the straight-line method over the leasing period. Apoteket's operating leasing charges relate mainly to the rental of premises for pharmacies.

Financial instruments

Financial instruments are any type of agreement that gives rise to a financial asset, financial liability or an equity instrument in another company. Financial instruments recognised in the balance sheet include, on the asset side, cash and cash equivalents, short-term investments, accounts receivable and loan receivables. Liabilities include accounts payable, issued instruments of debt and loan liabilities. Cash and cash equivalents comprise cash and bank deposits and short-term investments with a maturity of less than 90 days.

Recognition of financial assets and liabilities

Financial instruments are initially recognised at cost corresponding to the instrument's fair value plus transaction costs for all financial instruments apart from those pertaining to the financial assets category, which are recognised at fair value via profit or loss. The way they are subsequently recognised depends on how they have been classified.

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and has a contractual obligation to pay, even if an invoice has not been received.

A financial asset is derecognised from the balance sheet

when the contractual rights expire or the company's control over the asset ceases. The same applies to a part of a financial asset. A financial liability is derecognised from the balance sheet when the contractual obligation is fulfilled or is extinguished in another manner. The same applies to a part of a liability.

The fair value of unlisted financial assets is determined using established valuation techniques.

On every reporting occasion, the company assesses whether there are objective reasons to impair a financial asset.

Classification of financial instruments

Financial instruments are classified in categories. The classification depends on the reason for which the financial instruments were acquired. Management determines the classification of the instruments the first time they are recognised and reassesses this decision on every reporting occasion. The categories are as follows:

1) **Financial assets and financial liabilities measured at the fair value via profit or loss**

This category comprises two subgroups:

- a) Financial assets and liabilities held for sale.
- b) Financial assets and liabilities that, from the very beginning, were designated as belonging to this category.

Apoteket has no financial instruments in this category.

2) **Loan receivables and accounts receivable**

These assets are subject to fixed payment periods or payment periods with the potential to be fixed. Apoteket's cash and cash equivalents, short-term investments, accounts receivable and loan receivables belong to this category.

3) **Investments intended to be held to maturity**

This category comprises financial assets subject to fixed payment periods or payment periods with the potential to be fixed that Apoteket intends, and has the ability, to retain until maturity.

4) **Financial assets held for resale**

This category comprises financial assets that cannot be classified in any other category, such as shares and participating rights in either listed or unlisted companies.

5) **Financial liabilities measured at accrued cost**

This category comprises financial liabilities that are not held for sale. Apoteket's accounts payable and liabilities to credit institutions as belonging to this category.

Recognition of financial instruments

Cash and cash equivalents

Cash and cash equivalents include cash assets, bank deposits and other short-term investments with a maturity of less than three months from the date of acquisition.

Financial assets held for resale

Financial assets held for resale previously comprised condominiums recognised at fair value. These condominiums were sold in 2010. Changes in fair value are recognised in equity.

Loan receivables and accounts receivable

Loan receivables and accounts receivable are financial assets with fixed payment periods or payment periods with the potential to be fixed and that are not listed on an active market. A characteristic feature of such assets is that they arise when the Group provides cash, goods or services directly to a customer without the intention to trade in the receivable that arises. They are included in current assets, with the exception of items with a

due date later than 12 months after the reporting period, which are classified as fixed assets.

Accounts receivable are initially recognised at fair value and thereafter at their accrued cost less any reserve for a decrease in value. Such a reserve is created when objective evidence exists that the Group will not be able to receive all the amounts that have fallen due according to the original terms of the receivables. For private customers, the size of the reserve is calculated from a rating template, subject to a rising percentage linked to an increased number of past due days after the date of payment. For contract customers, the size of the reserve is calculated as 30% of receivables older than 90 days, plus all cases submitted for debt collection. The amount reserved is recognised in profit or loss.

Financial liabilities

Financial liabilities are initially recognised at the amount received less transaction costs. After the date of acquisition, the liabilities are measured at accrued cost in accordance with the effective interest rate method.

Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method.

Revenue recognition

Income comprises the fair value of sold goods and services, excluding value added tax (VAT) and discounts and after the elimination of intra-group sales.

Sales of goods are recognised as income when a Group company sells a product to a customer. Retail sales are usually paid in cash or with a credit card. The gross sales amount, excluding VAT and including any credit card charges to be paid for the transaction, is recognised as income.

Services performed on current account are recognised as revenue at the rate at which the work is performed. For services performed at a fixed price, revenues are recognised insofar as they correspond to the assignment fees that have arisen and that are to be compensated for by the client.

Accrued revenue is recognised as an amount corresponding to the minimum costs incurred during the assignment. The total revenue that can be recognised is limited by the contractual amount. This may result in the recognised revenue exceeding/ being less than the amount invoiced. Where applicable, revenues are adjusted when the assignment has been completed.

Notification charges, reminders and statutory charges attributable to Apoteket's part-payment system are recognised as income after they have been paid. The same principle applies to recovered bad debts attributable to the part-payment system.

Current tax

Recognised current tax comprises tax that is payable or receivable for the current year and adjustments to the current tax for previous years. The valuation of all tax liabilities/receivables takes place at nominal amounts and according to the tax rules and tax rates that have been adopted or that have been announced and will, in all likelihood, be enacted.

In the case of items recognised in profit or loss, tax effects associated with these items are also recognised there.

Deferred tax

Deferred tax is recognised in its entirety according to the balance sheet method on all temporary differences that arise between

the fiscal and carrying amounts of assets and liabilities and on unutilised loss carryforwards and their carrying amounts in the consolidated financial statements.

However, if the deferred tax arises from a transaction that comprises the first report made of an asset or liability that is not a company acquisition and that, at the time of the transaction, influences recognised or taxable earnings, it is not recognised. Deferred tax is calculated by applying tax rates and tax laws that have been adopted or announced as per the balance sheet day and that are expected to apply when the deferred tax claim in question is realised or the deferred tax liability is settled.

Deferred tax liabilities are recognised insofar as it is likely that future fiscal surpluses will be available against which the temporary differences can be utilised. Deferred tax assets can be offset against deferred tax liabilities when there is a legal right to offset such amounts and when the deferred tax applies to the same tax authority.

Deferred tax is calculated on temporary differences that arise in participations in subsidiaries and associated companies, except where the time of reversal of the temporary difference can be controlled by the Group and it is likely that the temporary difference will not be reversed within the foreseeable future.

Cash flows

The statements of cash flows are recognised according to the indirect method. The recognised cash flow comprises only transactions involving receipts and disbursements.

Employee benefits, pensions

The companies in the Group have different pension plans which are financed via the Pension Foundation and through payments to an insurance company or an insurance association. The Group has both defined-contribution and defined-benefit pension plans.

A defined-benefit plan is one that specifies the amount of pension benefit to be received by the employee on retirement – normally based on one or more factors, such as age, length of service and pensionable salary.

In a defined-contribution plan, the company pays fixed contributions to a separate legal entity. It has no legal or informal obligation to pay additional contributions if the legal entity does not have assets sufficient to pay all of the benefits to the employees, which are linked to the employee's length of service during the current or previous periods.

The liability/receivable recognised in the balance sheet for defined-benefit pension plans is the present value of the defined-benefit obligation on the balance sheet day less the fair value of the plan assets, with adjustments for non-recognised actuarial gains/losses for service in prior periods. The defined-benefit pension obligation is calculated, annually, by independent actuaries using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting estimated future cash flows based on the discount interest rate for Swedish mortgage bonds issued in the same currency and with a term corresponding to the pension liability in question. Previously, the corresponding discount interest rate was based on long-term Swedish treasury bonds.

For actuarial gains and losses, the so-called corridor rule is applied. The corridor rule entails that actuarial gains and losses arising from experience-based adjustments and changes in actuarial assumptions exceeding 10% of the value of the plan assets or 10% of the defined-benefit obligation, whichever is greater, are expensed or recognised as income over the estimated average

remaining period of service of the employees. Otherwise, actuarial gains and losses are not recognised.

In the case of those pension payments recognised as defined-contribution plans, the Group pays contributions to an insurance company/insurance association. Once these contributions have been paid, the Group has no further payment obligations. The contributions are recognised as personnel costs when they become due for payment. With regard to defined-benefit pensions insured with Alecta, Apoteket has not had access to information enabling it to recognise them as defined-benefit plans. Accordingly, the supplementary pension for salaried employees (the ITP plan) is insured with Alecta and is recognised as a defined-contribution plan, which is however financially secured in the Pension Foundation and with credit insurance from PRI. In the event of notice being served, benefits are payable when an employee is made redundant before the date of the normal pension or when an employee accepts voluntary retirement from employment in exchange for such benefits. The Group recognises severance payments when it is demonstrably obliged either to give notice to an employee according to a detailed formal plan for which no possibility of cancellation exists or to provide benefits when giving notice as a result of an offer made to encourage voluntary retirement from employment.

Provisions

Provisions are recognised when the Group has an existing or informal commitment resulting from previous events, it is more likely than not that an outflow of resources to regulate the commitment will be required and the amount has been estimated reliably.

Contingent liabilities and contingent assets

Contingent liabilities are recognised when there is a possible commitment originating from occurred events whose existence will be confirmed by one or more uncertain future events. Contingent liabilities could also comprise existing events that are not recognised as a liability or provision because it is not probable that an outflow of resources will be required or when it is not possible to calculate the amount with sufficient accuracy. When they arise, contingent liabilities are recognised at their discounted value.

NOTE 3 Significant estimates and assessments for accounting purposes

Estimates and assessments are evaluated continuously and based on historical experience and other factors, including expectations of future events that are considered to be reasonable under prevailing circumstances. The Group makes estimates and assumptions about the future.

The estimates for accounting purposes that result from these will, by definition, seldom correspond with the actual outcome.

A re-examination of actuarial assumptions for pension calculations, according to IAS 19, is performed annually. For further information about pension calculations according to IAS 19, see Note 17, Pension assets in the Group.

A new assessment made regarding the useful life of fittings on third-party property and fixtures impacts on Apoteket's depreciation. As of 1 January 2010, the useful life of these items

is adjudged to be seven and five years respectively, as opposed to 20 and 10 years respectively, in the past. The impact on earnings for 2010 will be an increase in depreciation of fittings on third-party property and fixtures by SEK 54 m and SEK 56 m respectively.

NOTE 4 Parent company accounting policies

The Parent Company complies with the Group accounting policies, apart from the exceptions and supplements stipulated by the Swedish Financial Reporting Council in Recommendation RFR 2.2 Reporting for legal entities.

Subsidiaries/associated companies

Participations in subsidiaries/associated companies are reported to the Parent Company according to the acquisition value (cost) method.

Leased assets

In the Parent Company, all leases are recognised in accordance with the rules for operational leases.

Property, plant and equipment

Property, plant and equipment in the Parent Company are recognised at cost less accumulated depreciation and any impairment, just as for the Group, but including any write-ups.

Pensions

In the Parent Company, the grounds for calculating defined-benefit plans differ from those stated in IAS 19. The principal differences compared with the rules of IAS 19 are the way in which the discount rate is determined, the fact that the calculation of the defined-benefit obligation is based on the current salary level without assuming future salary increases, and the recognition of all actuarial gains and losses in profit or loss as they arise.

The calculation of debt pertains to the obligation associated with Apoteket's pension plan and is measured in accordance with the provisions of the Act on the Safeguarding of Pension Obligations, 1967:531, and the Swedish Financial Supervisory Authority's FFFS 2007:24 provision. The gross interest used for the calculation of debt is 3.6% or 3.1% net after tax on returns from pension funds. The ITP2 benefits booked as a liability that are included in the calculation are measured, in accordance with the conditions applied by PRI, using a net interest rate of 3.85%. Paid-up policies that previously belonged to Apoteket's pension plan and are now included in ITP2 are also measured in accordance with the PRI conditions.

Group contributions

The Parent Company's recognition of Group contributions received is equivalent to the dividend recognised. This means that Group contributions received and the relating current tax effect are recognised in profit or loss. Group contributions provided and the relating current tax effects are recognised directly against retained earnings.

NOTE 5 Segment reporting

Segment disclosures – business segments

Apoteket is divided into segments on the basis of business segments: Apoteket Konsument, which includes all outpatient pharmacies, Apoteket Farmaci which includes all hospital pharmacies, and Apoteket Partner which includes e-trading distribution and dose dispensing pharmacies as well as Other operations which includes Apoteket International AB, Apoteks-akademien i Sverige AB and Group-wide functions. Costs of operations conducted within Group-wide functions that are directly attributable to the various businesses have been transferred to the business segments. Transfers or transactions between business segments have been eliminated and internal trading between business segments is subject to normal commercial terms and conditions.

The assets of the business segments primarily comprise property, plant and equipment, intangible assets, inventories, receivables and cash and cash equivalents. Investments consist of purchases of property, plant and equipment and intangible assets. Of the assets in the Konsument business segment, SEK 3,636 m was classified as available-for-sale in 2009.

Reporting to the chief executive officer contains an in-depth analysis of the operating results of each business segment, including operating revenue, gross profit and overhead expenses. The analysis can differ depending on the business segment concerned. The accounting policies applied for the Group apply in full for all of the business segments. Since no form of debt measurement is reported by segment, liabilities are not reported in the above summary for the various business segments.

