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Annual Report
2011

 apoteket



Apoteket offers consumers nationwide drugs and attractive health products. The aim of our counselling and our solutions is to provide inspiration for a healthy life and to make it easier to feel well. 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 companies.

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This annual report (English version) is translated from its original. In case of translation ambiguity the content in the official Swedish annual report shall prevail.

2012 financial reporting calendar

Interim Report 1, 26 April
Interim Report 2, 20 July
Interim Report 3, 24 October
Annual General Meeting in Apoteket AB, 26 April in Stockholm

2011 in brief

- Net sales amounted to SEK 22,960 m (24,175).
- Operating earning amounted to SEK 189 m (negative: 313).
- Net earnings amounted to SEK 391 m (4,520).
Net earnings 2010 includes capital gains of SEK 4,427 m from the sale of subsidiaries. Earnings per share amounted to SEK 2,234 (25,829).
- Proposed dividend is SEK 200 m (5,400).
- During the year a new IT support system was deployed in the retail chain.

To increase comparability between the years the comparisons on pages 3–22 are based on the pro forma values for 2010 related to sales and operating earnings.

KEY FIGURES	2011	2010 ²⁾	2010 ⁴⁾ pro forma
Net sales, SEK m	22,960	26,275	24,175
Operating earnings, SEK m	189	–233	–313
Net earnings, SEK m	391	4,520	–
Earnings per share, SEK	2,234	25,829	–
Operating cash flow, SEK m	–470	–298	–
Capital employed, SEK m	4,656	9,665	–
Interest-bearing net claims/liabilities, SEK m ³⁾	–1,776	4,112	–
Equity/assets ratio, %	32.1	56.6	–
Return on equity, % ¹⁾	7.6	77.3	–
Return on capital employed, %	13.0	46.8	–
Average number of employees	4,633	5,655	–

¹⁾ The return on equity for 2010 adjusted for a capital gain of SEK 4,427 m was 2.5%.

²⁾ The figures have been restated based on application of the Group's new accounting policy for pensions.

³⁾ Excluding pension assets.

⁴⁾ To improve comparability between the years, sales and operating earnings have been restated taking divested subsidiaries into account. Pro forma adjustment for 2010 is shown on page 12.

We will develop the pharmacy business while maintaining a high level of trust

2011 was an eventful year for Apoteket – we revamped and dared to start reinvesting.

Apoteket's operating earnings for 2011 amounted to SEK 189 million and net sales amounted to SEK 22,960 million. During the year we carried out major investments, especially in new IT support systems, which had an impact on earnings.

Tough competition in all markets

For us at Apoteket 2011 was a very eventful year with increasingly tough market conditions. Sweeping changes are taking place, especially in the healthcare and social services market, which has a major impact on our situation. This challenges and stimulates us to think in new ways.

Availability of medications important

For customers, it is important that their medications are available when they need them. We will always help our customers to get their medications through our pharmacies, or other channels. We therefore seek to stock the medications requested by our customers in our pharmacies, but we also inform customers that they can order their medications online at the Apoteket website or through our customer service by phone.

Good accessibility is especially important for people who take many medications, but they also need to be able to receive good advice about their drugs and how to take them. Therefore Apoteket cooperates with Swedish pensioners' organisations, SPF and PRO, in order to improve drug use among the elderly. One of the many activities included in this initiative is "Olämpliga listan" - a list of medications designed for older people to help them identify drugs that possibly should not be taken for various reasons.

The key for us is to constantly listen to the customer and dare to offer new solutions. One example of how we develop our product range and services is our cosmetics initiative. Last year we introduced a line of carefully selected high-quality makeup products, which many customers appreciated. My ambition is that we will continue to broaden our offer to customers in all markets in which Apoteket is active.

County councils join in procurement processes

In 2011, distribution and services in the healthcare market have been subjected to competition for the first time. Several county councils contracted for supply, pharmaceutical and multidosing services. Developments in the market are characterised by intensifying price pressures. The county councils are participating in joint procurement initiatives and they are also taking over pharmaceutical services in-house, which of course changes the premises for Apoteket and other players in this market.

For us at Apoteket, it is important to be able to submit competitive bids that meet the needs of the healthcare system. Our ambition is to be the best healthcare partner by constantly developing services that meet future needs. Apoteket's FarmaciDirekt is an example of such a service.

"I am extremely pleased by and proud of our employees' tremendous contributions during the year."



PHOTO: SÖREN ANDERSSON

“My goal is for Apoteket to be the best workplace in the industry.”

More efficient supply chain

During the last quarter Apoteket completed deployment of its new IT support system in the retail chain. The changeover coincided with a major computer crash in November. I am very pleased that we passed this milestone, because I know that the change has been challenging at times and has meant that some customers had to endure particularly long delays for their medications.

In another challenge during the year, Apoteket developed its own supply chain. We have streamlined our solution with the aim of ensuring that our customers' medications and other goods will always be available in the channel most appropriate for the customer.

Battle for talent

When I look back at the past year, I find that competition for employees was also tough. After reregulation, there are now many potential employers in the pharmacy industry, which encourages development and offers more choice. For Apoteket as an employer, I find it to be encouraging that we have had many qualified applicants for vacant positions during the year - despite a national shortage of skilled pharmaceutical specialists.

We need to constantly adapt our organisation, exchange skills and change the company as the market evolves. My goal is for Apoteket to be the best workplace in the industry and attract the best talent who want to contribute to Apoteket's success.

High trust in Apoteket

Our customers gave us very high marks in surveys carried out during the year. We also notice that many customers continue to choose us in all markets where we operate. Naturally we intend to nurture this trust in 2012. We will develop offers and solutions so that customers choose us for products, counselling and services. Then we will be well-positioned to continue to be the most trusted pharmacy player in the market. This is our overarching challenge that all Apoteket employees will work for in 2012.

Stockholm in March 2012

Ann Carlsson
President and Chief Executive Officer

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 2011.

Owner

Apoteket is owned by the Swedish state. The number of shares in Apoteket AB totals 175,000.

Significant events of 2011

- Apoteket won two and lost five contract tenders for the supply of medicinal products for inpatient care. The tender value of new and re-negotiated agreements is considerably less than previously due to price pressures and reduced content.
- In Malmö, Apoteket opened a new facility for extemporaneous preparations for inpatient care as well as a unit that supplies seven hospitals in Skåne with medications. During the year Apoteket also established a regional warehouse in Mölnlycke that will supply medications to all hospitals in Västra Götaland and Halland.
- About 50 percent of all packages for Apoteket's various units were delivered at the end of 2011 through Apoteket's own wholesale operation, compared with about 30 percent at the end of 2010.
- According to directives in connection with reregulation, Apoteket sold its previous cash and prescription management system and deployed a new IT system for all pharmacies and for Apoteket's customer service. The change coincided with an extensive computer crash in November, which severely disrupted the prescription management system.
- Consolidation of Apoteket's multidose-dispensing service continued. The multidose drug-dispensing pharmacies in Växjö and Falun were closed after merging operations with the multidose-dispensing pharmacies in Malmö, Umeå and Örebro. A decision was taken to close the multidose-dispensing pharmacy in Borås after merging with the multidose-dispensing pharmacies in Borås and Göteborg during the first quarter of 2012.
- A whole new range of products, skin-friendly cosmetics, was launched.
- In the reputation survey Anseendebarmetern, Apoteket was designated Sweden's most highly respected company in 2011. In addition, Apoteket was designated Sweden's most honest and genuine company in 2011 in the same survey. The survey was conducted by the Nordic Brand Academy.
- At the end of 2011 Apoteket had 365 pharmacies, including pharmacies operated as franchises, compared with 345 pharmacies at the end of 2010.
- To increase comparability between the years, sales and operating earnings for 2010 have been restated, taking divested subsidiaries into account. The pro forma adjustment is presented on page 12 and the comparisons on pages 3–22 are based on pro forma values.

Business environment, market and trends

The start-up rate for new outlets in the reregulated pharmacy market continued to be high in 2011. Approximately 100 new pharmacies were added and at year-end there were a total of about 1,220 outpatient pharmacies in Sweden.

Intensifying competition

Competition in the healthcare and social services market increased in 2011. Several county councils sent out invitations to tender for their pharmaceutical services and the trend in this market was characterised by intensifying price pressures. One trend is for county councils and even regions to choose to join forces for larger procurement processes. There were also examples during the year of county councils offering more services in-house and as a result the agreements were less extensive.

Consumers could choose between several outpatient pharmacies, but many customers felt that it was harder to gain access to their medications. Customers also criticised the system for generic drugs – the product of the period. Nevertheless, customers have a very high level of trust in the pharmacy industry as a whole compared with other industries.

Consumers have become accustomed to buying nonprescription drugs in grocery and convenience stores, which at the end of the year had about 18 percent of the nonprescription drug market. For certain products, such as pain and cold medications, convenience goods stores have captured about 40–45 percent of sales. Sector convergence between pharmacies and convenience goods stores has continued, with an increased selection of self-care products at the pharmacies. Several pharmacy owners also introduced private label products in 2011. The trend of pharmacy owners offering care services in collaboration with private care providers also continued during the year.


Like the pharmacy market in other countries, vertical integration is also beginning in the Swedish pharmacy market, such as in the supply chain.

Battle for talent

It was not just the battle for customers that was tough in 2011. The battle for talent became clearer and several pharmacy owners had problems keeping the pharmacies open during the summer holiday period. In the healthcare and social services market, county councils are hiring more and more pharmaceutical specialists who are often recruited from pharmacies.