The results of the business segments during the 2009 financial year are presented below:

	Apoteket Konsument	Apoteket Farmaci	Apoteket Partner	Other operations and eliminations	Group
Sales revenues	31,578	8,020	4,767	-1,292	43,073
<i>of which, transactions between business segments</i>	157	63	1,196	1,537	-
Operating profit	1,444	172	91	-903	804
Net financial items	-10	0	0	13	3
Share of earnings of associated companies	-	-	-	-	-1
Pre-tax earnings	-	-	-	-	806
Income tax	-	-	-	-	-274
Net earnings for the year					532

The results of the business segments during the 2010 financial year are presented below:

	Apoteket Konsument	Apoteket Farmaci	Apoteket Partner	Other operations and eliminations	Group
Sales revenues	13,786	8,458	4,523	-492	26,275
<i>of which, transactions between business segments</i>	99	11	1,238	-	-
Operating earnings	216	241	-124	-270	63
Net financial items	-2	-1	-	34	31
Other financial income	-	-	-	4,430	4,430
Share of earnings of associated companies	-	-	-	-	0
Pre-tax earnings	-	-	-	-	4,524
Income tax	-	-	-	-	-4
Net earnings for the year					4,520

Other result items for business segments are presented below:

	Apoteket Konsument	Apoteket Farmaci	Apoteket Partner	Other operations	Group
2009					
Depreciation/amortisation	108	8	124	189	429
Impairment losses	-	-	24	55	79
2010					
Depreciation/amortisation	159	8	62	10	239
Impairment losses	35	-	9	47	91

Note 5, cont.

Assets of business segments as per 31 December 2009 and investments during 2009 are presented below:

	Apoteket Konsument	Apoteket Farmaci	Apoteket Partner	Other operations and unallocated	Group
Assets	6,569	1,762	1,121	2,207	11,659
Associated companies	–	–	–	27	27
Total assets	6,569	1,762	1,121	2,234	11,686
Investments	100	6	45	131	282

Assets of business segments as per 31 December 2010 and investments during 2010 are presented below:

	Apoteket Konsument	Apoteket Farmaci	Apoteket Partner	Other operations and unallocated	Group
Assets ¹⁾	2,445	1,823	1,067	8,175	13,510
Associated companies	–	–	–	27	27
Total assets	2,445	1,823	1,067	8,202	13,537
Investments	130	5	101	51	287

¹⁾ Other operations and unallocated in 2010 include current investments concerning received sales revenues from the divestment of subsidiaries in the amount of SEK 5,923 m.

NOTE 6 Breakdown of revenues

Net sales include income from:

	Group		Parent Company	
	2010	2009	2010	2009
Sales of goods	25,288	42,267	15,715	24,817
Sales of services	887	705	423	561
Invoiced costs	42	38	25	24
Notification charges, statutory charges	53	58	53	58
Rental income	2	1	57	93
Other income	3	4	1	3
Total	26,275	43,073	16,274	25,556

Other operating income includes income from:

	Group		Parent Company	
	2010	2009	2010	2009
Commission payments from Adara AB ¹⁾	–	–	–	253
Recovered bad debts	4	5	4	5
State grants received ²⁾	–	1	–	1
Other income	12	0	11	0
Total	16	6	15	259

¹⁾ The operations of Adara AB were transferred to the Parent Company on 1 May 2009.

²⁾ Includes special compensation for operating the National Pharmacy Register during 2009, as well as fulfilling the national responsibility for vaccine and antidote supply, as stipulated in the business agreement.

NOTE 7 Operational leasing fees

Future minimum leasing fees relating to operational leases that cannot be terminated were distributed as follows:

	Group		Parent Company	
	2010	2009	2010	2009
Within 1 year	259	491	246	234
Between 1 and 5 years	582	1 094	570	534
After more than 5 years	147	358	147	157

Leasing costs relating to operational leases during the year amounted to SEK 346 m (564) in the Group and to SEK 267 m (420) in the Parent Company.

Apoteket's leasing fees relate mainly to the rental of premises

for pharmacies and the head office. Most of the rental agreements expire within five years, although there is nothing to indicate that they will not be renegotiated.

NOTE 8 Fees for auditors and audit companies

	2010	Group		2010	Parent Company	
		2009	2008		2009	2008
<i>Audit</i>						
Lay auditor ¹⁾	0.0	0.0	0.0	0.0	0.0	0.0
National Audit Office	0.2	0.3	0.3	0.2	0.4	0.3
Ernst & Young AB	2.2	4.1	2.2	1.8	2.9	1.9
<i>Other assignments</i>						
Ernst & Young AB, tax consultancy services	0.4	0.4	1.0	0.4	0.4	1.0
Ernst & Young AB, other services	0.4	6.6	6.2	0.4	6.7	6.2
Total	3.2	11.4	9.7	2.8	10.4	9.4

¹⁾ The lay auditor received a fee of SEK 20,000 (20,000).

The audit pertains to the examination of Apoteket's Annual Report, consolidated financial statements and accounting records, the administration of the company by the Board of Directors and the President, other assignments that the auditors are obligated to conduct

and consultancy or other advice resulting from the audit assignment.

In 2008 and 2009, other assignments pertained mainly to investigative assignments due to the reregulation of the Swedish pharmacy market.

NOTE 9 Salaries, other remuneration and social costs

	Group		Parent Company	
	2010	2009	2010	2009
Salaries and remuneration	1,923	3,402	1,288	2,181
Social costs	591	1,476	931	972
(of which, pension costs) ^{1) 2)}	(35)	(338)	(533)	(300)
Total	2,514	4,878	2,219	3,153

¹⁾ Of the Groups' pension costs, calculated according to IAS 19, SEK 8.2 m (7.7) pertained to the Board of Directors, President, former presidents and other senior executives. The Group's outstanding pension obligations to these persons amount to SEK 60.3 m (50.7). The defined-benefit pension obligations for this category are secured through Apoteket AB's Pension Foundation.

²⁾ The Parent Company's outstanding pension obligations for the category comprising the President, former presidents and other senior executives, calculated according to the Act on the Safeguarding of Pension Obligations,

increased to SEK 48.1 m (40.7). The pension cost for the category concerned amounted to SEK 12.5 m (8.4). Pension costs are defined as pension premiums paid, change in pension reserve and pensions paid.

The reason for the reduced obligation is that Apoteket entered into a new pension agreement as of 2008. The new agreement means that all employees are connected to ITP, excluding certain transitional categories and management personnel, and that Apoteket takes annual decisions on the indexing of matured pensions and vested pension rights, as opposed to before when the value was guaranteed.

Incentive programme

A performance-based programme for employees and first-line managers in the Apoteket Konsument, Apoteket Partner and Apoteket Pharmacy business segments could result in payment of SEK 5,000 per employee/manager if all three bonus objectives are achieved. One of the bonus targets is mandatory for all units and is designed as a financial improvement target on the basis

of the unit's earnings target. The other two targets are established by the business segment concerned. Personnel employed by the central units are not covered by the programme.

Apoteket's Board has approved potential for a bonus in 2010 of two months' salary for two senior executives, of whom one met the conditions to receive a bonus.

Note 9, cont.

Salaries and other remuneration distributed among senior executives and other employees

	Group		Parent Company	
	2010	2009	2010	2009
Members of the Board and President and other senior executives ¹⁾²⁾	32	23	31	20
(of which are bonuses, etc)	(2)	(-)	(2)	(-)
Other employees	1,891	3,379	1,257	2,161
Total	1,923	3,402	1,288	2,181

¹⁾ In the Group, the Board of Directors, President and other senior executive category comprises 19 (30) persons. In the Parent Company, the corresponding category comprises 18 (28) persons. Apoteket defines other senior executives as the Group Executive Board and the subsidiaries' presidents.

²⁾ The figure for 2010 includes severance pay of SEK 4,500,000 for the outgoing President.

The Board of Directors' composition, number of meetings attended and fees

Amounts in SEK 000s	Elected, year	Board meetings	Number of meetings of the Audit Committee	Number of meetings of the Remuneration Committee	Ordinary fee	Fee for committee work
Christian W Jansson ¹⁾	2009	13/13			300	-
Gert Karnberger ²⁾	2009	13/13	7/7		150	46
Kristina Schauman ³⁾	2009	12/13	2/2		25	8
Lars-Johan Jarnheimer ⁴⁾	2009	12/13	5/5	3/3	150	21
Elisabet Wenzlaff ⁵⁾	2009	12/13		3/3	150	-
Carina Jansson ⁶⁾	2002	12/13			22	-
Carin Sällström-Nilsson ⁷⁾	2009	12/13			22	-
Malin Jonsson ⁸⁾	2009	10/13			14	-
Gunilla Larsson ⁹⁾	2009	13/13			14	-
Total					847	75

¹⁾ Chairman of the Board.

²⁾ Member of the Audit Committee through March 2010, and subsequently Chairman of the Audit Committee.

³⁾ Chairman of the Audit Committee through March 2010. Assumed the position of interim CFO of Apoteket in March 2010.

⁴⁾ Chairman of the Remuneration Committee and member of the Audit Committee as of March 2010.

⁵⁾ Member of the Remuneration Committee.

⁶⁾ Employee representative, appointed by the Swedish Association of Technical Pharmacy Employees.

⁷⁾ Employee representative, appointed by the Swedish Pharmaceutical Association

⁸⁾ Employee representative (deputy), appointed by the Swedish Pharmaceutical Association

⁹⁾ Employee representative (deputy), appointed by the Swedish Association of Technical Pharmacy Employees.

Fees to the Chairman and Members of the Board are payable in accordance with resolutions from the Annual General Meeting.

Fees for work on Boards of Directors of subsidiaries

Meg Tiveus, Björn Rosén and Birgitta Stymne Göransson are Board Members of the subsidiary Apoteket Farmaci AB. In 2010, fees totalling SEK 75,000 were paid to each of these three Board Members.

Lena Furmark Löfgren and Johan Assarsson are Board Members of the subsidiary Apoteket International AB. In 2010, Lena Furmark Löfgren was paid a fee of SEK 82,000 and Johan Assarsson a fee of SEK 99,000.

Board composition

At the Annual General Meeting held on 13 April 2010, the following Board members were re-elected: Christian W Jansson, who was also elected Chairman of the Board, Lars-Johan Jarnheimer, Elisabet Wenzlaff, Gert Karnberger and Kristina Schauman.

The owner's motivation for the new Board of Directors indicates that the profiles that are deemed of central importance include expertise in retail sales, restructuring/change, financial and legal issues. The composition of the new Board of Directors creates favourable prerequisites for enabling the company to conduct operations in a reregulated market. The owner considers that the new Board meets the requirements that can be placed on a company with these operations.

From 8 March 2010 through 28 March 2011, Kristina Schauman

is interim CFO, and from 15 August 2010 through 15 November 2010, she was interim President of the company. After 28 March 2011, Kristina Schauman will remain a Member of the Board.

Carina Jansson and Gunilla Larsson remained as ordinary representative and deputy member, respectively, for the Swedish Association of Technical Pharmacy Employees. Carin Sällström-Nilsson and Malin Jonsson remained as ordinary representative and deputy member, respectively, for the Swedish Pharmaceutical Association.

The Board of Directors thus consists of five members appointed by the General Meeting and two ordinary and two deputy members appointed by the employee organisations.

The Board established an Audit Committee and a Remuneration Committee from among its members with two members on each committee.

The Board members are presented in greater detail on page 86.

Work of the Board of Directors

On the basis of the business agreement, the Board of Directors has assigned priority to a healthy economy, good availability, safe drug utilisation and a health perspective. In its rules of procedure, the Board has also established an annual cycle regarding issues to be discussed over the year.

Note 9, cont.

Remuneration and benefits paid to senior executives in 2010

Amounts in SEK 000s	Appointed	Salary ¹⁾	Other benefits ²⁾	Total	Retirement age	Pension cost ³⁾	Period of notice (employee/company)	Severance pay
Ann Carlsson, President as of 15 November 2010 ⁴⁾	2010	418	10	428	65		6 months/6 months	18 months
Eva Fernvall, Brand Director	2005	1,502	63	1,565	65	486	6 months/6 months	18 months
Monica Höglind, HR Director	2007	2,353	120	2,473	62	535	6 months/6 months	18 months
Anna Rogmark, Chief Legal Counsel	2010	1,502	147	1,649	65	102	6 months/6 months	18 months
Marianne Dicander, Director Apoteket Konsument	2007	2,285	139	2,424	62	857	6 months/6 months	18 months
Annema Paus, President of Apoteket Farmaci AB	2001	2,066	93	2,159	65	644	6 months/6 months	18 months
Tore Löwstedt, Director Apoteket Partner	2007	2,629	114	2,743	65	619	6 months/6 months	18 months
Ulrika Eriksson, Director Market & Product Range	2009	2,456	69	2,525	65	807	6 months/6 months	18 months
David Kruse, President of Apoteket International AB	2009	1,098	106	1,204	65	256	6 months/6 months	18 months
Stefan Carlsson, president until 15 August 2010 ⁵⁾	1999	8,406	63	8,469	62	2,366	6 months/6 months	18 months
Per Matses, CFO until 16 May 2010	1999	932	27	959	60	315	6 months/6 months	18 months
Johan Wallér, Staff Director until 31 January 2010	2008	642	8	650	65	40	6 months/6 months	18 months
Total		26,289	959	27,248		7,027		
Kristina Schauman, interim CFO ⁶⁾				2,685				

¹⁾ Four senior executives received stay-on bonuses pertaining to 2008 and 2009, totalling SEK 2,084,000. The bonuses were paid in 2010.

²⁾ Other benefits mainly comprise the tax assessment value of a company car and fuel.

³⁾ Pension cost pertaining to defined-benefit pension is calculated in accordance with Act on Safeguarding Pension Obligations. Pension costs comprise accrued pension during the year, interest on earlier provisions and pension premiums.

⁴⁾ President Ann Carlsson has a defined-benefit pension at a rate of 30%

of her basic salary. Costs pertaining to 2010 will be charged to 2011.

⁵⁾ Stefan Carlsson received severance pay of 18 months' salary, totalling SEK 4,500,000. This will be paid in 2011 and 2012.

⁶⁾ From 8 March 2010 through 28 March 2011, Kristina Schauman will be interim CFO, and from 15 August 2010 through 15 November 2010, she was interim President and CEO of the company. Remuneration paid comprises fees that have been invoiced by consultancy companies. Invoiced fees including compensation for social security fees.