Continued assessment of pharmacy market

The pharmacy market is still evolving and this year several government inquiries were initiated and carried out to review the pharmacy market after reregulation.



**Sector
convergence
continues.**

One of them reviewed pricing, availability, dose-dispensing services, market conditions for pharmacies and state ownership of Apoteket. The first instalment of the results of this inquiry will be presented in 2012.

Expensive drugs take a greater share of county council resources

Apoteket's assessment is that the number of inexpensive medicines is increasing, while a few drugs account for an increasing share of society's total cost of prescribed medications. The most expensive drugs consume an increasing share of county council drug budgets. The patents for several common drugs, however, will expire over the next few years, and thus have competition from generics, which leads to lower prices.

In 2011 the Government and the county councils reached a one-year agreement on administration of the pharmaceutical benefit scheme. The parties want the grant for the benefit scheme to be part of the municipal budget agreement.

Initiatives to improve patient safety

During the year, the debate about how society can reduce costs for the incorrect use of drugs was noteworthy. Analyses showed that the costs of improper drug use is between SEK 5 and 25 billion per year and that 3,000 people die annually due to improper use of medicines. To tackle these problems, the Government has worked with the Swedish Association of Local Authorities and Regions (SALAR) and other stakeholders to develop a national drug strategy. In the coming years, implementation of this strategy will contribute to better use of medicines and thus to better health, with the vision "The right drug for the benefit of patients and society."

In late 2011 the Government and SALAR agreed to develop health care and social services for 2012 for the elderly patients who are the most ill. The agreement focuses on good pharmaceutical treatment for the elderly and coordinated health care and social services. The aim is to bring about more efficient use of resources and care that is based to a greater extent on patient needs.

Lifestyle affects health

The healthy lifestyle trend was further strengthened during the year. Exercising at home became more common, paving the way for new products in the field. Many people also need good advice to help make good lifestyle choices. Collaboration involving various players was also established to provide broader support for wellness activities. The concept of mobile health became increasingly common during the year. This term is used in health care where mobile devices are a key tool. The number of health apps for mobile phones also increased significantly during the year.

Lifestyle has a major impact on the disease burden in Sweden. At the end of the year the National Board of Health and Welfare published "National guidelines for disease prevention methods 2011", focusing on tobacco, alcohol, physical activity and eating habits.



The Government and the Swedish Association of Local Authorities and Regions are investing heavily in good medical treatment for the elderly and social services based more on patient needs.

Ownership directives and strategic direction

Apoteket's goals and strategies are based on its vision and the state's ownership directives, which contain both a clear mandate and limitations.

Financial objectives

The 2011 Annual General Meeting established Apoteket's financial objectives.

- A return on equity – calculated as earnings for the year as a percentage of average equity – of at least 20 percent in the long term.
- An equity/assets ratio – calculated as equity as a percentage of the balance sheet total – within a target range of 25–30 percent.
- The dividend will amount to at least half of net income.

Other tasks and limitations

Apoteket is charged with providing dose dispensing on equal and non-discriminatory terms, to the extent requested, as well as transferring systems and records relating to dosing prescriptions to Apotekens Service AB. Apoteket will also retain the approximately 760 pharmacy representatives to the extent necessary to maintain a good supply of medicinal products in the area. Apoteket has also provided an interim solution for IT and administrative services regarding the outpatient market until 31 December 2011. Apoteket may not market prescription dispensing to discharged patients and may it only open new outpatient pharmacies to the extent required to maintain the Group's existing market share.

Vision and mission

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

Business concept

We will be the leading and most profitable pharmacy player in Sweden.

Apoteket's core values

Apoteket is one of Sweden's strongest and most respected brands. It is a strategic asset that must be nurtured and developed.

Apoteket's core values permeate the corporate culture and day-to-day activities. Apoteket wishes to be perceived as credible and considerate in all our customer encounters. Being innovative and energetic strengthens the perception of Apoteket as a modern and attractive player, which promotes sustainable development in all of its activities.

Strategies

To achieve its target, Apoteket works based on five key strategies; please see the box on the right.

**Apoteket's vision:
A Life in Health**

Apoteket's key strategies:

Promote sales with strong customer offers and a clear profile

Develop new customer offers, markets and collaborations

Reduce purchasing costs and streamline supply chain

Reduce costs and simplify procedures

Attract, improve and retain the right talent

Operations and structure

Apoteket operates under market-based terms and conditions. It offers a broad range of goods and services in pharmaceuticals and wellness to individual consumers, companies and producers active in health care and social services.

New organisation

To meet the growing competition, since 1 June 2011 operations have been run in a business segment with two business areas which have responsibility for sales in the consumer market and the healthcare and social services market.

Business area Konsument

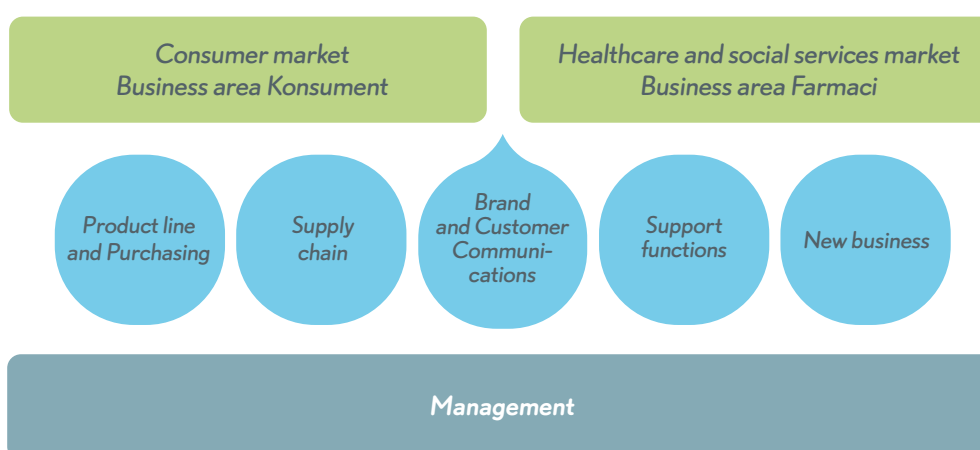
The Konsument business area offers private individuals pharmaceuticals and other health related products and services, as well as counselling through more than 360 pharmacies across Sweden.

Business area Farmaci

The Farmaci business area develops products and services that improve efficiency and quality of care by offering supply of drugs, drug utilisation reviews, dose dispensing and other counselling services to counties, municipalities and private healthcare companies.

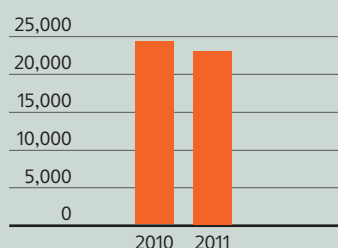
Other operations

Other operations include Apoteket's support functions as well as selection, procurement, supply chain and operations in Norway and Germany in the New Business division.



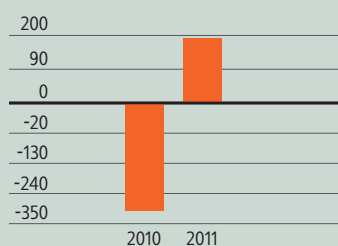
Net sales Apoteket

SEK m



Operating earnings Apoteket

SEK m



Net sales and performance

In 2011, Apoteket's net sales declined 5.0 percent or SEK 1,215 million compared with the preceding year and amounted to SEK 22,960 million (24,175). The decrease was mainly because in 2010, Apoteket sold other health products to divested units, as well as a gradual transition to franchise operations for twelve pharmacies during the year. Reduced activity in the Pharmacy business area due to renegotiated or dropped county council agreements also had a negative impact on sales. Since October 1, 2010, a total of 16 pharmacies switched to franchise operation.

Revenue analysis

Since 1 June 2011 Apoteket has conducted operations as one business segment with revenues divided into two business areas: Consumer and Pharmacy. Consumer offers private customers medications and other health products, information and counselling through 349 self-operated and 16 franchise-operated pharmacies. Pharmacy develops products and services that increase efficiency and quality of care in healthcare and social services.

Sales summary

Amount in SEK m	Full year 2011	Full year 2010 pro forma	Change %
Sales, Consumer ¹⁾	11,196	11,527	-2.9
Sales Pharmacy	10,627	10,905	-2.5
Other ²⁾	1,137	1,743	-34.8
Total net sales	22,960	24,175	-5.0

¹⁾ Sales, Consumer refers to sales excluding franchise companies.

²⁾ Other refers to sales that support both sales channels and sales from foreign subsidiaries.

The decline in net sales is mainly attributable to Apoteket's sales of other health products to divested units in 2010.

Operating earnings

Operating earnings amounted to SEK 189 million (negative: 313), which was an improvement of SEK 502 million compared with 2010. The improved profitability can mainly be explained by non-recurring items in the result for 2010. These items included costs relating to adjusted depreciation schedules, restructuring and pensions, which together amounted to about SEK 450 million. The operating margin was 0.8 percent (negative: 1.3).

Net earnings amounted to SEK 391 million (4,520). The profit in 2010 included capital gains from the sale of divested pharmacies.

Pro forma adjustment 2010

To increase comparability between the years, operating earnings for 2010 were restated taking the divested subsidiaries into account. During the first quarter of 2010 the 465 pharmacies that Apoteket sold were gradually transferred to new owners.

The subsidiary Apoteksgruppen i Sverige AB, with 150 pharmacies, was spun off to Apoteket Omstrukturering AB, then Parent Company of Apoteket.

In June 2010, the subsidiary Apoteket Produktion & Laboratorier AB was transferred to the owner.

The table below shows the effects on net sales and operating earnings.

Net sales and operating earnings 2011 compared with 2010 pro forma

	Full year 2011	Full year 2010			Change %
		Reported ¹⁾	adjustment	Pro forma	
Net sales, SEK m	22,960	26,275	-2,100	24,175	-5.0
Operating earnings, SEK m ²⁾	189	-233	-80	-313	160.4
Operating margin in %	0.8	-0.9	-	-1.3	-

¹⁾ Includes subsidiaries sold during the first half of 2010.

²⁾ Operating earnings were restated to reflect application of the new accounting policy for the Group's pensions.

Key Figures, quarterly

	2011:4	2011:3	2011:2	2011:1	2010:4	2010:3	2010:2 ²⁾	2010:1 ¹⁾
Net sales, SEK m	5,618	5,612	5,926	5,804	6,073	5,776	6,218	6,108
Operating earnings, SEK m ³⁾	-68	211	-2	48	-525	58	33	121
Operating margin, %	-1.2	3.7	0.0	0.8	-8.6	1.0	0.5	2.0

¹⁾ During the first quarter of 2010, 465 pharmacies were sold to new owners. An additional 150 pharmacies, through Apoteksgruppen i Sverige AB, were spun off to the owner Apoteket Omstrukturering AB.

²⁾ During the second quarter of 2010 the subsidiary Apoteket Produktion & Laboratorier was spun off to the State.

³⁾ Operating earnings were restated to reflect application of the new accounting policy for the Group's pensions.

Cash flows

Apoteket's operating cash flow was SEK -470 million (-298). The negative cash flow is mainly due to inventory build-up in the wholesale business and investments related to new construction and renovation of pharmacies.

Cash flow from financing activities amounted to SEK -5,419 million (-142) and includes a dividend paid to the owner of SEK 5,400 million during the year.

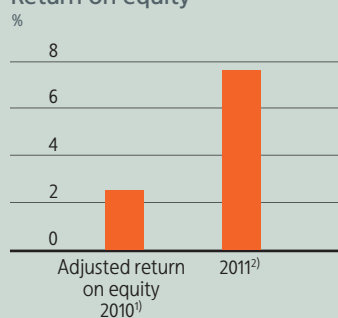
Apoteket's total cash flow was SEK 34 million (-577), while cash and cash equivalents at 31 December 2011 amounted to SEK 223 million (189).

Available liquidity was SEK 2,224 million (2,189) at the end of 2011.

Analysis of change, interest-bearing net claims/liabilities

SEK m	2011	2010
Opening balance 1 Jan.	4,112	-984
Operating cash flow	-470	-298
Sold subsidiaries	-	5,783
Dividend	-5,400	-372
Other	-18	-17
Closing balance 31 December	-1,776	4,112

Return on equity



¹⁾ Return on equity including capital gains of SEK 4,430 m was 77.3%.

²⁾ Return on equity was 7.6%.

Equity/assets ratio



Investments

Investments in intangible assets and property, plant and equipment for 2011 amounted to SEK 343 million (287) and consisted primarily of new construction and refurbishment of pharmacies and investments in IT systems.

Financial position and return

Equity on 31 December 2011 amounted to SEK 2,656 million, down SEK 5,009 million compared with the preceding year-end figure. The change corresponds to the dividend paid to the owner and earnings for the year. The equity/assets ratio was 32.1 percent at the end of the period.

Return on capital employed was 13.0 percent.

Return on equity was 7.6 percent. The owner's return requirement on equity is 20 percent over the long term.

Net financial items amounted to income of SEK 14 million (31). Other financial items comprised interest expense for pension obligations of SEK -289 million (-349) and return on plan assets of SEK 675 million (645). Last year, other financial items also included capital gains on the sale of pharmacies equivalent to SEK 4,427 million.

Interest-bearing net claims/liabilities, excluding pension assets, amounted to SEK 1,776 million at 31 December 2011. The corresponding net interest-bearing item consisted of a claim of SEK 4,112 million at the end of 2010. It included a current investment at the Swedish National Debt Office regarding payment for divested units.



In 2011, Apoteket was designated Sweden's most highly respected company and the most honest and genuine company in the survey Anseendebarmetern (Reputation Survey).

PHOTO: CARL KLEINER

Consumer market

Through the Business area Konsument, Apoteket offers private individuals medications and other health-related products, as well as information and counselling through more than 360 self-run and franchise-operated pharmacies across Sweden.

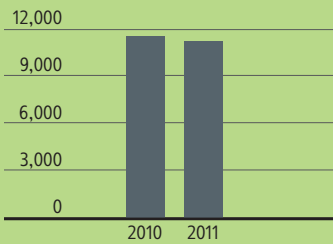
Significant events in 2011

- At the end of 2011 Apoteket had 365 pharmacies, including pharmacies operated as franchises, compared with 345 pharmacies at the end of 2010.
- Twelve pharmacies began to be operated as franchises during the year.
- Apoteket launched three new tests during the year: a test that reveals immunity to winter vomiting disease, a rapid test that reveals sensitivity to ten common allergens and a simple blood glucose test.
- Another nonprescription drug specifically produced for Apoteket was introduced during the year - the allergy drug Cetirizin Apofri.
- Apoteket introduced Apoteket's Magtest online at apoteket.se to guide the customer to improved digestive health.
- Apoteket launched a new line of skin-friendly cosmetics using three different brands.

Apoteket has three private labels: Apoteket, Apoliva and Försvarets Hudsalva.

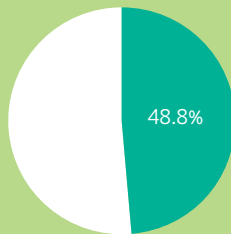
Net sales Konsument

SEK m



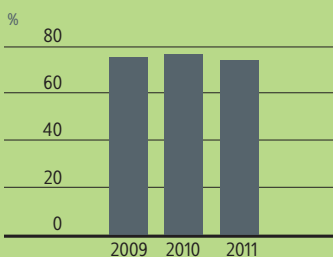
Net sales excluding franchise companies.

Percentage of Apoteket's net sales



The percentage of total net sales for the Konsument business area was 48.8% (SEK 11,196 m of SEK 22,960 m).

Customer satisfaction Swedish Quality Index



Average for Apoteket in 2011 was 73.6. The customer satisfaction index is a weighted average of three questions that focus on how satisfied the customer is, overall, based on expectations and in relation to a perfect pharmacy.

Source: Swedish Quality Index, national study autumn 2011

Store development

Amount in SEK m	2011			2010		
	Self-operated pharmacies	Franchise	Total	Self-operated pharmacies	Franchise	Total
Opening number 1 January	341	4	345	937	-	937
Newly opened	24	-	24	23	-	23
Closed	-4	-	-4	-	-	-
Sold	-	-	-	-615	-	-615
Transferred to franchise	-12	12	-	-4	4	-
Closing number 31 December	349	16	365	341	4	345

Net sales

Net sales declined 2.9% from the preceding year to SEK 11,196 million. For self-operated pharmacies, sales of prescription drugs rose, while sales of nonprescription drugs fell. The gradual transition to franchise operations contributed to the reduction in sales.

Market share

Based on the number of pharmacy permits for outpatient pharmacies, Apoteket's market share was 29.7% as at 31 December 2011, down slightly from 30.7% at the beginning of the year. The market share for outpatient pharmacies as measured by sales of prescription and nonprescription drugs was 33.3% in 2011, down from 34.3% in 2010. The market share figures include both self-operated pharmacies and franchise pharmacies.

Customer offer

In 2011 customers continued to show strong confidence in Apoteket and chose Apoteket to a large extent for their pharmacy needs.

Apoteket's services are based on the extensive knowledge and experience of its employees in counselling customers, in terms of both proper use of medications and support for a healthy lifestyle. Offering these services at a large number of pharmacies across Sweden also increases accessibility for customers.

Apoteket also launched several new products in 2011, including both established brands and private labels, such as new nonprescription drugs in the Apofri series specially produced for Apoteket. The major autumn campaign focused on cosmetics. By launching cosmetics, Apoteket became a stronger player in the field of body and beauty.

Apoteket also expanded the product line aimed at men through a complete series of body care products, exclusively for Apoteket, with the Börje Salming signature.

During the year, Apoteket developed and launched several new tests



Apoteket's commercial for the healthy stomach campaign won several international and Swedish prizes in 2011. The film addresses the "working situation" in the stomach.

in the consumer market: a test that reveals immunity to winter vomiting disease, a quick test that reveals sensitivity to ten common allergens and a simple blood glucose test.

Apoteket conducted a survey which showed that one in two Swedes occasionally has stomach problems. During the spring, Apoteket conducted a successful healthy stomach campaign. Several new products were launched and over 120,000 customers completed Apoteket's Magtest (stomach test) at apoteket.se.

Sales channels

At the end of 2011 Apoteket had 365 pharmacies, compared with 345 pharmacies at the start of the year. Apoteket has 16 pharmacies operating as franchises, 12 of which were added during the year. Additional franchisees have been appointed and will come on board in 2012. In 2011, a number of pharmacies were refurbished according to Apoteket's store concept.