Remuneration and benefits

Remuneration and benefits for the President and other senior executives consist of a salary, paid in cash, other benefits/other remuneration and pension commitments. All amounts are stated excluding social security contributions and special employer's contributions. The President and other senior executives have a six-month mutual period of notice. In the event of termination of employment by the employer, 18-months severance pay will also be paid. Severance pay is deductible from new salary. Outgoing President Stefan Carlsson will receive dismissal pay until 15 February 2011, after which date he will receive severance payments. Dismissal pay and severance pay are exempt from deduction.

Terms and conditions for pensions

President and CEO Ann Carlsson has a defined-benefit pension at a rate of 30% of her basic salary. The retirement age is 65. Among other senior executives, six have ITP2 from 65 years of age. One of these also receives a pension between the age of 60 and 65, at a rate of 65% of pensionable salary. Four senior executives have defined-benefit pensions, two of whom have a retirement age of 62.

Outgoing President and CEO, Stefan Carlsson, has a retirement age of 62 and is covered by Apoteket's pension plan. Pension

costs are calculated during the vesting period according to the lower interest-rate assumption, which generates a higher cost. For salary elements in excess of the cap, which is 30 increased basic amounts, a pension of 32.5% is paid on top of the pensionable salary. Pension will be vested during the period of notice through 15 February 2011.

Basis for decisions

Remuneration and benefits payable to the President have been decided by the Board of Directors. Remuneration and benefits payable to other senior executives have been decided by the President in consultation with the Remuneration Committee. The Board also resolved on the potential for payment of a bonus for 2010 to two senior executives, of whom one fulfilled the conditions for receiving a bonus.

Remuneration of senior executives who are not members of Group Executive Board

Pia Källqvist is President of the subsidiary Apoteksakademin AB, which commenced its operations on 1 April 2010. Salaries and other benefits for the President amounted to SEK 786,000 and pension costs totalled SEK 312,000. Pia Källqvist is covered by the ITP2 plan.

NOTE 10 Income tax

	Group		Parent Company	
	2010	2009	2010	2009
Current tax for the year	-22	-225	-10	-165
Current tax for earlier years	16	-	16	-
Deferred tax	2	-49	19	2
Share of the tax of associated companies	0	0	0	0
Total	-4	-274	25	-163

The tax on the pre-tax earnings of the Group and the Parent Company differs in the following manner from the theoretical

amount that would have resulted from applying a weighted average tax rate to the earnings of the Group and the Parent Company:

	Group		Parent Company	
	2010	2009	2010	2009
Pre-tax earnings	4,524	806	4,727	413
Tax at the existing tax rate	-1,190	-212	-1,243	-109
Tax effect changed corporate tax rate	-	-5 ¹⁾	-	-
Adjustment of tax attributable to earlier period	16	-	16	-
Tax effect of tax-exempt capital gain	1,165	-	1,256	-
Tax effect of other tax-exempt revenues	4	-	0	-
Tax effect of non-deductible costs	-4	-57	-4	-54
Effect of previously unrecognised loss carryforwards	5	-	-	-
Tax expense	-4	-274	25	-163

The current rate of income tax is 26.3% (26.3%).

¹⁾ Due to a change in the corporate tax rate in Sweden, as of 2009, the subsidiaries that have been available-for-sale have been taxed at the preceding year's tax rate since the companies' first financial year was extended.

NOTE 11 Deferred tax

	Group		Parent Company	
	2010	2009	2010	2009
<i>Deferred tax pertaining to:</i>				
- fixed assets	19	2	19	2
- loss carryforwards	13	-	-	-
- untaxed reserves	103	-48	-	-
- pension claims	-133	-3	-	-
Deferred tax in profit and loss	2	-49	19	2
<i>Deferred tax assets pertaining to:</i>				
- loss carryforwards	13	-	-	-
- fixed assets	-	-	14	-
Total deferred tax assets	13	-	14	-
<i>Deferred tax liabilities pertain to:</i>				
- pension claims	-504	-371	-	-
- fixed assets	14	-5	-	-5
- untaxed reserves	-138	-241	-	-
Total deferred tax liabilities	-628	-617	-	-5
Net liabilities/assets	-615	-617	14	-5
At the start of the year	-617	-608	-5	-7
Recognised in profit and loss	2	-49	19	2
Of which, deferred tax - available-for-sale assets	-	40	-	-
At year-end	-615	-617	14	-5

NOTE 12 Earnings per share

	2010	Group 2009
Net earnings for the year (SEK m)	4,520	532
Number of shares	175,000	175,000
Earnings per share (SEK)	25,829	3,040

There is no dilution effect. Earnings per share, adjusted for capital gain of SEK 4,430 m, amounted to SEK 514.

NOTE 13 Available-for-sale assets

Capital gain on sale of pharmacies

During January–February 2010, Apoteket divested the eight subsidiaries, encompassing 465 pharmacies, which had been

held for sale. The total sales price was SEK 5,969 m and the capital gain amounted to SEK 4,427 m. The capital gain in the Group is presented below:

	2010
Sales price	5,969
Selling expenses	-187
Group value of divested companies	-1,355
Capital gain attributable to the divestment of pharmacies	4,427
Other capital gain	3
Consolidated capital gain	4,430

Available for sale assets

	2010	2009
Intangible assets	-	132
Property, plant and equipment	-	231
Financial fixed assets	-	6
Inventories	-	940
Accounts receivable	-	2,008
Tax assets	-	9
Other receivables	-	237
Prepaid expenses and accrued income	-	73
Assets held for sale	-	3,636
Deferred tax	-	40
Accounts payable	-	1,680
Other current liabilities	-	137
Accrued expenses and prepaid income	-	168
Liabilities attributable to assets held for sale	-	2,025
Net amount for assets held for sale	-	1,611

On 29 April 2010, the Swedish Riksdag (Parliament) enacted a bill on the reregulation of the pharmacy market. To create the best possible conditions for a well-functioning pharmacy market subject to competition, it was decided that Apoteket AB would have to divest 615 pharmacies.

To facilitate and optimise the process of selling the pharmacies covered by the decision to sell, Apoteket AB formed nine wholly owned subsidiaries.

On 9 November 2010, it was announced that Apoteket AB had concluded share-transfer agreements with four parties pertaining to the sale of eight of the subsidiaries, corresponding to a total of 465 pharmacies that had been up for sale. The total sales price was SEK 5,969 m.

An additional 150 pharmacies were spun off to a newly formed

subsidiary, Apoteksgruppen i Sverige AB, which built up a chain of pharmacies for small businesses. During the first quarter of 2010, the subsidiary was transferred to Apoteket's Parent Company, Apoteket Omstrukturering AB, through a spinoff of shares in the subsidiary concerned.

At 31 December 2009, the total asset value of the assets held for sale and that have been allocated to the subsidiaries was SEK 3,636 m, as shown in the table above. At 31 December 2009, the liabilities that are attributable to assets held for sale amounted to SEK 2,025 m. Material assets and liabilities comprise inventories, accounts receivable and accounts payable. The amounts are listed in the table above.

Cash and cash equivalents in the divested subsidiaries amounted to SEK 0 m.

NOTE 14 Intangible assets

Intangible assets are categorised in three groups: development work, rental contracts and other intangible assets. In the development work category, capitalised development expenses are recognised. As of 31 December 2010, the category includes capitalised expenditures for a platform for e-commerce operations and dispensing activities.

Investments in development work during the year amounted to SEK 50 m and mainly comprised an adaptation of the IT system to the new pharmacy market.

In the rental contracts category, capitalised expenditure is recognised for the acquisition of rental contracts, and these relate to premises located in strategic areas.

The category of other intangible assets includes interior fittings in property belonging to third parties, which were reclassified from

tangible assets in connection with the net-asset transfer to subsidiaries.

Determination of any impairment losses requirements for intangible assets was performed according to IAS 36, whereby the estimated recoverable value was compared with the carrying amount for each intangible asset. Regarding the valuation of intangible assets, Apoteket has assessed that an impairment losses requirement of SEK 47 m is needed. The impairment losses mainly comprises impairment losses of investments in the development of IT systems adapted to the new pharmacy market and to the new regulatory framework. The impairment losses are required because Apoteket does not consider future revenue increases and/or cost-savings to be demonstrable.

Group	Development work		Rental contracts		Other intangible assets		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated cost at the beginning of the year	112	307	23	24	24	24	159	355
Investments	50	217	9	3	–	–	59	220
Disposals/Retirements	0	-171	–	0	–	–	0	-171
Transfer from property, plant and equipment	–	–	–	–	–	339	–	339
Dividend to Parent Company ¹⁾	–	-241	–	–	–	–	–	-241
Reclassification to available-for-sale assets	–	–	–	-4	–	-339	–	-343
Accumulated cost at the end of the year	162	112	32	23	24	24	218	159
Accumulated amortisation at the beginning of the year	-32	-147	-13	-10	-13	-13	-58	-170
Amortisation for the year according to plan	-8	-16	-5	-5	-1	-5	-14	-26
Disposals/Retirements	0	131	–	–	–	–	0	131
Transfer from property, plant and equipment	–	–	–	–	–	-204	–	-204
Reclassification to available-for-sale assets	–	–	–	2	–	209	–	211
Accumulated amortisation at the end of the year	-40	-32	-18	-13	-14	-13	-72	-58
Accumulated impairment losses at the beginning of the year	-52	-30	–	–	–	–	-52	-30
Impairment losses for the year	-47	-263	–	–	–	–	-47	-263
Dividend to Parent Company ¹⁾	–	241	–	–	–	–	–	241
Accumulated impairment losses at the end of the year	-99	-52	–	–	–	–	-99	-52
Residual value at the end of year according to plan	23	28	14	10	10	11	47	49

¹⁾ Pertains to the spinoff of ProDur AB and related development work.

Parent Company	Development work		Rental contracts		Total	
	2010	2009	2010	2009	2010	2009
Accumulated cost at the beginning of the year	107	299	21	23	128	322
Investments	46	26	11	1	57	27
Accumulated cost of assets sold to/acquired from Group companies	–	9	–	-3	–	6
Disposals/Retirements	0	-170	–	–	0	-170
Dividend to Parent Company ¹⁾	–	-57	–	–	–	-57
Accumulated cost at the end of the year	153	107	32	21	185	128
Accumulated amortisation at the beginning of the year	-31	-145	-13	-10	-44	-155
Amortisation for the year according to plan	-9	-13	-5	-5	-14	-18
Accumulated amortisation of assets sold to/acquired from Group companies	–	-4	–	2	–	-2
Disposals/Retirements	0	131	–	–	0	131
Accumulated amortisation at the end of the year	-40	-31	-18	-13	-58	-44
Accumulated impairment losses at the beginning of the year	-52	-30	–	–	-52	-30
Impairment losses for the year	-47	-79	–	–	-47	-79
Dividend to Parent Company ¹⁾	–	57	–	–	–	57
Accumulated impairment losses at the end of the year	-99	-52	–	–	-99	-52
Residual value at the end of year according to plan	14	24	14	8	28	32

¹⁾ Pertains to the spinoff of ProDur AB and related development work.

NOTE 15 Property, plant and equipment

Group	Buildings, land and land improvements		Equipment		Construction in progress		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated cost at the beginning of the year	490	488	1,761	2,868	-	-	2,251	3,356
New acquisitions	12	2	216	135	-	-	228	137
Disposals/Retirements	0	0	-111	-93	-	-	-111	-93
Dividend to shareholder ¹⁾	-446	-	-292	-	-	-	-738	-
Transfer to intangible assets	-	-	-	-339	-	-	-	-339
Reclassification to available-for-sale assets	-	-	-	-810	-	-	-	-810
Accumulated cost at the end of the year	56	490	1,574	1,761	-	-	1,630	2,251
Accumulated depreciation at the beginning of the year	-274	-260	-1,280	-1,939	-	-	-1,554	-2,199
Disposals/Retirements	0	0	93	81	-	-	93	81
Depreciation for the year according to plan	-5	-14	-220	-205	-	-	-225	-219
Dividend to shareholder ¹⁾	266	-	250	-	-	-	516	-
Transfer to intangible assets	-	-	-	204	-	-	-	204
Reclassification to available-for-sale assets	-	-	-	579	-	-	-	579
Accumulated depreciation at the end of the year	-13	-274	-1,157	-1,280	-	-	-1,170	-1,554
Accumulated impairment losses at the beginning of the year	-	-	-4	-4	-	-	-4	-4
Impairment losses for the year	-	-	-44	-	-	-	-44	-
Accumulated impairment losses at the end of the year	-	-	-48	-4	-	-	-48	-4
Residual value according to plan at the end of the year	43	216	369	477	-	-	412	693
Carrying amount, buildings	40	204						
Carrying amount, land and land improvements	3	12						
Taxable value, buildings	11	117						
Taxable value, land	1	31						

¹⁾ Refers to spinoff of shares in Apoteket Produktion & Laboratorier AB.

Parent Company	2010	2009	2010	2009	2010	2009	2010	2009
Accumulated costs at the beginning of the year	448	446	1,339	2,464	-	-	1,787	2,910
New acquisitions	0	2	204	94	-	-	204	96
Accumulated cost of assets sold to subsidiaries	-446 ¹⁾	-	-	-1,136	-	-	-446	-1,136
Disposals/Retirements	-	0	-100	-83	-	-	-100	-83
Accumulated cost at the end of the year	2	448	1,443	1,339	-	-	1,445	1,787
Accumulated depreciation at the beginning of the year	-263	-250	-938	-1,612	-	-	-1,201	-1,862
Accumulated depreciation of assets sold to subsidiaries	266 ¹⁾	-	-	762	-	-	266	762
Disposals/Retirements	-	0	74	72	-	-	74	72
Depreciation according to plan for the year	-4	-13	-195	-160	-	-	-199	-173
Accumulated depreciation at the end of the year	-1	-263	-1,059	-938	-	-	-1,060	-1,201
Accumulated impairment losses at the beginning of the year	-	-	-4	-4	-	-	-4	-4
Impairment losses for the year	-	-	-44	-	-	-	-44	-
Accumulated impairment losses at the end of the year	-	-	-48	-4	-	-	-48	-4
Residual value according to plan at the end of the year	1	185	336	397	-	-	337	582
Carrying amount, buildings	1	175						
Carrying amount, land and land improvements	0	10						
Taxable value, buildings	0	106						
Taxable value, land	0	30						

¹⁾ In May 2010, four industrial properties were sold to the subsidiary Apoteket Produktion & Laboratorier AB. The properties were sold at a carrying amount of SEK 180 m. At the same time, a shareholder contribution was paid in the amount of SEK 80 m. The impact on cash flow totalled SEK 100 m.