Apoteket's website, apoteket.se, offers e-commerce for prescription and non-prescription drugs, as well as other health-related products. The website provides consumers with information about pharmacies and opening hours as well as counselling about medications and their use. The site also features information specifically targeting members of Apoteket's ApoPlus customer club. Customer club members receive a variety of benefits: discounts on selected goods, bonus points on goods other than medications, email newsletters with information and invitations to activities together with Apoteket's partners.

Apoteket's customer service receives about 6,000 phone calls daily. Customers can receive help with information about the products and services available at

Apoteket. They can also order prescription drugs, nonprescription drugs and self-care products and have them delivered to their home, nursing home or to a pharmacy representative. E-commerce parcels can also be picked up at any pharmacy.

Apoteket has been mandated by the State to be responsible for all pharmacy representatives in Sweden.

New IT system

In connection with reregulation, the state required that no pharmacy operator could open new pharmacies with Apoteket's ATS cash management and prescription-dispensing system after 1 January 2011 and that no pharmacy could use this IT system after 31 December 2011.

Apoteket therefore replaced the IT systems at all pharmacies and Apoteket's customer service during the year, deploying new modern IT systems more appropriate for Apoteket in the highly competitive pharmaceutical market. The new prescription-dispensing system was specially developed for Apoteket. Deployment of the system placed high demands on both communication and training.

In the online store at apoteket.se customers can order for prescription drugs, nonprescription drugs and other health products.

In 2011 Apoteket launched a new skin-friendly cosmetics line with carefully selected high-quality products.



Healthcare and social services market

Apoteket offers several advanced services to contract customers in the healthcare and social services market through the Farmaci business area. The main services are the supply of medications and production of extemporaneous drugs, pharmacy services, and dose-dispensing of prescribed drugs in both outpatient and inpatient care. Apoteket also offers services for animal owners, veterinarians and dietitians.

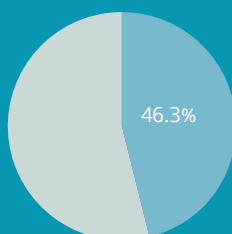
The national drug strategy shows a clear need for services that the Farmaci business area develops and provides.

In 2011 Apoteket carried out about 22,000 drug utilisations reviews for the health-care system.

Significant events in 2011

- Region Västra Götaland, Region Halland and the county council in Östergötland chose Apoteket as supplier of medicinal products.
- Apoteket's agreements with the county councils in Kalmar, Kronoberg, Blekinge, Gotland and Västmanland as well as production of extemporaneous drugs for Region Västra Götaland and Region Halland expired.
- New modern units for the supply and production of extemporaneous drugs were established in Malmö and Lund.
- A new unit for the supply of medicines was established in Mölnlycke. The unit will supply drugs to all hospitals in Västra Götaland and Halland.
- Apoteket participated in the launch of "Olämpliga listan". The list describes which drugs the elderly should avoid and the challenges associated with drug use by the elderly.
- Apoteket's FarmaciDirekt was introduced – an online service for care providers to quickly provide good information for decision-making in drug utilisations reviews.
- The multidose-dispensing services in Falun, Umeå and Örebro were consolidated and the drug-dispensing pharmacy in Falun was closed during the third quarter of 2011. It was decided to close the drug-dispensing pharmacy in Borås during the first quarter of 2012. The services in Borås and Göteborg will be concentrated to Göteborg.

Share of Apoteket's net sales



The percentage of total net sales for the Farmaci business area was 46.3% (SEK 10,627 m of SEK 22,960 m).



Apoteket, Region Skåne and the Faculty of Medicine at Lund University presented a study in December showing that systematic drug utilizations reviews can increase patient safety and lower healthcare costs.

PHOTO: HÅKAN LINDGREN

Net sales

Net sales declined 2.5% from the preceding year to SEK 10,627 million. Both product and service sales showed a decline due to lost county council agreements, primarily in Kalmar, Kronoberg and Blekinge, but also because of an increased trend for county councils to employ their own pharmaceutical specialists and provide services in-house.

Customer offer

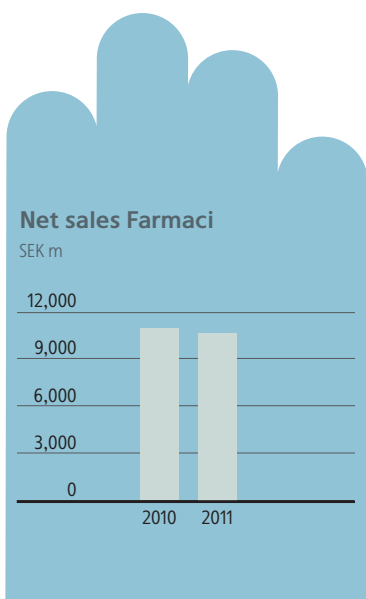
Apoteket offers services through the Farmaci business area for increased patient safety, sustainable development and cost-effective procedures for correct handling and use of drugs.

Apoteket has agreements with several county councils to supply medicinal products for inpatient care. The supply agreements will gradually expire by 2013 and several county councils are engaged in competitive tendering. During the year Apoteket signed new agreements with the county council in Östergötland, Region Västra Götaland and Region Halland.

Apoteket's agreements with the county councils of Kalmar, Kronoberg, Blekinge, Gotland and Västmanland and for the production of extemporaneous drugs for Region Västra Götaland and Region Halland all expired.

Apoteket offers multidose-dispensing of prescription drugs in outpatient and inpatient care under the ApoDos brand. Other services include home delivery of special foods to patients or residential care facilities, as well as delivery of drugs and special animal feed to veterinarians and farmers.

Apoteket also offers courses for medical personnel in the handling



Apoteket produced about 660,000 packages of extemporaneous drugs in 2011

and use of drugs. New services and concepts are systematically developed with a primary focus on patient safety and quality.

In collaboration with physicians, nurses, and in some cases, patients and families, Apoteket's staff also carries out drug utilisations reviews to optimise the patient's medication use.

Production of extemporaneous drugs is an offer that is constantly improving. For example, the prefilled syringe service is increasingly in demand. The drug may have a short shelf life and must be produced close to the patient. In other cases, drugs must be individually adjusted.

Animal owners and veterinarians can order drugs for animals at Djurapoteket in Eskilstuna. Apoteket provides services related to ordering and delivery, prescription fees and handling of licenses for medicines.

Customer relations

To meet customer needs and demands, Apoteket builds knowledge, develops practical tools and takes a full-service approach to its work with agreements with the public sector. Since competitive procurement is required under the Public Procurement Act (LOU), Apoteket has developed a system to best meet customer requirements and offer competitive bids.

Municipalities are important customers for Apoteket. Older people in residential care or nursing homes often take many different drugs and need support in both the handling and use of drugs. Apoteket is developing services for this purpose in dialogue with municipal home care staff and coordinators.

Cooperation for better use of medicines

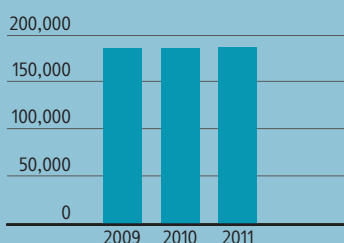
Apoteket participated in a collaborative venture in 2011 with Sveriges Pensionärsförbund (Swedish Association of Pensioners) and PRO (National Pensioners' Organisation) relating to better utilisation of drugs under the "Check your drugs" slogan. The project aims to achieve improved quality of care and use of drugs. The project formulated "Olämpliga listan", a list describing drugs the elderly should avoid and the challenges associated with drug use by the elderly.

Increased pricing pressure with procurement

County council procurement is contributing to increased price pressure since the focus on the lowest price has become increasingly important as an evaluation criterion. The scope of the contracts is also decreasing, which affects Apoteket's business and processes. Apoteket works continually to adapt to the changing market and customer needs for new modern solutions. For example, an advanced robot was installed at the supply unit in Malmö, making it one of the most modern supply units in Europe.

Healthcare and social services customers can order drugs online at the Apoteket website apoteket.se.

Dose-dispensing customers number



186,000 customers in outpatient healthcare use ApoDos, individually packaged drugs.



Other operations

Other operations include product line development, the supply chain and Apoteket's operations in Norway and Germany.

Development of our product range of goods and services

Apoteket strives to offer consumers and contract customers the most attractive product lines of goods and services. The product line is selected based on Apoteket's carefully established criteria for quality and sustainability, including environmental impact, as well as in response to the needs of our customers.

The share of prescription drugs does not increase significantly from year to year and the margins on these drugs are limited. However, there are now more retail outlets as a result of reregulation. Nonprescription drugs are also sold in retail outlets other than pharmacies. In order to broaden the Group's offers in response to the increased competition, Apoteket needs to increase sales of self-care products by offering a range that is both relevant and attractive to customers. Close cooperation with suppliers is important to be able to create the best customer offer.

Apoteket works with strong, established brands in combination with its own proprietary brands. In 2011, Apoteket increased the pace of development of its goods and services. Many new products were launched, including a completely new cosmetics line.

The supply chain

To ensure a competitive, high-quality supply chain to all of the Group's businesses, Apoteket has centralised the supply chain within the Group and integrated all processes in a cost-effective structure.

The Supply chain covers the entire Group's needs for storage, picking, packing and delivery. It is based in a number of supply units – distance pharmacies, pet pharmacies, multidose-dispensing pharmacies, wholesale warehouses and units for supply and production for inpatient care.

To increase efficiency and reduce costs, during the year Apoteket concentrated operations to fewer supply units. These supply units deliver drugs and all other products



Apoteket's wholesale operation is the largest supplier in terms of volume to the company's outpatient pharmacies.