NOTE 16 Holdings in associated companies

	Group		Parent Company	
	2010	2009	2010	2009
At the start of the year	27	37	9	18
New acquisitions during the year	–	–	9	–
Transfer to shares in subsidiaries	–	–9	–	–9
Share in profit/loss ¹⁾	0	–1	–	–
At year-end	27	27	18	9

¹⁾ Share in profit/loss is specified after taxes.

Group holdings in associated companies

2009	Assets	Liabilities	Income	Profit/loss
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	1	0
Fastighets AB Högberga 556449-1677, Stockholm	25	7	8	–1
Total	32	9	9	–1
2010				
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	1	0
Fastighets AB Högberga 556449-1677, Stockholm	24	6	10	0
Total	31	8	11	0

Specification of Group holdings in associated companies

	Holding	Holding in %	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45.0	9
Fastighets AB Högberga 556449-1677, Stockholm	18,750	37.5	18

Specification of Parent Company holdings in associated companies

	Holding	Holding in %	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45.0	9
Fastighets AB Högberga 556449-1677, Stockholm	18,750	37.5	18

NOTE 17 Pension assets in the Group

Most employees of Apoteket AB and subsidiaries are covered by the ITP plan, excluding certain transferred categories for which pensions continue to be vested according to Apoteket's pension plan. For employees born before 1979, pensions are vested in defined-benefit pension plans in accordance with ITP2 and employees born after 1979 are covered by ITP1 – the defined-contribution part of the ITP plan. The earnings from the defined-benefit retirement pension, for employees of the Apoteket Group, are secured through Apoteket AB and its Swedish sub-

siidiaries' pension foundation. With regard to the insurance-secured ITP, Alecta has stated that it lacks sufficient information for defined-benefit accounting. For this reason, the ITP plan is being recognised as a defined-contribution plan. In 2008, Apoteket concluded a new pension agreement with the trade union associations, entailing, among other consequences, that the Apoteket Plan was to be replaced by ITP and that Apoteket would annually make decisions concerning the indexing of accrued pensions and pension payments for those not covered by ITP.

Pension benefits

The amounts recognised in the balance sheet have been calculated as follows:

	2010	2009
Present value of funded obligations	–7,445	–7,322
Fair value of plan assets	10,343	9,268
Pension obligations less plan assets	2,898	1,946
Unrecognised actuarial gains	–1,355	–810
Recognised receivable excluding special employers' contribution	1,543	1,136
Special employer's contribution	374	276
Receivables recognised in the balance sheet	1,917	1,412

Note 17, cont.

The amounts recognised in profit or loss are as follows:

	2010	2009
Costs relating to employment in the current year	-113	-169
Cost early retirement pensions	-21	-35
Interest expense	-281	-273
Reduction of pension obligation	-	52
Actuarial gain/loss during the year	-	-60
Expected return on plan assets	519	372
Total cost of defined-benefit plans	104	-113
Cost of defined-contribution plans	-132	-159
Special employer's contribution	-7	-66
Total pension cost	-35	-338

The actual return on the plan assets amounted to SEK 1,075 m (2,777).

The principal actuarial assumptions used were as follows:

	2010	2009
Discount rate	3.95%	3.95%
Expected return on plan assets	5.60%	5.60%
Future salary increases	3.30%	3.30%
Increased basic amount	2.00%	2.00%
Staff turnover	3.50%	3.50%
Average remaining length of service:	15.6 years	16 years

- The present value of the defined-benefit obligation is established by discounting estimated future cash flows based on the discount rate for Swedish mortgage-backed bonds, which are issued in the same currency and with terms that are comparable with current pension liabilities.
- The increased basic amount is a measure of the inflation assumption. It reflects the trend in the consumer price index (CPI) and is used by Apoteket for indexation of the pension base.
- The expected salary increase reflects future expected percentage salary increases, taking into account expected future inflation (see the increased basic amount).

- Staff turnover is based on historical facts and on expected future staff turnover.

Accounting policy for actuarial gains and losses

Changes due to changed assumptions for calculating the present value of pension obligations for each specific financial year are recognised in the corridor for actuarial gains and losses, thus do not impact profit or loss. The corridor is defined as 10% of the highest value of the pension obligation, alternatively, of the plan assets. As of 31 December 2010, the actuarial gain amounted to SEK 1,355 m.

Specification of changes in defined-benefit pension plans and plan assets:

	2010	2009
<i>Specification of changes in defined-benefit pension obligations</i>		
Present value of obligation at the beginning of the year	7,322	6,978
Cost of new vesting	113	169
Cost of early retirement pensions	21	35
Interest expense	281	273
Reduction of pension plan	-	-52
Benefits paid out	-303	-275
Actuarial loss on obligation	11	194
Present value of obligation at the end of the year	7,445	7,322
<i>Specification of change in plan assets</i>		
Plan assets at the beginning of the year	9,268	6,641
Expected return on plan assets	519	372
Compensation from Apoteket's pension foundation	-	-150
Actuarial gain on plan assets	556	2,405
Plan assets at the end of the year	10,343	9,268

Note 17, cont.

The plan assets consist mainly of shares and interest-bearing securities with the following market values on the balance-sheet date:

Type of asset	2009	
Shares and similar financial instruments	5,781	5,520
Interest-bearing securities, etc	4,564	3,902
Other current liabilities	-2	-154
Total	10,343	9,268

Surplus and experience-based adjustments to liability/asset:

	2010	2009	2008	2007
Present value of defined-benefit obligations	-7,445	-7,322	-6,978	-7,218
Plan assets	10,343	9,268	6,641	8,492
Deficit/surplus	2,898	1,946	-337	1,274
Experience-based adjustments to the obligation	11	194	-424	23
Experience-based adjustments to the plan assets	556	2,405	-2,340	-285

In 2011, the Group anticipates a net cash flow relating to defined-benefit plans amounting to SEK 348 m. The expected return on plan assets is based on the existing composition of the investment portfolio.

The commitments for retirement and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. According to a statement from the Swedish Financial Reporting Council, UFR 3, this is a defined-benefit plan that covers several employers. For financial years for which the company has not had access to information enabling this plan to be recognised as a defined-benefit plan, a pension plan according to ITP, which is secured through insurance with Alecta, is to be recognised as a defined-contribution plan. The year's contributions for pension insurance taken out with Alecta amounted to SEK 68 m (145). At year-end 2010, Alecta's surplus, in the form of the collective consolidation rate, was 146% (141). The collective consolidation rate comprises the market value of Alecta's assets expressed as a percentage of the insurance commitments, calculated according

to Alecta's actuarial computation assumptions, which do not comply with IAS 19.

Pension Foundation's management of assets

Since the size of Apoteket's pension liability results from such factors as the interest-rate situation, inflation and real wage developments in Sweden, investment activities in Apoteket's pension fund will be exposed to assets that reflect the characteristics of the pension liability.

In view of the above, the Pension Foundation's Board of Directors has adopted an investment orientation, whereby a portion of the capital is to be invested in interest-bearing assets issued by the Swedish state or other lenders with a high credit rating. In addition, investments are to be made in equities with a main focus on the Swedish market.

The overall objective is to diversify the managed capital in terms of both nominal and real assets and thus reduce the risk, while achieving a favourable long-term return.

NOTE 18 Inventories

	Group		Parent Company	
	2010	2009	2010	2009
Raw materials and supplies	0	39	0	5
Work in progress	0	6	0	0
Finished goods at cost	0	20	0	0
Goods for resale at cost	1,069	1,008	839	775
Total	1,069	1,073	839	780

The expenditure for expensed inventories is included in goods for resale and amounted to SEK 21,086 m (34,172) in the Group and SEK 12,557 m (20,104) in the Parent Company.

NOTE 19 Other receivables

	Group		Parent Company	
	2010	2009	2010	2009
VAT receivables	385	348	227	199
Receivable from Apoteket's pension foundation	–	150	–	150
Other receivables	42	53	40	40
Total	427	551	267	389

NOTE 20 Prepaid expenses and accrued income

	Group		Parent Company	
	2010	2009	2010	2009
Rents invoiced	78	83	68	64
Accrued income	0	5	0	5
Accrued expenses	32	148	32	147
Accrued suppliers' bonus	5	6	5	6
Other items	7	20	2	12
Total	122	262	107	234

NOTE 21 Accrued expenses and prepaid income

	Group		Parent Company	
	2010	2009	2010	2009
Vacation pay reserves	156	195	120	138
Bonus to employees	15	16	11	14
Backdated salaries	11	10	11	7
Prepaid income	7	24	7	16
Accrued suppliers' invoices	54	68	36	60
Other items	2	17	1	4
Total	245	330	186	239

NOTE 22 Other provisions

	Group		Parent Company	
	2010	2009	2010	2009
At the start of the year	160	157	156	141
<i>Expensed in profit or loss</i>				
Additional provisions	201	118	178	118
Reversed unutilised amounts	–9	–10	–9	–10
Utilised during the year	–116	–105	–112	–93
At year-end	236	160	213	156
Of which, long-term provision ¹⁾	36	51	36	51
Of which, current provision	200	109	177	105

¹⁾ Of the long-term provision, SEK 0 m (0) expires in the Group and in the Parent Company more than five years after the balance-sheet date.

Group	Loss-making contracts			Total
	Rents	Severance pay		
At the start of the year	31	71	58	160
Additional provisions	39	51	111	201
Utilised during the year	–18	–65	–33	–116
Reversed unutilised amounts	–9	0	0	–9
At year-end	43	57	136	236

Note 22, cont.

Additional provisions pertaining to rents comprise costs for the closure of dispensing operations in Linköping and Växjö, and rental costs for vacant premises in conjunction with the relocation of pharmacies. Utilised provisions for rents comprise costs for distance pharmacies in Sollefteå and Apoteket's head office.

Additional provisions for severance pay comprise personnel costs for the closure of dispensing operations and personnel costs related to tenders lost in a number of county councils.

Additional provisions for loss-making contracts comprise restructuring and reregulation costs resulting from the reregulation of the pharmacy market.

Contingent liabilities

Apoteket AB signed guarantee commitments in connection with the transfer of rental agreements to the cluster of companies that were sold during the first quarter of 2010. The number of guarantee commitments is 39 and amount to approximately SEK 70 m (132). The maturities of these guarantee commitments vary. The purchasers of the subsidiaries undertake to relieve Apoteket AB of its guarantee commitments. If this does not occur during the contractual period, Apoteket AB will receive compensation for the issuance of guarantee commitments.

Apoteket has signed a guarantee agreement with PRI Pensionsgaranti. The mutual responsibility is 2% of the pension liability. In 2010, this amounted to SEK 28 m (25).

NOTE 23 Financial instruments and financial risk management

Apoteket's financial risk management is governed by the Group's finance policy, as adopted by Apoteket's Board of Directors. The finance policy encompasses guidelines for liquidity management, capital supply and financial risk management. The Group's overall risk management policy aims at minimising potential unfavourable effects on consolidated financial earnings. Financial management is centralised to a Group-wide function within the Parent Company, whose task is to capitalise on coordination gains, reduce earnings and cash-flow fluctuations and ensure favourable risk management. The subsidiaries and the Parent Company's operational units are responsible for identifying, reporting and following up the financial risks that arise in the operations.

Policy and principles for the management of financial risks

Objectives and principles applied for financial risk management

The objectives for financial risk management are to maintain good access to funds and an efficient use of capital, while securing capital supply. The principles applied for financial risk control are that:

- Financial risks arising in the Group's operations are maintained within established parameters in terms of credit risk, market risk and refinancing risk. A rule for all risk management is that speculative trading is not permissible.
- All credit granting must be based on commercial considerations that take into account both financing costs and risk. Credit will not be granted until a credit assessment of the borrower has been conducted.
- The Group's financial management and credit granting must be characterised by such organisation, including internal controls and reporting, so that the administrative risks are minimised.

Liquidity risk

Temporary liquidity strains at the end of each month are to be financed by ensuring the existence of sufficient committed lines of credit.

Caution, in terms of the management of liquidity risk, involves having sufficient cash and cash equivalents and available financing through sufficient committed lines of credit. Due to the dynamic nature of the underlying operations, Apoteket aims to maintain flexibility in its financing by maintaining agreements concerning available lines of credit.

Interest rate risk

The Group's exposure to interest rate risk is essentially associated with its pension assets. The Pension Foundation strives for an investment of plan assets that offsets the risk associated with the value trend for the pension liability. Otherwise, short-term financial borrowing and investment is subject to limited exposure to interest rate risk.

Currency risk

Since purchasing and sales essentially occur in SEK, currency exposure is limited.

Credit risk

The Group has no significant concentration of credit risks. There is an established policy for credit risk management.

Sales in the consumer market are paid for in cash or via the most commonly used credit cards. A part-payment system for private customers has been in use since 1997 and was previously subject to major credit losses. Since 28 November 2005, Apoteket has introduced a system of credit assessment for all newly added customers who apply for credit. This credit assessment is based on whether the customer has a record of non-payment of debt or a debt balance with the Enforcement Service. Checks are made in cases where the person is under 18 years, has a guardian, lacks an address, is resident abroad or has a protected identity. Customers who fail to pay their debts are blocked and denied continued credit after approximately two months from the date of payment default.

The County Councils account for a considerable share of Apoteket's outstanding accounts receivable. The risk has been assessed as very low. The receivables are normally paid within the specified credit period.

Due dates for accounts receivable

Group	2010	2009	2008	2007
Overdue, but not impaired				
< 30 days	22	12	5	27
30–90 days	9	13	4	3
Overdue and impaired				
91–180 days	0	0	1	2
> 180 days	0	0	1	0
Total	31	25	11	32

The receivables may be regarded as doubtful when payment is more than 90 days overdue or when the information available leads to depreciation of the receivable.

Provision for doubtful receivables

The provision for doubtful receivables amounted to SEK 3 m (3) and has changed as follows:

Group	2010	2009	2008	2007
At the start of the year	3	3	4	3
Provision for anticipated losses	0	0	-1	1
At year-end	3	3	3	4
Confirmed losses	6	7	6	6
Recovered bad debts	4	5	5	4

The year's cost for doubtful receivables amounted to SEK 6 m (7). The percentage of doubtful receivables is calculated on the basis of an established model that has been tried and tested by Apoteket. Accordingly, the carrying amount provides a fair approximation of the fair value.

Fair value of financial instruments

The nominal amount less any assessed credit entries for accounts receivable and accounts payable is assumed to match the fair value. For the disclosures provided in the notes, the fair value of financial liabilities is calculated by discounting the future contracted cash flow to the current market interest rate that is available to the Group for similar financial instruments.

The table below shows the recognised and fair value per type of instrument:

Group	2010		2009	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>				
Condominiums ¹⁾	–	–	3	3
Accounts receivable ²⁾	3,207	3,207	3,119	3,119
Current investments ³⁾	5,923	5,923	–	–
Cash and cash equivalents	189	189	766	766
Total	9,319	9,319	3,888	3,888
<i>Financial liabilities</i>				
Accounts payable ⁴⁾	2,431	2,431	2,445	2,445
Other long-term liabilities	61	61	81	81
Loan liabilities ⁵⁾	2,000	2,000	1,750	1,750
Total	4,492	4,492	4,276	4,276

¹⁾ Financial assets available for sale.

²⁾ When calculating the carrying amount of accounts receivable, the portion of the receivables that is regarded as uncertain is taken into account.

³⁾ Current investments comprise the amount received on the sale of subsidiaries encompassing 465 pharmacies.

⁴⁾ The fair value of accounts payable is the same as the carrying amount.

⁵⁾ Liabilities to credit institutions, interest-bearing.

Note 23, cont.

Financial assets available for sale	Group		Parent Company	
	2010	2009	2010	2009
At the start of the year	3	5	3	5
Purchases and sales, net	-3	-3	-3	-3
Revaluation, transferred to equity	-	1	-	1
At year-end	-	3	-	3

Financial assets available for sale consisted of condominiums in 2009, which were sold in 2010. Fair value has been determined by means of comparison with equivalent sold objects.

Financial liabilities to credit institutions	Group		Parent Company		Granted
	2010	2009	2010	2009	
Nordea	1,000	750	1,000	750	2,500
Certificates	1,000	1,000	1,000	1,000	1,500
Total utilised credit	2,000	1,750	2,000	1,750	4,000

The granted, unutilised overdraft facility amounts to SEK 800 m. Loan liabilities comprise overnight loans of SEK 1,000 m (750) carrying an interest rate of 2.30% (1.30) and a commercial paper

of SEK 1,000 m (1,000) carrying an interest rate of 1.67% (0.42). The maturity of the commercial paper is seven days. The carrying amount of loan liabilities provides a fair approximation of the fair value.

Interest income and interest expense on financial instruments

The table below shows the interest income and interest expense pertaining to all of Apoteket's financial assets and financial liabilities:

	Group		Parent Company	
	2010	2009	2010	2009
Interest income on financial assets ¹⁾	33	13	34	15
Interest expense on financial liabilities	-7	-7	-7	-6
Exchange-rate gains/losses on liabilities	5	-3	5	-3
Total	31	3	32	6

¹⁾ Interest income on current investments in the period June-December 2010 amounted to SEK 23 m.

NOTE 24 Average number of employees

	2010		2009	
	Average number of employees	of whom, men %	Average number of employees	of whom, men %
<i>Parent Company</i>				
Sweden	3,946	11.8	6,816	9.9
<i>Subsidiaries</i>				
Sweden	1,709	21.2	3,503	12.2
Group total ^{1) 2)}	5,655	14.6	10,319	10.7

¹⁾ In connection with the formation of new subsidiaries on 1 July 2010, personnel were transferred from the Parent Company to the new subsidiaries.

²⁾ The decline between years is due mainly to personnel at the 615 pharmacies that were divested remaining employed with the new employer.

Members of the Board and senior executives

	2010		2009	
	number	of whom, men %	number	of whom, men %
<i>Group</i>				
Members of the Board	24	41.7	44	50.5
President and other senior executives	23	30.4	27	40.7
<i>Parent Company</i>				
Members of the Board	9	33.3	9	33.3
President and other senior executives	10	20.0	10	40.0

Note 24, cont.

Sickness absence

	Group		Parent Company	
	2010	2009	2010	2009
Total sickness absence as a percentage of total normal working hours	3.6	3.9	3.6	4.1
Sickness absence for women ¹⁾	3.8	4.1	3.8	4.3
Sickness absence for men ¹⁾	2.2	2.1	2.0	2.1
Sickness absence for those aged 29 and below ¹⁾	1.8	1.7	1.8	1.8
Sickness absence for those aged 30–49 ¹⁾	3.9	4.1	4.1	4.4
Sickness absence for those aged 50 and above ¹⁾	4.0	4.7	4.0	5.0

¹⁾ As a percentage of total normal working hours for each group.

	Group		Parent Company	
	2010	2009	2010	2009
Proportion of total sickness absence lasting for 60 days or more (%)	1.0	1.4	1.0	1.6

NOTE 25 Divested operations

On 1 July 2009, parts of the Parent Company's operations were transferred, by means of a transfer of net assets, to nine new

subsidiaries in order to facilitate the decided external sale. The assets and liabilities that were transferred are shown in the table below.

	2010	2009
Fixed assets	–	380
Inventories	–	980
Other current assets	–	69
Cash and cash equivalents	–	17
Other current liabilities	–	–184
Net assets	–	1,262
Shareholders' contributions provided	–	–1,262
Divested operations' impact on cash flow		
Cash and cash equivalents in divested operations	–	17
Net change in cash	–	–17

NOTE 26 Related-party transactions

Group companies

For the Parent Company, Group companies accounted for 0.3% (0.8) of purchases and 4.5% (7.2) of sales during the year. With regard to purchases and sales between Group companies, the same principles apply to pricing as to transactions with external parties.

The wholly owned subsidiary IHE, the Swedish Institute for Health Economics AB, was sold in December 2010 to the president and other parties in said company, pursuant to a resolution by a General Meeting of Shareholders.

The Swedish government

Apoteket is wholly owned by the Swedish government. Purchases and sales of products and services to and from government authorities and companies take place on a commercial basis.

Other interest income and interest expense

Interest income includes SEK 3.2 m (2.5) pertaining to interest payments relating to Group companies. Interest expense includes SEK 2.5 m (2.0) pertaining to interest payments relating to Group companies.

Remuneration of senior executives

Remuneration of senior executives is presented in Note 9.

NOTE 27 Breakdown of Parent Company net sales by business segment

	2010	2009
Apoteket Konsument	11,654	21,296
Apoteket Partner	4,523	4,129
Other Operations and eliminations	97	131
Total	16,274	25,556

The Apoteket Konsument business segment includes all out-patient pharmacies. The Apoteket Partner business segment includes Apoteket's dispensing and distance shopping, IT opera-

tions, goods supply, all pharmacy representatives and veterinary pharmacies. The Other Operations business segment includes central support and staff functions.

NOTE 28 Share of earnings of Group companies

	Parent Company	
	2010	2009
Group contributions	246	351
Dividends from subsidiaries	8	-
Results from sales of shares in subsidiaries	4,775	-
Impairment losses on shares in the subsidiary ProDur AB	-	-183
Total	5,029	168
Sold subsidiaries		
Sales price	5,969	-
Sales expenses	-187	-
Carrying amount of sold shares	-1,007	-
Results from the sale of shares in subsidiaries	4,775	-

NOTE 29 Appropriations

	Parent Company	
	2010	2009
Difference between book depreciation and straight-line depreciation		
- Buildings	27	4
- Equipment	82	82
- Interior fittings in property belonging to third parties	-	4
Tax allocation reserve, provision for the year	-	-157
Reversal of tax allocation reserve	258	54
Total	367	-13

NOTE 30 Participations in Group companies

	Parent Company	
	2010	2009
Accumulated cost at the beginning of the year	1,653	395
Capital contribution to newly formed subsidiaries and new acquisitions	83	1,520
Divestments	-1,011	-
Impairment losses ¹⁾	-	-184
Distributed to Parent Company ²⁾	-390	-87
Transfer from associated companies	-	9
Accumulated cost at year-end	335	1,653

¹⁾ Impairment losses on the shares in ProDur AB.

²⁾ Pertains to the spinoff of shares in 2009 in the subsidiaries Apoteksgruppen i Sverige AB and Apoteket Produktion & Laboratorier AB. Pertains to the spinoff of shares in 2009 in the subsidiaries Apotekens Service AB and ProDur AB.

Note 30, cont.

Specification of the Parent Company's holdings of shares and participations in Group companies:

Group companies/Reg. no./Registered office	Number	%	Carrying amount	
			2010	2009
Apoteket Farmaci AB 556758-1789, Stockholm	25,000	100	250	250
Apoteket Produktion & Laboratorier AB 556758-1805, Stockholm ¹⁾	10,000	100	–	55
Apoteksakademin i Sverige AB 556792-4005, Stockholm	1,000	100	3	–
IHE, Institutet för Hälso- och Sjukvårdsekonomi AB 556186-3498, Lund ²⁾	5,000	100	–	3
Förvaltnings AB Tanken 556500-6953, Stockholm	1,000	100	0	0
Adara AB 556615-7367, Stockholm	1,000	100	65	65
Apoteket International AB 556606-4266, Stockholm ³⁾	1,000	100	10	10
Apoteket Norge AS 993289396, Oslo ³⁾	100	100	–	–
Apoteket Deutschland GmbH 264819621, Marschacht ³⁾	250	100	–	–
Nordiska Apoteksservice AB 556629-4616, Stockholm	34,000	100	0	0
Pharmacy Company Sweden 1 AB 556773-8249, Stockholm ⁴⁾	100,000	100	–	407
Pharmacy Company Sweden 2 AB 556773-3158, Stockholm ⁴⁾	100,000	100	–	304
Pharmacy Company Sweden 3 AB 556773-3109, Stockholm ⁴⁾	100,000	100	–	66
Pharmacy Company Sweden 4 AB 556773-4867, Stockholm ⁴⁾	100,000	100	–	59
Pharmacy Company Sweden 5 AB 556773-4834, Stockholm ⁴⁾	100,000	100	–	54
Pharmacy Company Sweden 6 AB 556773-4743, Stockholm ⁴⁾	100,000	100	–	33
Pharmacy Company Sweden 7 AB 556773-2648, Stockholm ⁴⁾	100,000	100	–	32
Pharmacy Company Sweden 8 AB 556773-3000, Stockholm ⁴⁾	100,000	100	–	53
Pharmacy Company Sweden 9 AB 556773-4735, Stockholm ⁵⁾	100,000	100	–	0
Apoteksgruppen i Sverige AB 556773-4156, Stockholm ⁶⁾	100,000	100	–	255
<i>Dormant companies</i>				
Apoteksinformation AB 556043-0984, Stockholm	50,000	100	6	6
Sveriges Apotek AB 556197-7355, Stockholm	1,000	100	0	0
BD Bankdata AB 556309-7343, Stockholm	1,000	100	0	0
Apoteksbolaget AB 556459-6723, Stockholm	500	100	1	1
Total			335	1,653

¹⁾ At an Extraordinary General Meeting on 30 June 2010, all of the shares in Apoteket Produktion & Laboratorier AB were spun off.

²⁾ The Swedish Institute for Health Economics AB was sold in December 2010.

³⁾ Apoteket International AB owns all of the shares in Apoteket Norge AS, which was formed in 2008, as well as Apoteket Deutschland GmbH, which was formed in 2010.

⁴⁾ In autumn 2009, an agreement was entered into regarding the sale of

companies and during the first quarter of 2010, these shares were transferred to the new owner.

⁵⁾ Pharmacy Company Sweden 9 AB was sold to the subsidiary Apoteket Produktion & Laboratorier AB in May 2010.

⁶⁾ At an Extraordinary General Meeting on 12 March 2010, all of the shares in Apoteksgruppen i Sverige AB were spun off to Apoteket Omstrukturering AB.

NOTE 31 Dividend per share

At the Annual General Meeting on 28 April 2011, a cash dividend pertaining to 2010 of SEK 30,857.14 (2,125.71) per share, totalling SEK 5,400 m (372) will be recommended. The dividend will be recognised as a distribution of earnings. During 2010, dividends

of SEK 762 m were paid to the owner. The dividend included a cash dividend of SEK 372 m, a dividend of SEK 255 m for the spinoff of the subsidiary Apotekens Service AB and SEK 135 m for the spinoff of the subsidiary Apoteket Produktion & Laboratorier AB.