PHOTO: TOMMY LINDSTRÖM

to all of Apoteket's distribution and sales channels, such as e-commerce, pharmacy and pharmacy representatives.

The distance pharmacies carry out order picking and dispensing for both private customers and contract customers. Djurapoteket in Eskilstuna is a distance pharmacy specialising in drugs for animals and focuses on farmers, veterinarians and other business-people in the animal segment.

The multidose-dispensing pharmacies produce individually packaged drugs in daily doses for patients. The wholesale warehouse purchases goods from manufacturers and distributes them to Apoteket's stores and production units.

As of mid-2011, Apoteket's wholesale operation was the largest supplier in terms of volume to the company's outpatient pharmacies. About 50 percent of all packages that go to different units within the Group come from Apoteket's wholesale operation.

Apoteket's operations in Norway and Germany

Apoteket also offers services to customers in healthcare and medical services in Norway and Germany. The operations, which are in start-up phase, include turnkey solutions with drug supply and services for patients in nursing homes and home healthcare, in both private and public management. One of the most important services is ApoDos.

Health services for businesses

The basis of Apoteket's health services to companies and organisations is Apoteket's Health Checks. The offer can be extended through a range of services, tests, and products tailored to the needs of each company. For example, employees can do Apoteket's Cardiovascular Check at over 100 pharmacies where Apoteket has health coaches. At large workplaces, Apoteket can also meet employees at work.

Apoteket's sustainability programmes

Apoteket works with sustainability issues along the entire value chain.

Apoteket's sustainability programmes are close to the core business of the Group. Customers have expectations that we should have highly skilled employees, high-quality products manufactured under appropriate conditions and that our services should contribute to better use of medicines in society. Apoteket would like its employees, suppliers and partners to be aware that the Group takes responsibility for long-term sustainable development. Working to achieve a sustainable world is a never-ending journey.

Collaboration with customers and suppliers for increased responsibility

Hundreds of suppliers stand behind Apoteket's broad line of products and services. Therefore it is important to collaborate with suppliers to continuously improve the production conditions, ensure high quality and offer a safe product line. Ninety percent of suppliers have now signed Apoteket's code of conduct, which is followed up through audits.

Better use of medicines

The focus on sustainable use of medicines is greater today than ever before. It is a fact that Sweden has an aging population. In addition, more and more reach an advanced age, which as a consequence results in increased consumption of medicines. The use of medicines has therefore become increasingly complex. Apoteket promotes a more sustainable use of medicines in society, for both consumers and health care.

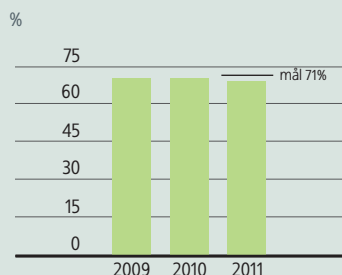
Health and well-being

The vision of a life of health shall permeate all activities and Apoteket will be the obvious first choice for customers and for those looking for future work in the pharmacy industry. Our initiatives focusing on the health, well-being and development of our employees will also strengthen the credibility of the customer encounter. Apoteket is constantly working on gender issues and in 2011 Apoteket focused on ethnic diversity, aimed at both finding talented new employees and meeting the needs of more customer categories. Apoteket has employees from 83 countries and every continent. Thus the employees reflect society at large in terms of ethnic diversity.

Reduced environmental impact from medications

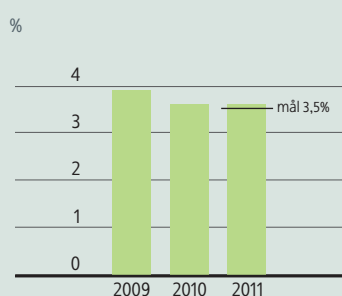
Medicinal products fill an important function for human health. The consumption of drugs however has an impact on the environment, however, there is a large quantity of leftover drugs that need to be taken care of in a responsible manner. Apoteket accepts its responsibility to contribute to this objective and also works to minimise the carbon footprint of its own operations.

Work attendance



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

Sickness absence



Sick leave is measured as a percentage of scheduled time.

Clear sustainability profile in product range

Interest in sustainability issues is strong and sustainability in retail stores is a global trend. Apoteket wants its customers to feel secure when they sign agreements with Apoteket or shop at the pharmacies. Apoteket would like to offer its customers a reliable range of products and services with a clear sustainability profile. Apoteket continues to expand its line of carefully controlled private label products.

Apoteket's impact on climate changes

The transport of goods, mainly by truck, account for most of Apoteket's impact on the climate. With its own wholesale operation, Apoteket now has the opportunity to work more actively to reduce the impact of these shipments than before. Apoteket also has requirements for both energy consumption and business travel aimed at mitigating climate change.

ISO 14001 certification

Since 2008, all of Apoteket's operations have been certified in accordance with the ISO 14001 international environmental management standard. Following completion of an environmental audit in 2010, Apoteket's certification was extended by three years, providing confirmation that Apoteket works on continuous improvements in the environmental area.

Ethical principles

Grounded in its ethics policy, Apoteket encourages its employees to act responsibly in relation to customers, suppliers, the outside world and the company. Apoteket's approach is to remain in compliance with applicable regulations, to always encourage customer interest, to be loyal to the company and to actively contribute to a respectful corporate culture.

Sponsorship

For years, Apoteket has developed alliances with partners that help to consolidate Apoteket's position as an honest and trustworthy company. In 2011, Apoteket's customers contributed SEK 3.1 million to breast cancer research by buying selected "pink products" and the pink ribbon. Apoteket also participated in the 1.6-million club campaign to raise funds for medical research on heart disease in women. Apoteket's customers bought needles in the shape of a woman's shoe, thereby contributing SEK 500,000. Apoteket also supported the work of SOS Children's Villages to help vulnerable children. Select products were sold at the pharmacies and part of the proceeds went to SOS Children's Villages. Apoteket's employees could also choose to donate money to SOS Children's Villages instead of receiving a more traditional Christmas present.

Read more about how Apoteket works with sustainable development in Apoteket's 2011 Sustainability Report (available in Swedish).

Attractive employer



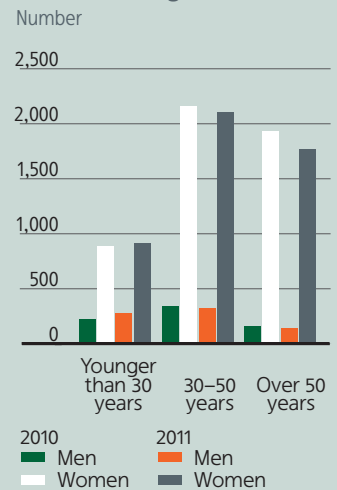
The value for Attractive employer in the employee survey increased sharply in 2011.

Motivated employees



In 2011 Apoteket retained the high value for Motivated employees in the employee survey.

Gender and age distribution



On 31 December 2011 Apoteket had 5,522 employees. Contract employees are not included. For gender distribution on the Board of Directors and the Group Executive Board, see page 70.



PHOTO: THERESE ASPLUND

Apoteket offers various types of health checks at about one hundred pharmacies around the country.

Parent Company

The parent company, Apoteket AB, engages in the sale of prescription and non-prescription drugs, as well as other health products and services.

Net sales for the Parent Company amounted to SEK 15,243 (16,274) million, a decrease of 6.3 percent. The decrease was mainly due to that prior year sales included sales to divested units, as well as the gradual transition during the year of 12 pharmacies into franchises. The operating earning was a profit of SEK 109 million (negative: 701). Profit after tax was SEK 63 million (4,752). The result for 2010 includes a capital gain of SEK 4,775 million from the sale of subsidiaries. The Parent Company's cash and cash equivalents at 31 December amounted to SEK 218 million (180). Cash flow from operating activities was SEK -602 million (7). After net investments of SEK 5,679 million (negative: 296) and changes in financial liabilities and dividend paid, totalling SEK 5,039 million (176), cash flow for the year was a positive SEK 38 million (negative: 465).

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 ability to implement strategic plans as well as its 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.

In late 2011 Apoteket's ability to manage risk was tested in connection with a major IT failure. Of course, the incident was extensively analysed to ensure that learned lessons could be leveraged to improve both prevention and crisis management initiatives.

Risk Analysis

A business-wide risk analysis is carried out in conjunction with the annual budget process. The analysis addresses economic impact and probability, and should include risk factors with both short- and long-term effects. With regard to financial implications, consideration is also taken to long-term effects, thereby ensuring that consideration is taken to sustainability related risks.

Each area of operation carries out its part of the risk analysis and then the Group Executive Board prioritises the risks with respect to materiality and probability so that 10–15 main risks ultimately remain.

These risks are categorised into political and market risk, operational risk and financial risk.

Political and market risk

These risks primarily include increased competition, economic risks and commercial risks associated with changes in the reregulation of 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.

Since reregulation, Apoteket has reduced its operations from having the entire market to now having about one third of the consumer market. It is a challenge to adjust costs as rapidly as required to fit the decreased operational scope. 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.

The Swedish government is currently conducting a number of studies to analyse the effects of reregulation of the pharmacy market.

Prior to reregulation, Apoteket had supply agreements with all Swedish county councils for drug supplies and other services. The county councils have gradually issued calls for tender for drug supplies and related services. Calls for tender for multi-dose-dispensing services and products are also gradually being issued. The loss of a contract entails reduced revenue and requires operational adjustments to match expenses.