NOTE 32 *Untaxed reserves*

	Parent Company	
	2010	2009
Accumulated excess straight-line depreciation	–	109
Tax allocation reserves	505	763
Total	505	872
<i>Accumulated excess straight-line depreciation was distributed as follows:</i>		
Buildings and land improvements	–	27
Equipment	–	82
Total	–	109
<i>Tax allocation reserves were distributed as follows:</i>		
Tax allocation reserve, allocated at the assessment for 2005	–	73
Tax allocation reserve, allocated at the assessment for 2006	–	95
Tax allocation reserve, allocated at the assessment for 2007	69	159
Tax allocation reserve, allocated at the assessment for 2008	115	115
Tax allocation reserve, allocated at the assessment for 2009	164	164
Tax allocation reserve, allocated at the assessment for 2010	157	157
Total	505	763

NOTE 33 *Parent Company pensions*

Apoteket AB has a new pension agreement since 2008, which entails that most employees are connected to the ITP plan, excluding certain transferred categories which will continue to vest their pension in accordance with Apoteket's pension plan. A few members of the Group Executive Board are not covered by the ITP plan either. As a rule, Employees born between 1949 and 1978 become members of the defined-benefit pension plan ITP2. Employees born as of 1979 become members of the defined-benefit pension plan ITP1. Retirement pensions, according to the ITP plan, are secured through Apoteket AB's pension foundation via credit insurance corresponding to the pension liability in PRI. As a result of the ITP connection, Apoteket AB pays premiums for sickness and family pensions, retirement pensions in accordance with ITP1 and supplementary retirement pensions for ITP2, known as ITPK. Apoteket's pension plan has only been changed insofar as matured pension benefits and accrued pensions are no longer

index-linked. Instead, Apoteket makes a decision regarding the potential indexing of matured pensions and accrued pensions on an annual basis. Apoteket's pension plan includes, as before, retirement pensions, family pensions, sickness pensions and family cover, including special child pensions. In addition, a supplementary retirement pension has been secured with Optimalia, the Apoteket Group's insurance association. The supplementary retirement pension is classified as a defined-contribution plan. On 1 October 2010, the Optimalia portfolio was transferred to Svensk Handel Försäkring.

In 2010, Apoteket AB also commenced franchise operations through the start-up of four new companies. These franchise companies will become independent companies outside the Group and signed their own pension terms and conditions under collective agreements.

	2010	2009
Capital value of pension commitments at start of year	–6,352	–5,878
Revenue/cost, excluding interest expense, charged to earnings	20	–545
Interest expense	–195	–231
Payment of pensions	322	302
Capital value of pension commitments at year-end	–6,205	–6,352

The following table shows the trend in specially detached assets managed by the Foundation:

	2010	2009
Fair value of assets at start of period	9,268	6,641
Return on specially detached assets	1,075	2,777
Payment from Pension Foundations	–	–150
Fair value of assets at year-end	10,343	9,268

Note 33, cont.

	2010	2009
Pension obligations minus plan assets		
Capital value of pension commitments at year-end	-6,205	-6,352
Fair value of assets at year-end	10,343	9,268
Net reported for pension commitments (asset +/-liability -)	4,138	2,916
Liability/receivable recognised in the balance sheet	0	0

Specification pertaining to the year's total costs and income for pensions:

	2010	2009
<i>Pensions under own management</i>		
Revenue/cost excluding interest expense charged to earnings	20	-545
Interest expense	-195	-231
Return on specially detached assets	1,075	2,777
Increase/decrease in surplus in specially detached assets	-1,222	-2,152
Cost of pensions under own management	-322	-151
<i>Pensions through insurance</i>		
Insurance premiums	-107	-90
Recognised pension cost	-429	-241
Special employer's contribution on pension costs	-104	-59

The plan assets consist mainly of equities and interest-bearing securities with the following market values on the balance-sheet date:

Type of asset		Percentage
Equities and similar financial instruments	5,781	56%
Interest-bearing securities etc	4,564	44%
Other current liabilities	-2	-
Total	10,343	100%

The Parent Company anticipates a net cash flow, in 2010, relating to defined-benefit plans amounting to a negative SEK 348 m. The expected return on plan assets is based on the existing composition of the investment portfolio.

Interest rate assumptions

Apoteket AB's connection to the ITP plan largely involves a change in the application of the interest rate assumptions, partly as a result of Apoteket now safeguarding the newly vested retirement pension, ITP2, in Apoteket's pension foundation, and partly due to the indexation being removed for vested pensions and pension payments in accordance with Apoteket's pension plan. For newly vested defined-benefit retirement pensions,

ITP2, including the pension rights vested through Apoteket's pension plan for these employees, the Pension and Registration Institute's (PRI's) interest rate assumption of 3.6% applies.

For newly vested pensions until retirement, as per Apoteket's pension plan, the Swedish Financial Supervisory Authority's FFFS 2007:31 provision, concerning actuarial grounds, applies. This provision specifies the grounds for securing pension obligations that are to be used to calculate capital values for securing pension obligations that are not secured by life assurance companies or retirement pension funds. For other pension payments and vested pensions according to Apoteket's pension plan, an interest rate applies for the commitments, implying a pledge of future values or indexing at 3.85%.

NOTE 34 Post-balance sheet events

There are no significant events to report.

Proposed distribution of earnings

The following earnings and unrestricted funds are at the disposal of the Annual General Meeting

Retained earnings	895,449,329 SEK
Earnings for the year	4,751,996,379 SEK
Total	5,647,445,708 SEK

Board of Directors' statement regarding the proposed dividend

The Board of Directors considers that the proposed dividend is justifiable on the basis of the consolidation requirements, liquidity and position in general of the Parent Company and the Group, and is compatible with the owner's requirements and expectations.

The Board of Directors proposes that the available earnings be distributed as follows:

Dividend to the shareholder of SEK 30,857.14 per share, total	5,400,000,000 SEK
To be carried forward	247,445,708 SEK,
Total	5,647,445,708 SEK

The undersigned declare that the consolidated and annual financial statements have been prepared in accordance with IFRS, as adopted by the EU and generally accepted accounting policies in Sweden, and provide a true and fair view of the Group's and Parent Company's position and performance, and that the Administration Report

provides an accurate overview of the development of the Group's and the Parent Company's operations, position and performance and describes significant risks and uncertainties faced by the companies included in the Group.

The statement of earnings and balance sheets will be adopted at the Annual General Meeting on 28 April 2011.

Stockholm 25 March 2011

Christian W Jansson
CHAIRMAN OF THE BOARD

Lars-Johan Jarnheimer
MEMBER

Gert Karnberger
MEMBER

Kristina Schauman
MEMBER

Elisabet Wenzlaff
MEMBER

Carin Sällström-Nilsson
EMPLOYEE REPRESENTATIVE

Carina Jansson
EMPLOYEE REPRESENTATIVE

Ann Carlsson
PRESIDENT AND CHIEF EXECUTIVE OFFICER

Our auditors' report was submitted on 25 March 2011.

Ernst & Young AB
Erik Åström
AUTHORISED PUBLIC ACCOUNTANT

My review report was submitted on 25 March 2011.

Lars Elinderson
MEMBER OF THE RIKSDAG

Auditor's Report

Submitted to the Annual General Meeting of Apoteket AB (publ.), reg. no. 556138-6532

We have audited the annual accounts, the consolidated financial statements and the accounting records and the administration of the Board of Directors and the President of Apoteket AB (publ.) for the financial year 2010. The company's annual accounts and consolidated financial statements are included in this document on pages 7-72. The Board and the President have responsibility for the financial statements and the administration of the company, for the application of the Annual Accounts Act when preparing the annual accounts and for the application of IFRS international reporting standards (as adopted by the EU and the Annual Accounts Act) when preparing the consolidated financial statements. Our responsibility is to express an opinion on the annual accounts, the consolidated financial statements and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. These standards require that we plan and perform the audit to ascertain with high but not absolute certainty that the annual accounts and consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. It also includes assessing the accounting principles used and their application by the Board of Directors and the President and significant estimates made by the Board of Directors and the President when preparing the annual accounts and the consolidated financial statements, as well as evaluating the over-

all presentation of information in the annual accounts and the consolidated financial statements. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any Member of the Board or the President. We also examined whether any Member of the Board or the President, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and thus give a true and fair view of the results and financial position of the company in accordance with generally accepted accounting standards in Sweden. The consolidated financial statements have been prepared in accordance with the IFRS as adopted by the EU and the Annual Accounts Act and thus give a true and fair view of the results and financial position of the Group. The Administration Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

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

Stockholm 25 March 2011

Ernst & Young AB

Erik Åström

AUTHORISED PUBLIC ACCOUNTANT

Review Report

Submitted to the Annual General Meeting of Apoteket AB (publ.), reg. no. 556138-6532

I have reviewed the business of Apoteket AB for the financial year 2009. My review was conducted in accordance with the Swedish Companies Act and generally accepted auditing standards.

I reviewed significant decisions, actions taken and circumstances of the company in order to be able to determine whether the business has been managed in an appropriate and financially satisfactory manner and that the company's internal control is adequate. I also reviewed whether the company, its management and

Board of Directors are observing the guidelines stipulated by the Government for Apoteket AB in particular and for state-owned companies generally.

I consider that my review provides me with a reasonable basis for the following statement. I am of the opinion that the business of the company has been managed in an appropriate manner and that its internal control has been adequate.

All in all, my review has not indicated any circumstances which give rise for comment.

Stockholm 25 March 2011

Lars Elinderson

MEMBER OF THE RIKSDAG

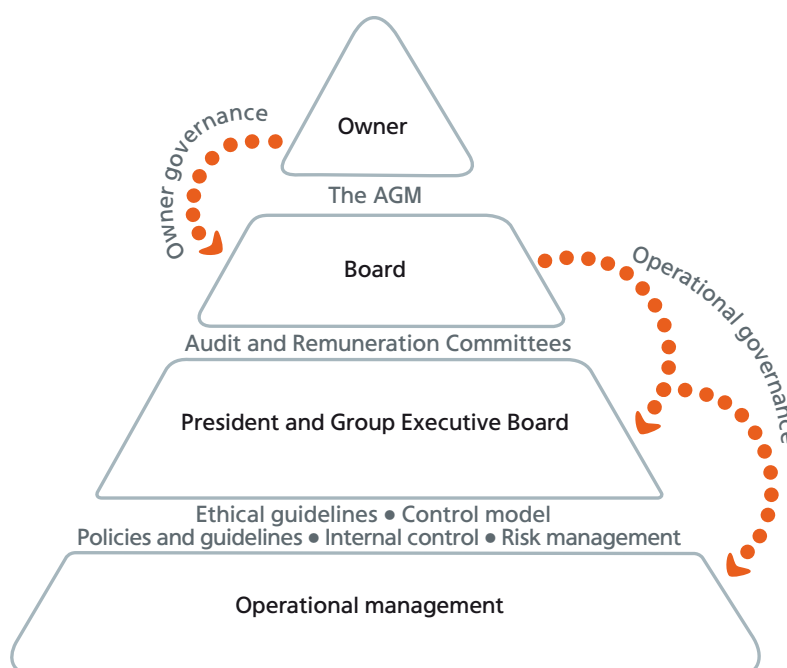
Corporate Governance Report

Apoteket Aktiebolag (publ) is a Swedish public limited liability company with its registered office in Stockholm. The Swedish State holds all shares in Apoteket AB and ownership is exercised by the Ministry of Health and Social Affairs.

Corporate governance

Apoteket's corporate governance is based on Swedish law, the State's ownership policy, the Articles of Association and the ownership directives set by the owner. The ownership policy also includes guidelines for external reporting and terms and conditions of employment for senior executives. The ownership policy also presents requirements in a number of policy issues in which State-owned companies are obliged to act in an exemplary manner in terms of, for example, equality, environment, diversity and work environment. The Swedish Code of Corporate Governance ("the Code") represents part of the State's ownership policy. Deviations from the Code are reported in the table on page 75. The company's auditors have examined the Corporate Governance Report.

The Swedish Companies Act states that the company should have three decision-making bodies: the Annual General Meeting (AGM), the Board of Directors and the President. The AGM also appoints the auditors as a control function.



General meetings

The AGM is the company's highest decision-making body through which the owner exercises influence over the company. In addition to representatives of the owner, members of parliament are entitled to participate in the AGM and the public is also to be given the opportunity to attend. The AGM appoints the members and the Chairman of the Board and sets the fees to be paid to the Board and auditors, approves the statements of earnings and balance sheet, distribution of earnings and other matters that are the concern of the AGM under the Swedish Companies Act, the Articles of Association and the Government's ownership policy.

Apoteket's AGM was held on 13 April, whereby the Board of Directors was re-elected. An Extraordinary General Meeting was held on 17 June when the Articles of Association and a new owner directive were approved as a result of the completion of the pharmacy sales process and the establishment of a new owner directive due to the re-establishment of direct ownership by the State. Pursuant to the Articles of Association, Apoteket shall pursue its operations in a manner that promotes an adequate supply of pharmaceuticals

Schedule of deviations from the Code

Code rule	Deviation	Explanation
2.1-2.7: The company shall have a nomination committee	A Nomination Committee has not been established	The State-ownership unit at the Ministry of Finance is responsible for the Nomination Process
4.5: Reporting of independence vis-à-vis the company's major shareholders	Independence vis-à-vis major shareholders is not reported	The rule is primarily designed to protect minority shareholders in companies with diverse ownership. In wholly State-owned companies, there is no reason to report independence in this respect
7.3: The Audit Committee shall consist of at least three Board members	The Audit Committee consists of two Board members	In view of the company's operations and number of members on the Board of Directors, the number of members serving on the Committee has been limited to two
The State's ownership policy	Deviation	Explanation
Guidelines for employment terms and conditions for senior executives in State-owned companies	Potential bonuses have been agreed concerning two senior executives	The Board of Directors has deemed the remuneration necessary to be able to secure competence in conjunction with the company's realignment during the reregulation process.
Guidelines for employment terms and conditions for senior executives in State-owned companies	The former President's remuneration by Apoteket is not to be reduced by an amount corresponding to the former President's new income for the period during which period-of-notice salary and severance pay are payable	The former President is subject to a competition clause.

The Board's composition, number of meetings and fees

SEK 000s	Elected, year	Board meetings	Number of meetings of the Audit Committee	Number of meetings of the Remuneration Committee	Scheduled fees	Fees paid for committee work
	2009	13/13			300	–
	2009	13/13	7/7		150	46
	2009	12/13	2/2		25	8
	2009	12/13	5/5	3/3	150	21
	2009	12/13		3/3	150	–
	2002	12/13			22	–
	2009	12/13			22	–
	2009	10/13			14	–
	2009	13/13			14	–

¹⁾ Chairman of the Board.

²⁾ Member of the Audit Committee through March 2010, subsequently Chairman of the Audit Committee.

³⁾ Chairman of the Audit Committee through March 2010. Appointed Apoteket's interim CFO in March 2010.

⁴⁾ Chairman of the Remuneration Committee and member of the Audit Committee from March 2010.

⁵⁾ Member of the Remuneration Committee.

⁶⁾ Employee representative, appointed by the Swedish Association of Technical Pharmacy Employees.

⁷⁾ Employee representative, appointed by the Swedish Pharmaceutical Association.

⁸⁾ Employee representative (deputy), appointed by the Swedish Pharmaceutical Association.

⁹⁾ Employee representative (deputy), appointed by the Swedish Association of Technical Pharmacy Employees.

nationwide in Sweden. Apoteket's financial objectives and mandate are presented in the minutes of the AGM and owner directive, which are available at Apoteket's website under the corporate governance section.

Board of Directors

The Board of Directors is responsible for the organisation and administration of the company's affairs, such as the company's strategic business plan, significant Group-wide contracts, policy issues and so forth. The Board of Directors approves annual rules of procedure for its own tasks and the division of responsibilities between the Board and committees. The Board sets written instructions that regulate the division of responsibility between the Board and the President and the information that is to be reported to the Board of Directors.

Nomination process

The State's ownership policy describes the nomination process for Board members. This is pursued and coordinated by a State-ownership unit at the Ministry of Finance (formerly at the Ministry

of Enterprise, Energy and Communications). A working team analyses the competence requirement on the basis of the Board's composition and the company's operations and situation. Subsequently, any recruitment requirements are set and a recruitment process commences. The selection of members derives from a broad recruitment base. When the process is finalised, nominations are announced in line with the Code's guidelines.

Board composition

The Board of Directors consists of five members appointed by the AGM as well as two members and deputies appointed by the employee organisations. The AGM re-elected Christian W Jansson, Lars-Johan Jarnheimer, Elisabet Wenzlaff, Gert Karnberger and Kristina Schauman. The Meeting elected Christian W Jansson as the Chairman of the Board.

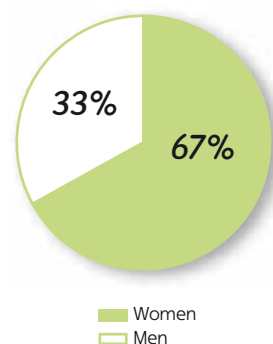
The owner's motivation for the new Board of Directors indicates that the profiles deemed of vital importance include expertise in retail sales, restructuring/change, financial and legal issues. The proposed people possess solid expertise and experience from the particular areas. The composition of the Board creates favourable conditions for enabling the company to pursue operations in the re-regulated pharmacy market. The Board of Directors is deemed to match the requirements that may be imposed on a company involved in such operations.

Employee representatives were appointed by the Swedish Association of Technical Pharmacy Employees as follows: Carina Jansson as a Board member and Gunilla Larsson as deputy member; and by the Swedish Pharmaceutical Association as follows: Carin Sällström-Nilsson as Board member and Malin Jonsson as deputy member.

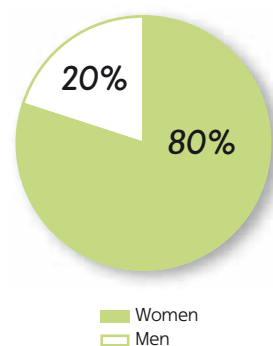
The Board established from among its members an Audit Committee and a Remuneration Committee with two members on each committee. The President is not a member of the Board, but attends meetings. Kristina Schauman has been interim CFO of the company since 8 March 2010. The Board of Directors also appointed Kristina Schauman as the interim President of the company for the period from 15 August to 15 November 2010, on which date Ann Carlsson took up her position as President of Apoteket AB.

The Board members are presented in greater detail on page 86. Note 9 shows the fees paid to the Board.

Gender distribution Apoteket's Board of Directors



Gender distribution Apoteket's Group Executive Board



Chairman of the Board

The Chairman must ensure that the work of the Board is conducted efficiently and in line with the directives of the owner, which, among other aspects, covers the responsibility to lead Board work, assume responsibility for contact with the owner in issues affecting ownership and convey the owner's viewpoints, and – following consultation with the President – make proposals for the agenda and ensure that the Board of Directors receives satisfactory information and documentation for decision-making. The Chairman is also responsible for ensuring that the Board of Directors conducts an annual evaluation of the President and of its own work.

Remuneration Committee

The task of the Remuneration Committee is to prepare matters regarding remuneration and other employment terms and conditions of senior executives. The Remuneration Committee shall also monitor and assess the variable remuneration of the Group Executive Board, and monitor the guidelines for the remuneration of senior executives as approved by the AGM. The Committee consists of Lars-Johan Jarnheimer, Chairman, and Elisabet Wenzlaff. The Remuneration Committee held three meetings during 2010.

Audit Committee

The Audit Committee shall assist the Board of Directors in quality assuring the company's and the Group's financial reporting and supervise the company's internal control processes and risk management. The Committee consists of Gert Karnberger, Chairman, and Lars-Johan Jarnheimer. The Audit Committee held seven meetings during 2010.

Significant Board issues during 2010

The Board of Directors held 13 meetings over the course of 2010, of which one was the statutory meeting, six scheduled and six extraordinary meeting held by telephone. Among other issues, the Board of Directors dealt with the following:

- Year-end report
- Annual Report, sustainability report and reporting in line with what is referred to as the Transparency Act.
- Interim reports for each quarter

- Strategic business plan and budget
- The owner's mandate and corporate issues
- Investment issues
- International ventures
- Recruitment of the President

The Board of Directors assessed its work during autumn 2010 in the form of a survey and subsequent discussions.

Auditors

Responsibility for the appointment of auditors of State-owned companies rests with the owner. According to Apoteket's Articles of Association, a Lay Auditor and Deputy Lay Auditor shall also be appointed by the AGM. The auditors are appointed by the AGM with the task of auditing the company's financial statements and the administration of the company by the Board and the President.

The 2007 AGM elected the registered public accounting firm Ernst & Young for a four-year period until the 2011 AGM, with the Erik Åström, Authorised Public Accountant, as auditor in charge. Lars Elinderson has been elected by the AGM as Lay Auditor, with Anders Karlsson as deputy for the period until the close of the AGM in 2011. The auditors' position of independence is ensured by law as well as by in-house and professional rules of ethics.

The Audit Committee met with the auditors on several occasions throughout the year in connection with a review of the interim reports and reporting on internal control and to review other auditing efforts. The auditors met the entire Board in conjunction with the adoption of the Annual Report.

President and Group Executive Board

The Board of Directors appoints the President of the company, who is responsible for ongoing administration within the framework set by the Board of Directors. The President appoints other members of the Group Executive Board following consultation with the Remuneration Committee. The President is responsible for keeping the Chairman of the Board continuously informed of significant events and organising the company to ensure that appropriate governance and operational control are attained.

Areas of responsibility and reporting instructions are regulated in detail by the instructions to the President as set by the Board.

The Group Executive Board is led by the President and meets every second week as part of the process of running and monitoring operations. Joint Group issues and issues involving the Board are prepared by the Group Executive Board. Operations are monitored by means of, for example, monthly financial reports and quarterly follow-ups.

Governance of Apoteket's subsidiaries is exercised through a representative of the Group Executive Board serving as Chairman of the Board of the various operating subsidiaries.

The Group Executive Board is presented on page 87.

Approved remuneration principles and employment terms and conditions for the President and other senior executives

In accordance with the State's ownership policy and the Code, the Board of Directors submits proposals for principles underlying remuneration and other employment terms and conditions for senior executives for approval by the AGM.

The following principles and employment terms and conditions were adopted at the 2010 AGM:

- The company must apply the guidelines for employment terms and conditions of senior executives in State-owned companies as set by the Government on 20 April 2009.
- The total remuneration of senior executives must be reasonable and balanced. It must also be competitive, be subject to a ceiling and appropriate, and should also contribute to sound ethics and corporate culture. Remuneration must not be salary leading in relation to comparable companies but should instead be moderate. It should also serve as a guide for the total remuneration of other employees.
- The company is obliged to continuously conduct market comparisons to ensure that remuneration complies with the remuneration principles in relation to comparable companies.

- In decisions regarding remuneration, there must be underlying written information showing the company's total cost of the set remuneration.
- Reasons underlying any deviations from the set guidelines must be shown in decisions by the Board, and
- The Remuneration Committee must prepare all decisions regarding the remuneration of senior executives and submit proposals to the Board of Directors, with due consideration of the aforementioned principles.

Salaries and remuneration of Apoteket's senior executives are presented in Note 9.

Apoteket introduced an incentive programme that extended over the course of the 2010 financial year. The results-based programme did not encompass senior executives and employees of support and staff functions, but solely employees in other operations. The programme can provide SEK 5,000 per employee/manager.

Apoteket has also agreed on a potential bonus for two senior executives. The agreements are based on assuring the company's mandate to maintain a safe and adequate supply of pharmaceuticals nationwide and to contribute to the reregulation of the pharmacy market.

Report on internal control for the 2010 financial year

This report describes how Apoteket AB works to assure the internal control processes in respect of financial reporting.

Apoteket has elected to use COSO as a method of working with internal control, and thus the internal control described below uses the following components: control environment, risk evaluation, control activities, information and communication, and monitoring.

Control environment

The basis of internal control rests on the control environment in the company, since this sets the tone for the culture in which the Board and executive management communicate and work.

The division of work among the Board, Audit Committee and President is regulated in the work procedures and routines. To ensure that all employees at Apoteket have a shared perspective of the values that govern the company and feel secure in their work, Apoteket has an overall policy that describes Apoteket's approach in the areas of Quality, Product Range, Personnel, Brand, Accounting and Finance, Safety, Environment and Ethics. The quality policy functions as an umbrella for the others. Each policy is coupled with guidelines and rules that are drawn up and assessed regularly.

The approach is also summarised in Apoteket's Sustainability Report. Apoteket has a lengthy tradition of sustainability programmes, which entail that what we do will lead, in the long term, to a responsible and successful company – financially, socially and environmentally.

Apart from complying with applicable legislation, Apoteket shall also apply GPP (Good Pharmacy Practice), GMP (Good Manufacturing Practice) and GCP (Good Clinical Practice). This contributes to focusing operations in compliance with rules and control, which also has a positive impact on internal control for financial reporting.

Instructions for accounting, closing accounts and financial reporting have been compiled in the company's accounting and finance manual. Most of Apoteket's managers have undergone training in business administration and new managers are regularly offered courses in business administration.

Risk evaluation

Apoteket AB has a central unit, Accounting & Finance, which also manages the ongoing accounting processes for the subsidiaries.

Accounting & Finance identifies, analyses and decides on the treatment of any errors as regards financial reporting.

Items in the statement of earnings and balance sheet are consistently risk-assessed and especially so ahead of quarterly and annual closing. A decisive feature in determining whether an activity carries high risk is the volume and complexity in terms of calculation, valuation and accrual periods. Items with high risk are managed in line with special procedures.

A large proportion of Apoteket's operations depends on smoothly functioning IT support. IT-related risks are also assessed. This also applies to internal control in respect of financial reporting, which is largely systems dependent. Special routes are drawn up for activities deemed to be high risk.

Control activities

Control activities created on the basis of the risk analysis are aimed at identifying and correcting shortcomings as well as preventing them. Reviews of control activities are performed regularly. For each process that creates financial information, there is a process owner responsible for ensuring that the descriptions are consistently updated and that controls are appropriate. Control activities are subject to a well-defined division of responsibility. Responsibility and roles in terms of financial reporting have been defined and communicated to employees at Apoteket. Examples of such controls range from account reconciliation and control of profit/loss and balance sheet items to key data and sales statistics.

In the case of IT systems, continuous reviews are conducted in conjunction with financial reports. Apoteket works continuously on action programmes to counteract any shortcomings that emerge.

Information and communication

Internal information and external communications are regulated at the overall level by Apoteket's policy. Central communication from the Board and executive management is conducted via, for example, the President's letter to all executives. In turn, each executive is responsible for informing his/her co-workers. Another key communication channel is Aponet, or Apoteket's intranet. All employees are reached effectively and efficiently via Aponet. This channel is used to publish policy, guidelines, instructions and corresponding documents that govern and support operations.

Certain functions such as Accounting & Finance have a dedicated page on the intranet, which is used to publicise financial information. By this means, efforts are made to aim information at the right recipient. A subscription service also offers each employee the opportunity to subscribe personally to information that is crucial for his/her work.

The Board of Directors and executive management receive regular information regarding financial reporting. The Board of Directors and executive management review the official reports

and conduct an active dialogue with the external auditors. The Board of Directors and executive management subsequently convey the information to the company's employees.

Monitoring

A number of Apoteket units work on monitoring processes for internal control. The Quality Unit has defined the basic requirement for pharmacies on the basis of the demands in GPP (Good Pharmacy Practice). To a certain extent, these requirements also cover significant processes for financial reporting. The basic requirements are monitored via self-evaluation and quality inspections. Also, using inspection, the Safety Unit monitors certain components linked to financial reporting, such as goods and cash management.

Apoteket has a centralised accounting function. This means that many existing control activities are performed at a central level. Consequently, monitoring to ensure that controls have been conducted is organised as part of the central accounting function.

Financial results and operational key data are analysed monthly. Monitoring is performed in a standardised and structured manner for all units in the company. In conjunction with the quarterly closing accounts, executive management meets with operations managers to review results, key data and operational target fulfilment. This approach offers an accurate reflection of the financial results and ensures that operational control functions in relation to targets.

Moreover, the entire Group Executive Board undertakes regular reviews to evaluate the integrated management system to ensure that quality, environmental and sustainable development function satisfactorily. The underlying basis for this review includes quality evaluations, safety inspections and self-evaluation.