Apoteket will improve and strengthen the selection of merchandise. Failure by Apoteket to achieve the set objectives for its range of goods and services could entail a profitability risk.

Operational risks

Operational risks mainly consists of risks associated with drug management, IT and the establishment and expansion of Apoteket's own wholesale operation.

The commissioning of a new IT system for more than 360 pharmacies over a short period represents a risk of reduced efficiency and disruptions for customers. Authorisations and operational stability also pose risks.

Since reregulation Apoteket has established its own supply chain. The build-up phase presents a major challenge in getting procedures and routines in place to ensure there are no disruptions in the supply chain to pharmacies.

Shortcomings in the management and use of drugs could result in widespread consequences, therefor product and patient safety are core factors for Apoteket. The company pursues extensive safety measures to minimise dispensing errors. Incorrect or poor counselling entails a risk of inappropriate drug use. Apoteket's employees are continuously trained in this area.

Shortcomings and gaps in the product line, and 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 through 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 prudent 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.

To ensure adequate risk control, the foundation has a clearly defined risk mandate. The foundation provides feedback on a monthly basis.

Apoteket's operations are limited in scope in terms of currency, interest rate and credit risks. Sales are largely paid for by credit card or cash. Customers in the contract market are municipalities and county councils. Overall, the credit risk is therefore low.

Financial risk management is governed by Apoteket's financial policy.

For more information about financial risk management, please see note 23.

Sensitivity analysis	SEK m
1% change in revenue, prescription sales	117
1% change in revenue, self-care sales	23
1% change in compensation and benefits, including social security contributions	22
0.25% change in the discount rate used in the calculation of the present value of the defined-benefit pension commitment	250

Significant events after the closing date

After the closing date Apoteket received tender responses relating to the supply of medicinal products from four county councils with full award for three tenders and one of three possible awards in the fourth tender. The tenders varied in scope, but overall the service content is lower than the current agreement.

Tender response has also been received in respect of three multidose-dispensing tenders, one of which involved individual dose-dispensing contracts from a county council and two pertained to a joint procurement. Apoteket was awarded one of these three multidose-dispensing contracts.

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 wellbalanced. 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 salary-leading in relation to comparable companies, but should instead be moderate. It should also act 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 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 are no outstanding share-related or share price-related incentive programmes for the Board of Directors or the Group Executive Board.

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 2011.

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 65.

Financial statements

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Consolidated statement of comprehensive income

Amounts in SEK m	Note	2011	2010
Net sales		22,960	26,275
Other operating income		81	16
Total revenues	6	23,041	26,291
Goods for resale ¹⁾		-18,554	-21,086
Other external costs	7, 8	-1,867	-2,114
Personnel costs	5, 9, 17, 24	-2,299	-2,994
Depreciation and impairment	14, 15	-132	-330
Operating profit		189	-233
Capital gain on sales of subsidiaries	13	-	4,430
Share of earnings of associated companies	16	-3	-
Net financial items – pensions	5, 17	386	296
Other financial income	23	35	39
Other financial expenses	23	-21	-8
Pre-tax earnings		586	4,524
Income tax	10	-195	-4
Net earnings for the year		391	4,520
Other comprehensive income			
Change in fair value reserve		-	-2
Change in translation reserve		-	-2
Total comprehensive income during the year		391	4,516
Net earnings for the year attributable to:			
Parent Company's shareholders		391	4,520
Comprehensive income during the year attributable to:			
Parent Company's shareholders		391	4,516
Earnings per share, SEK	12	2,234	25,829
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	2011	2010
Operating activities			
Pre-tax earnings		586	4,524
<i>Adjustment for non-cash items</i>			
Depreciation and impairment		132	330
Net capital gains		–	–4,430
Change in pension claim		–361	–505
Other		–115	87
Taxes paid		–27	–108
Cash flow from operating activities before changes in working capital		215	–102
<i>Cash flow from changes in working capital</i>			
Changes in inventories		–289	4
Changes in receivables		183	195
Changes in liabilities		–236	–108
Cash flow from operating activities		–127	–11
Investing activities			
Investments in intangible assets	14	–19	–59
Investments in property, plant and equipment	15	–324	–228
Sold subsidiaries	13	–	5,783
Change in other financial fixed assets		–	3
Investment in short-term investments	23	5,923	–5,923
Cash flow from investing activities		5,580	–424
Financing activities			
Change in current financial liabilities		–1	230
Amortisation of debt		–18	–
Dividends paid	29	–5,400	–372
Cash flow from financing activities		–5,419	–142
Cash flow for the year		34	–577
Cash and cash equivalents at the beginning of the year		189	766
Cash and cash equivalents at the end of the year		223	189

Cash flow from receipt of interest income amounted to SEK 35 m (33).

Cash flow from payment of interest expense amounted to SEK 20 m (7).

Consolidated operating cash flow

SEK m	2011	2010
Cash flow from operating activities	–127	–11
Investments in intangible assets	–19	–59
Investments in property, plant and equipment	–324	–228
Operating cash flow	–470	–298

Consolidated balance sheet

Amounts in SEK m as of 31 December	Note	2011	2010
ASSETS			
Fixed assets			
<i>Intangible assets</i>	14	45	47
<i>Property, plant and equipment</i>			
	15		
Buildings, land and land improvements		42	43
Equipment		566	369
Total property, plant and equipment		608	412
<i>Financial fixed assets</i>			
Holdings in associated companies	16	24	27
Pension claim	17	2,278	1,917
Deferred tax assets	11	–	13
Total financial fixed assets		2,302	1,957
Total fixed assets		2,955	2,416
Current assets			
Inventories	18	1,358	1,069
Accounts receivable	23	2,920	3,207
Tax assets		152	184
Other receivables	19	496	427
Prepaid expenses and accrued income	20	145	122
Short-term investments	23	–	5,923
Cash and cash equivalents	23	223	189
Total current assets		5,294	11,121
TOTAL ASSETS		8,249	13,537

Consolidated balance sheet

Amounts in SEK m as of 31 December	Note	2011	2010
SHAREHOLDERS EQUITY			
Share capital		175	175
Retained earnings		2,481	7,490
Total equity		2,656	7,665
LIABILITIES			
Long-term liabilities			
Deferred tax	11	738	628
Other provisions	22	14	36
Other liabilities	23	43	61
Total long-term liabilities		795	725
Current liabilities			
Liabilities to credit institutions, interest-bearing	23	1,999	2,000
Accounts payable	23	2,188	2,431
Other liabilities		236	271
Accrued expenses and prepaid income	21	288	245
Other provisions	22	87	200
Total current liabilities		4,798	5,147
Total liabilities		5,593	5,872
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		8,249	13,537
Contingent liabilities			
	22		
Sureties, PRI Pension Guarantee		32	28
Guarantee commitments, others		66	70
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 2010		175	0	2	3,849	4,026
Total comprehensive income during the year		–	–2	–2	4,520	4,516
Dividend		–	–	–	–877	–877
Closing balance as of 31 December 2010		175	–2	–	7,492	7,665
Opening balance as of 1 January 2011		175	–2	–	7,492	7,665
Total comprehensive income during the year					391	391
Dividend ¹⁾					–5,400	–5,400
Closing balance as of 31 December 2011		175	–2	–	2,483	2,656

¹⁾ Dividend in 2011 comprises a cash dividend of SEK 5,400 m and is attributable to the sale of pharmacies in 2010.

Parent Company statement of earnings

Amounts in SEK m	Note	2011	2010
Net sales	25	15,243	16,274
Other operating income		78	15
Total revenues	6	15,321	16,289
Goods for resale ¹⁾	25	-11,643	-12,557
Other external costs	7, 8	-1,665	-1,851
Personnel costs	9, 24, 31	-1,798	-2,278
Depreciation and impairment	14, 15	-106	-304
Operating profit		109	-701
Share of earnings of Group companies	26	145	5,029
Other interest income and similar profit/loss items	23, 25	38	34
Interest costs and similar profit/loss items	23, 25	-26	-2
Earnings before appropriations and tax		266	4,360
Appropriations	27	-140	367
Pre-tax earnings		126	4,727
Income tax	10	-63	25
NET EARNINGS FOR THE YEAR		63	4,752

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

Parent Company statement of comprehensive income

Amounts in SEK m	2011	2010
Net earnings for the year	63	4,752
Other comprehensive income		
Change in fair value reserve	0	-2
Total comprehensive income during the year	63	4,750

Parent Company cash-flow statement

Amounts in SEK m	Note	2011	2010
Operating activities			
Earnings before appropriations and tax		266	4,360
<i>Adjustment for non-cash items</i>			
Depreciation and impairment		106	304
Share of earnings of Group companies		-145	-254
Net capital gains		-	-4,775
Other		-26	86
Taxes paid		-39	-77
Cash flow from operating activities before changes in working capital		162	-356
<i>Cash flow from changes in working capital</i>			
Changes in inventories		-278	-59
Changes in receivables		-328	613
Changes in liabilities		-158	-191
Cash flow from operating activities		-602	7
Investing activities			
Investments in intangible assets	14	-18	-57
Investments in property, plant and equipment	15	-304	-204
Investments in financial fixed assets		-	-19
Sale of property, plant and equipment	15	-	100
Sold subsidiaries	13	-	5,783
Investment in short-term investments	23	5,923	-5,923
Repayment of other financial fixed assets		78	24
Cash flow from investing activities		5,679	-296
Financing activities			
Change in current financial liabilities		-19	235
Group contributions received/distributed		380	-39
Dividends paid	29	-5,400	-372
Cash flow from financing activities		-5,039	-176
Cash flow for the year		38	-465
Cash and cash equivalents at the beginning of the year		180	645
Cash and cash equivalents at the end of the year		218	180

Cash flow from receipt of interest income amounted to SEK 38 m (34).