Internal auditing

The company believes that the existing structures for monitoring and evaluation of internal controls – comprising accounting, quality, safety and self-evaluation – are satisfactory. Apoteket's Board has not found any reason to establish a special internal audit function. A review of the existing structures for monitoring and evaluation of internal control processes will be undertaken during 2011 against the background of the impact of reregulation on the company.

Auditor's Report on the Corporate Governance Report

To the Annual General Meeting of the Apoteket AB,
Corp. Reg. No. 556138-6532

We have examined the 2010 Corporate Governance Report on pages 74–84. It is the Board of Directors and the President who are responsible for the Corporate Governance Report and that it has been prepared in accordance with the Annual Accounts Act. Our responsibility is to make a statement on the Corporate Governance Report on the basis of our audit.

We conducted our audit in accordance with RevU16, Examination of Corporate Governance Reports by auditors. These standards require that we plan and perform the audit to ascertain with high but not absolute certainty that the Corporate Governance Report is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the information contained in the Corporate Governance Report. We believe that our audit provides a reasonable basis for our opinion set out below.

A Corporate Governance Report has been prepared. The Corporate Governance Report is consistent with the other parts of the annual accounts and the consolidated financial statements.

Stockholm 25 March 2011

Ernst & Young AB

Erik Åström
Authorised Public Accountant

Board of Directors and auditors



Christian W Jansson
Chairman of the Board
Board member since 2009.
Born 1949.
President and CEO of
KappAhl.
Other significant assignments: Chairman of Svensk Handel. Board member of Bong Ljungdahl AB and BRIS, Children's Rights in Society.



Lars Johan Jarnheimer
Board member since 2009.
Born 1960.
Other significant assignments: Association Chairman of BRIS, Children's Rights in Society. Board member of INGKA Holding BV, CDON-Group AB, Egmont International AS, Baby Björn AB and Arvid Nordquist HAB.
Previous positions: President and CEO of Tele2.



Gert Karnberger
Board member since 2009.
Born 1943.
Other significant assignments: Chairman of Board of Swedish Industry and Commerce for Better Regulation, NNR, as well as Deputy Chairman and Chairman of the Audit Committee of Systembolaget AB. Board member of Swedol AB.
Previous positions: President, CEO and Board member of Clas Ohlson AB.



Kristina Schauman
Board member since 2009.
Born 1965.
Previous positions: CFO Carnegie Investment Bank AB, CFO OMX AB as well as Board member of and Chairman of the Audit Committee of Vasakronan AB.



Elisabet Wenzlaff
Board member since 2009.
Born 1955.
Chief Legal Counsel Volvo Cars AB.
Other significant assignments: Board member of intra-Group companies at Volvo Cars.

Employee representatives



Carina Jansson
Employee representative, appointed by the Swedish Association of Technical Pharmacy Employees, of Apoteket's Board of Directors since 2002 (regular member since 2005). Born 1951.
Other significant assignments: Chair of the Swedish Pharmacy Association. Member of the Board of Apoteket's Pension Foundation, Deputy Board member of the Swedish Confederation for Professional Employees.



Malin Jonsson
Employee representative (deputy), appointed by the Swedish Pharmaceutical Association, on Apoteket's Board of Directors since 2009. Born 1979.



Gunilla Larsson
Employee representative (deputy), appointed by the Swedish Association of Technical Pharmacy Employees, on Apoteket's Board of Directors since 2009. Born 1951.



Carin Sällström-Nilsson
Employee representative, appointed by the Swedish Pharmaceutical Association, of Apoteket's Board of Directors since 2009. Born 1954.

Auditors

Erik Åström
Authorised Public Accountant, Ernst & Young AB, elected in 2007. Born 1957.
Other significant assignments: Hakon Invest, Hennes & Mauritz, Modern Times Group, Saab and Svenska Handelsbanken.

Lars Elinderson
Lay Auditor, Member of the Riksdag, elected in 2007. Born 1949.

Group Executive Board

Ann Carlsson

President and Chief Executive Officer
Human resources specialist. Employed at Apoteket and member of the Group Executive Board since 2010. Born 1966.

Other significant assignments: Member of Ruter Dam Advisors and Coca-Cola Retailing Research Council, Europé.

Previous positions: Assignments at ICA Group, most recently as Head of the ICA Business area.

Marianne Dicander Alexandersson

Executive Vice President and Director of Apoteket Konsument until 15 March 2011. Master of Engineering Chemistry. Employed at Apoteket and member of the Group Executive Board since 2007. Born 1959.

Other significant assignments: Board member of Castellum, Chalmers, Confederation of Swedish Enterprise and Mölnlycke Healthcare AB.

Previous positions: President, Business Area Manager and Business Development Manager at Kronans Droghandel as well as various positions at Volvo, ICI and Pharmacia.

Ulrika Eriksson

Director of Market & Product Range until 15 March 2011.

Director of Apoteket Konsument as of 15 March 2011.

Business Administration Graduate.

Employed at Apoteket since 2005 and member of the Group Executive Board 2005–2007, and since 2009. Born 1969.

Other significant assignments: Board member of Bong Ljungdahl AB and ProPac International AB.

Previous positions: Purchasing Manager Small Shops Sverige AB, Vice President Svenska Pressbyrå AB and Vice President Reitan Servicehandel AB.

Eva Fernvall

Brand Director

Biomedical Analyst. Employed at Apoteket and member of the Group Executive Board since 2005. Born 1953.

Other significant assignments: Chair of the Swedish Council for Organ and Tissue Donation and of the eHealth Institute. Board member of Karolinska Institutet and IQ.

Previous positions: Chair of the Swedish Association of Health Professionals, Vice Chair of the Confederation of Professional Employees (TCO), Chair of the Delegation for Public E-services, Vice Chair of the Swedish Association of Health Professionals and Biomedical Analyst at Danderyd Hospital.

Monica Höglind

Director of Human Resources

Dipl. in HR Strategy. Employed at Apoteket and member of the Group Executive Board since 2007. Born 1962.

Other significant assignments: Board member of Almega – employer and trade organisation for the Swedish service sector.

Previous positions: Director of Human Resources Coop Sweden, Director of Human Resources Coop Elektro, Human Resources Manager KF Stormarknader, Human Resources Manager B&W Stormarknader and Human Resources Manager Svenska Pressbyrå.

David Kruse

President of Apoteket International AB
M.Sc. in Industrial Economics. Employed at Apoteket since 2008 and member of the Group Executive Board since 2009. Born 1973.

Previous positions: Consultant at Applied Value Corp., Boston/Stockholm; Program Manager World Food Program, Rome and trade commissioner and country manager at the Swedish Trade Council France, Paris.

Tore Löwstedt

Director of Apoteket Partner

Administrative Economist. Employed at Apoteket since 2005 and member of the Group Executive Board since 2007. Born 1955.

Previous positions: Director Västerbotten County Council, CFO and Administrative Director SJ Gods, CFO and HR Director of the City of Stockholm.

Annema Paus

President of Apoteket Farmaci AB
Pharmacist. Employed at Apoteket since 2000 and member of the Group Executive Board 2001–2008, 2009. Born 1955.

Previous positions: Country Manager Wyeth Nordiska AB, Country Manager and Nordic Business Manager Cyanamid Nordiska AB (Lederle), and various positions at Schering-Plough AB and Roche AB.

Anna Rogmark

Legal Counsel

Bachelor of Laws and Licence Spécial en Droit Européen, ULB. Employed at Apoteket since 2005 and member of the Group Executive Board since 2010. Born 1965.

Other significant assignments: Deputy member of Apoteket's pension foundation.

Previous positions: Corporate Lawyer at Biovitrum and Pharmacia.

Kristina Schauan

Interim CFO until 28 March 2011 and will subsequently remain a member of Apoteket AB's Board.

Graduate in Business Administration. Born 1965.

Previous positions: CFO Carnegie Investment Bank AB, CFO OMX AB as well as a Board member and Chairman of the Audit Committee of Vasakronan AB.

Jan Johansson

Will assume the position as CFO on 28 March 2011.

Graduate in Business Administration.

Multi-year summary

Key figures

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Net sales, SEK m	26,275	43,073	41,710	39,493	37,269	35,444	34,092	33,112	32,026	29,668
Gross profit, SEK m	5,189	8,901	8,447	7,941	7,456	6,979	6,671	6,235	5,853	5,252
Operating expenses, SEK m	5,142	8,103	7,508	7,365	6,871	6,701	6,405	6,224	5,895	5,504
Operating earnings, SEK m	63	804	950	588	600	292	285	19	20	-222
Financial items, SEK m	31	3	19	14	21	-2	-3	178	11	78
Pre-tax earnings, SEK m	4,524	806	969	602	621	290	282	197	31	-144
Net earnings for the year, SEK m	4,520	532	711	433	447	201	205	351	12	-126
Dividend (approved and paid the following year), SEK m	5,400 ¹⁾	372	237	145	150	70	100	117	100	0
Balance sheet total, SEK m	13,537	11,686	11,700	10,596	10,309	9,815	8,943	7,913	8,658	8,167
Equity, SEK m	7,665	4,026	3,838	3,293	3,010	2,632	2,518	1,855	1,648	1,611
Change in net sales, %	-39.0	3.3	5.6	6	5.1	4	3	3.4	7.9	6.5
Gross profit margin, %	19.7	20.7	20.3	20.1	20	19.7	19.6	18.8	18.3	17.7
Equity/assets ratio, %	56.6	34.5	32.8	31.1	29.2	26.8	28.2	23.4	19	19.7
Return on capital employed, %	51.0 ²⁾	14.6	18.2	11.1	12	6.2	7.5	5.4	1.9	-3.3
Return on equity, %	77.3 ³⁾	13.5	19.9	13.7	15.8	7.8	9.4	20	0,7	-7.4
Average number of employees	5,655	10,319	10,666	10,689	10,632	10,914	10,856	10,886	10,827	10,600

¹⁾ Dividend for 2010 relates to a proposed, but not yet approved dividend.

²⁾ Return on capital employed, adjusted for capital gain in the amount of SEK 4,430 m, was 1.0%.

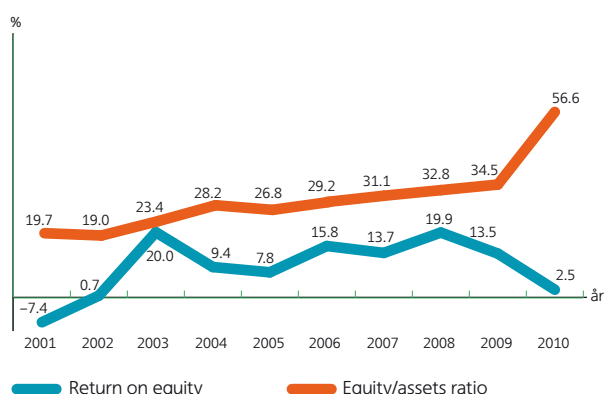
³⁾ Return on equity, adjusted for capital gain in the amount of SEK 4,430 m, was 2.5%.

Sales and operating earnings



During 2010, 615 pharmacies were sold to other actors.

Return on equity and equity/assets ratio



The return on equity for 2010 is adjusted for a capital gain of SEK 4,430 m.

Financial definitions

Average number of employees

This is calculated according to Recommendation R4 of the Swedish Accounting Standards Board as the average of the number of persons employed based on monthly surveys during the financial year. An adjustment has been made for part-time personnel, parental leave, leave of absence and long-term sick leave.

Capital employed

Average balance sheet total less non-interest-bearing liabilities and non-interest-bearing provisions.

Earnings per share

Earnings after tax divided by the number of shares.

Equity/assets ratio

Shareholder's equity as a percentage of the balance sheet total.

Gross profit

Difference between net sales and cost of materials.

Gross profit margin

Difference between net sales and cost of materials as a percentage of net sales.

Interest-bearing net liabilities

Interest-bearing liabilities less interest-bearing assets.

Return on capital employed

Earnings after financial income as a percentage of average capital employed.

Return on equity

Earnings for the year as a percentage of average equity.

Glossary

ApoDos (Multidose dispensed drugs)

ApoDos is Apoteket's concept for individual drug packages. Each multidose package contains the drugs a patient is supposed to take at any one time, e.g. morning, noon or night. ApoDos result in simpler and safer handling, provide a better overview and reduce waste.

Drug utilisation reviews

A customer offer aimed at improving the use of drugs at nursing homes, local healthcare centres and hospital wards.

Electronic Expert Support system (EES)

A nationwide concurrent drug utilisation review (DUR) system that uses a patient's complete prescription history and uniform quality-based clinical criteria to detect potential clinical issues.

Extemporaneous drugs

Drugs which for reasons of production technology or other reasons are not available from the pharmaceutical industry, but which are needed. They are made occasionally, in accordance with special needs.

Goods for resale

Goods for resale comprise Apoteket's cost of materials for the sale of drugs and other products.

International Financial Reporting Standards (IFRS)

Standards issued by the International Accounting Standards Board (IASB).

Multidose dispensed drugs

See ApoDos.

Medical Products Agency, The

The Medical Products Agency is responsible for the approval and inspection of pharmaceuticals, natural remedies and medical technical products. The Medical Products Agency's objective is to ensure that individual patients and the healthcare services have access to safe and effective products, which are used appropriately and cost-effectively.

Non-prescription drugs

Non-prescription drugs such as nicotine patches.

Other health products

These include products such as skin and hair care products, dental care products, hygiene articles, vitamins and food supplements, blood pressure gauges, anti-snoring sprays and health books.

Pharmaceutical specialist

Someone with pharmaceutical training, e.g. a pharmacist, prescriptionist, or graduates in pharmacy.

Pharmacy representatives

Pharmacy representatives are delivery points for pharmaceuticals and other pharmacy products and are found in smaller towns and villages that do not have a pharmacy.

Self-care

Self-care includes prescription-free pharmaceuticals and other health products.

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