Cash flow from payment of interest expense amounted to SEK 25 m (7).

Parent Company balance sheet

Amounts in SEK m as of 31 December	Note	2011	2010
ASSETS			
Fixed assets			
<i>Intangible assets</i>	14	37	28
<i>Property, plant and equipment</i>	15		
Buildings, land and land improvements		–	1
Equipment		528	336
Total property, plant and equipment		528	337
<i>Financial fixed assets</i>			
Participations in Group companies	28	257	335
Receivables from Group companies		82	82
Holdings in associated companies	16	18	18
Deferred tax assets	11	19	14
Total financial fixed assets		376	449
Total fixed assets		941	814
Current assets			
Inventories	18	1,117	839
Accounts receivable		1,707	1,856
Receivables from Group companies		579	566
Tax assets		173	141
Other receivables	19	340	267
Prepaid expenses and accrued income	20	119	107
Short-term investments		–	5,923
Cash and cash equivalents		218	180
Total current assets		4,253	9,879
TOTAL ASSETS		5,194	10,693

Parent Company balance sheet

Amounts in SEK m as of 31 December	Note	2011	2010
EQUITY			
Restricted equity			
Share capital (175,000 shares with quota value SEK 1,000)		175	175
Statutory reserves		35	35
Total restricted equity		210	210
Non-restricted equity			
Retained earnings		247	895
Net earnings for the year		63	4,752
Total non-restricted equity		310	5,647
Total equity		520	5,857
Untaxed reserves	30	597	505
Provisions			
Other provisions	22	96	213
Total provisions		96	213
LIABILITIES			
Long-term liabilities			
Liabilities to Group companies		7	7
Other long-term liabilities		43	61
Total long-term liabilities		50	68
Current liabilities			
Liabilities to credit institutions, interest-bearing	23	1,999	2,000
Accounts payable		1,429	1,606
Liabilities to Group companies		40	71
Other liabilities		229	187
Accrued expenses and prepaid income	21	234	186
Total current liabilities		3,931	4,050
Total liabilities		4,674	4,118
TOTAL EQUITY AND LIABILITIES		5,194	10,693
Contingent liabilities			
Sureties, PRI Pension Guarantee	22	31	28
Guarantee commitments, others		66	70
Pledged assets		None	None

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 2010		175	35	2	1,436	250	1,898
Dividend paid		–	–	–	–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
Opening balance as of 1 January 2011		175	35	–	895	4,752	5,857
Dividend paid	29	–	–	–	–5,400	–	–5,400
Distribution of earnings		–	–	–	4,752	–4,752	–
Net earnings for the year		–	–	–	–	63	63
Other comprehensive income		–	–	–	–	–	–
Closing balance as of 31 December 2011		175	35	–	247	63	520

Notes

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 2011 were approved for publication by the Board of Directors and the President on 9 March 2012, and will be presented to the Annual General Meeting on 26 April 2012.

Not 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 "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 2010 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 2011. The presentation below includes only those changes that are of importance to the Group.

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 revision has no impact on the financial statements for 2011.

Information concerning forthcoming standards, amendments and interpretations

IFRS 9 Financial Instruments Recognition and Measurement

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 must be applied for financial years beginning on or after 1 January 2015. Apoteket has not evaluated the effects of the new standard.

IAS 10 Consolidated financial statements and amendment IAS 27 separate financial statements

This standard is to be applied to annual reporting periods beginning on or after 1 January 2013. IFRS 10 supersedes the section in IAS 27 dealing with the preparation of consolidated financial statements. The rules concerning the preparation of consolidated financial statements remain unchanged. Instead, the amendment concerns how a company is to go about deciding whether it has a controlling interest and thus whether a company is to be consolidated.

IAS 1 Presentation of financial statements

IAS 1, Presentation of Financial Statements – changes to the presentation of other comprehensive income. This standard is to be applied to annual reporting periods beginning on or after 1 July 2012. The revision involves changes to the grouping of transactions reported under other comprehensive income. Items that are recognised in profit and loss are to be recognised separately from those items that are not recognised in profit and loss. The proposal does not change the actual content of other comprehensive income, only the way it is presented.

IAS 19 Employee benefits

Significant changes primarily relating to accounting for defined benefit pension plans that will take effect 1 January 2013, which include elimination of the option of allocating actuarial gains and losses to periods as part of the 'corridor' approach; instead, these must be recognised immediately in other comprehensive income. Those items attributable to the earning of defined benefit pensions, gains and losses arising on settlement of a pension liability and net financing relating to the defined benefit plan are all recognised in the income statement. As at 31 December 2011 actuarial losses, including the special employer's contribution for Apoteket, was SEK 589 million, which would have reduced equity by an equivalent amount.

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.

Until 31 May 2011 Apoteket was divided into the following business segments: Apoteket Konsument, Apoteket Farmaci, Apoteket Partner and Other operations. Responsibility for sales in Apoteket Partner and Other operations moved to Apoteket Konsument and Apoteket Farmaci, while responsibility for costs, regardless of sales channel, is shared under Supply Chain. Since 1 June 2011 Apoteket has been run as a single operating segment with revenues divided into two business areas, Konsument and Farmaci.

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.

Depreciation principles

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 the 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 reli-

Note 2, cont.

ably determined. Continuous repair and maintenance are recognised as costs in profit or loss during the period in which they arise.

Depreciation principles

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
Interior fittings in property belonging to third parties	7 years
Machinery	5–10 years
Fixtures	5 years
Vehicles	5 years
Equipment and installations	3–5 years

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. 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 belong 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 other comprehensive income.

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.

Franchises affect the Group's recognised revenue in part through the sale of products to franchise pharmacies, which is recognised

on delivery of goods, and in part the service charge from franchise pharmacies, which is largely recognised monthly.

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 carry-forwards 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

Note 2, cont.

calculated, annually, by independent actuaries using the projected unit credit method. 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. 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.

A new accounting policy is being applied for pensions in the Group so that the interest component of the pension commitment and plan assets, respectively, have been reclassified and recognised in net financial items. Accrual will continue to be recognised in operating earnings.

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 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.

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 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.

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 to regulate the tax loss have been accounted for as an appropriation, which means that the tax effect is recognised in profit or loss.

Note 5 New application accounting policies for pension expenses

A new accounting policy is being applied for pensions in the Group so that the interest component of the pension commitment and plan assets, respectively, have been reclassified and recognised in net financial items. Accrual will continue to be recognised in operating earnings. The reclassification is believed to lead to a more accurate picture of operating earnings, while Apoteket gets a better accounting of interest-bearing net receivables/liabilities. Operating profit and net financial items for 2010 were adjusted to reflect this change. Net earnings and equity remain unchanged.

Statement of earnings	2011	2010	transfer	Adjusted earnings
	Recognised	Originally recognised		
Personnel costs	-2,299	-2,698	-296	-2,994
Operating profit	189	63	-296	-233
Return on plan assets for pension obligations	710	-	645	645
Interest expense on pension obligation	-324	-	-349	-349
Financial items	386	4,461	296	4,757
Profit after financial items	586	4,524	-	4,524
Profit after tax	391	4,520	-	4,520
Equity	2,656	7,665	-	7,665

Note 6 Breakdown of revenues

Net sales include income from:

	2011	Group		Parent Company	
		2011	2010	2011	2010
Sales of goods	22,314	25,288	15,004	15,715	
Sales of services	560	887	129	423	
Invoiced costs	46	42	37	25	
Notification charges, statutory charges	39	53	39	53	
Rental income	1	2	34	57	
Other income	0	3	0	1	
Total	22,960	26,275	15,243	16,274	

Other operating income includes income from:

	2011	Group		Parent Company	
		2011	2010	2011	2010
Franchise fee	64	8	64	8	
Recovered bad debts	4	4	4	4	
Gains, sales of equipment	11	1	9	1	
Other income	2	3	1	2	
Total	81	16	78	15	

Note 7 Operational leasing fees

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

	Group		Parent Company	
	2011	2010	2011	2010
Within 1 year	271	259	258	246
Between 1 and 5 years	716	582	697	570
After more than 5 years	190	147	190	147

Leasing costs relating to operational leases during the year amounted to SEK 274 m (346) in the Group and to SEK 255 m (267) 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

	Group		Parent Company	
	2011	2010	2011	2010
<i>Audit</i>				
Lay auditor ¹⁾	0.0	0.0	0.0	0.0
National Audit Office	0.0	0.2	0.0	0.2
Ernst & Young AB	2.3	2.2	1.8	1.8
<i>Other assignments</i>				
Ernst & Young AB, tax consultancy services	0.1	0.4	0.1	0.4
Ernst & Young AB, other services	0.1	0.4	0.1	0.4
Total	2.5	3.2	2.0	2.8

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.

Note 9 Salaries, other remuneration and social costs

	Group		Parent Company	
	2011	2010	2011	2010
Salaries and remuneration	1,637	1,923	1,308	1,288
Social costs	510	591	406	931
(of which, pension costs) ^{1) 2) 3)}	(82)	(273)	(59)	(533)
Total	2,147	2,514	1,714	2,219

¹⁾ Of the Group's pension costs, calculated according to IAS 19, SEK 6.7 m (8.2) 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 65.5 m (60.3). 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 51.4 m (48.1). The pension cost for the

category concerned amounted to SEK 7.1 m (12.5). 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.

³⁾ Pension costs in the Group do not include interest expense, income or a portion of the special employer's contribution.

Incentive programme

A performance-based programme for employees and first-line managers with direct or indirect customer contact could result in payment of SEK 5,000. The bonus target is designed as a financial

improvement target. Personnel employed by the central units are not covered by the programme.

Salaries and other remuneration distributed among senior executives and other employees

	Group		Parent Company	
	2011	2010	2011	2010
Members of the Board and President and other senior executives ¹⁾	25	32	20	31
(of which are bonuses, etc.)	(-)	(2)	(-)	(2)
Other employees	1,612	1,891	1,288	1,257
Total	1,637	1,923	1,308	1,288

¹⁾ In the Group, the Board of Directors, President and other senior executive category comprises 22 (19) persons. In the Parent Company, the corresponding category comprises 19 (18) persons. Apoteket

defines other senior executives as the Group Executive Board and the subsidiaries' presidents.

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	Fees for committee work
Christian W Jansson ¹⁾	2009	12/12			300	–
Gert Karnberger ²⁾	2009	12/12	8/8		150	25
Kristina Schauman ³⁾	2009	12/12	5/5		150	50
Lars-Johan Jarnheimer ⁴⁾	2009	12/12	3/3	3/3	150	–
Elisabet Wenzlaff ⁵⁾	2009	11/12		3/3	150	–
Carina Jansson ⁶⁾	2002	11/12			24	–
Carin Sällström-Nilsson ⁷⁾	2009	11/12			24	–
Malin Jonsson ⁸⁾	2009	11/12			24	–
Marie Redeborn ⁹⁾	2012				–	–
Gunilla Larsson ¹⁰⁾	2009	12/12			24	–
Total					996	75

¹⁾ Chairman of the Board.

²⁾ Chairman of the Audit Committee through March 2011; after that a member.

³⁾ Chairman of the Audit Committee through April 2011.

⁴⁾ Chairman of the Remuneration Committee. Member of the Audit Committee through March 2011.

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 Association of Technical Pharmacy Employees. Resigned 31 December 2011.

⁹⁾ Employee representative (deputy), appointed by the Swedish Association of Technical Pharmacy Employees. Newly elected 2012.

¹⁰⁾ 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; their assignment ended on 30 June 2011. In 2011, fees totalling SEK 38,000 were paid to each of these three Board Members.

Johan Assarsson, board member of the subsidiary Apoteket International AB, received remuneration of SEK 75,000 for 2011.

Board composition

At the Annual General Meeting held on 28 April 2011, 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.

Kristina Schauman was interim CFO until 28 March 2011. After 28 March 2011 Kristina Schauman continued as a board member.

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 Association of Technical Pharmacy Employees. Malin Jonsson was replaced by Marie Redeborn from 2012.

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

The Board members are presented in greater detail on page 76.

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 2011

Amounts in SEK 000s	Member of Group Executive Board since	Salary ¹⁾	Other benefits ¹⁾	Total	Retirement age	Pension cost ²⁾	Period of notice (employee/ company)	Severance pay
Ann Carlsson, CEO ³⁾	2010	3,636	85	3,721	65	1,259	6/6 months	18 months
Eva Fernvall, Brand Director	2005	1,559	67	1,626	65	574	6/6 months	18 months
Monica Höglind, Director of Human Resources	2007	1,888	121	2,009	62	548	6/6 months	18 months
Anna Rogmark, Legal Counsel	2010	1,549	157	1,706	65	439	6/6 months	18 months
Annema Paus, Director Farmaci business area and CEO of Apoteket Farmaci AB	2001	2,119	102	2,221	65	861	6/6 months	18 months
Ulrika Eriksson, Director Apoteket Konsument	2009	2,041	71	2,112	65	530	6/6 months	18 months
David Kruse, President of Apoteket International AB	2009	1,152	156	1,308	65	220	6/6 months	18 months
Jan Johansson, CFO	28 March 2011	1,574	36	1,610	65	415	6/6 months	18 months
Lars Skutholm, Director Purchasing & Product line	1 June 2011	1,388	65	1,453	65	220	6/6 months	12 months
Jonas Friberg, Acting Director Supply Chain	1 June 2011	1,030	69	1,099	65	89	according to collective agreement	
Marianne Dicander, Director through 31 March 2011	2007	852	36	888	62	136	6/6 months	18 months
Tore Löwstedt, Director through 30 May 2011 ⁶⁾	2007	5,815	74	5,889	65	520	6/6 months	18 months
Stefan Carlsson, President and CEO through 15 August 2010 ⁴⁾	1999	441		441	62	583		
Total		25,044	1,039	26,083		6,394		
Kristina Schauman, interim CFO through 28 March 2011 ⁵⁾				990				
								consultant fee

¹⁾ Other benefits mainly comprise the tax assessment value of a company car and fuel.

²⁾ The pension cost pertaining to defined benefit pensions is calculated according to the Act on Safeguarding of Pension Obligations Pension costs comprise accrued pension during the year, interest on earlier provisions and pension premiums.

³⁾ President Ann Carlsson has a defined-benefit pension at a rate of 30% of her basic salary.

⁴⁾ Former President Stefan Carlsson received dismissal pay until 15 February 2011. He received SEK 441,000 in dismissal pay for 2011 after which he received dismissal pay which was expensed in 2010. Dismissal pay and severance pay are exempt from deduction. Stefan Carlsson has reached the retirement age of 62.

⁵⁾ Kristina Schauman has been interim CFO through 28 March. Remuneration paid comprises fees that have been invoiced by consultancy companies. Invoiced fees including compensation for social security fees.

⁶⁾ Tore Löwstedt received dismissal pay for 6 months and severance pay for 18 months.

Remuneration and benefits paid to senior executives in 2010

Amounts in SEK 000s	Member of Group Executive Board since	Salary ¹⁾	Other benefits ¹⁾	Total	Retirement age	Pension cost ²⁾	Period of notice (employee/company)	Severance pay
Ann Carlsson, President from 15 November 2010 ⁴⁾	2010	418	10	428	65		6/6 months	18 months
Eva Fernvall, Brand Director	2005	1,502	63	1,565	65	486	6/6 months	18 months
Monica Höglind, HR Director	2007	2,353	120	2,473	62	535	6/6 months	18 months
Anna Rogmark, Chief Legal Counsel	2010	1,502	147	1,649	65	102	6/6 months	18 months
Marianne Dicander, Director Apoteket Konsument	2007	2,285	139	2,424	62	857	6/6 months	18 months
Annema Paus, President of Apoteket Farmaci AB	2001	2,066	93	2,159	65	644	6/6 months	18 months
Tore Löwstedt, Director of Apoteket Partner	2007	2,629	114	2,743	65	619	6/6 months	18 months
Ulrika Eriksson, Director Market & Product Range	2009	2,456	69	2,525	65	807	6/6 months	18 months
David Kruse, President of Apoteket International AB	2009	1,098	106	1,204	65	256	6/6 months	18 months
Stefan Carlsson, President until 15 August 2010 ⁵⁾	1999	8,406	63	8,469	62	2,366	6/6 months	18 months
Per Matses, CFO until 16 May 2010	1999	932	27	959	60	315	6/6 months	18 months
Johan Wallér, Staff Director until 31 January 2010	2008	642	8	650	65	40	6/6 months	18 months
Total		26,289	959	27,248		7,027		
Kristina Schauman, interim CFO ⁶⁾	consultant fee			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 the 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⁾ Kristina Schauman was interim CFO from 8 March and from 15 August through 15 November, she was also interim President and CEO. Remuneration paid comprises fees that have been invoiced by consultancy companies. Invoiced fees include 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, severance pay will also be paid. The president receives severance pay of 18 months' salary, while other senior executives receive severance pay corresponding with between 6 and 18 months' salary.

Terms and conditions for pensions

President and CEO Ann Carlsson has a defined-benefit pension at a rate of 30% of her basic salary, with retirement age at 65. Four senior executives have defined-benefit pensions in accordance with ITP2 with retirement age at 65. Other senior executives have defined-contribution terms and conditions for pensions.

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.

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

Pia Källqvist is President of the subsidiary Apoteksakademien AB. Salaries and other benefits for the President amounted to SEK 1,535,000. Pia Källqvist has received severance pay of 6 months, for a total of SEK 482,000. Payment will take place during 2012. Pension costs amount to SEK 423,000 and Pia Källqvist is covered by the ITP2 plan.

Note 10 Income tax

	Group		Parent Company	
	2011	2010	2011	2010
Current tax for the year	-57	-22	-54	-10
Current tax for earlier years	-15	16	-14	16
Deferred tax	-123	2	5	19
Total	-195	-4	-63	25

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	
	2011	2010	2011	2010
Pre-tax earnings	586	4,524	126	4,727
Tax at the existing tax rate	-154	-1,190	-33	-1,243
Adjustment of tax attributable to earlier period	-15	16	-13	16
Tax effect of tax-exempt capital gain	-	1,165	-	1,256
Tax effect of other tax-exempt revenues	0	4	0	0
Tax effect of non-deductible costs	-2	-4	-20	-4
Effect of previously unrecognised loss carryforwards	-24	5	-	-
Other tax effects	3	-	3	-
Tax expense	-195	-4	-63	25

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

Note 11 Deferred tax

	Group		Parent Company	
	2011	2010	2011	2010
<i>Deferred tax pertaining to:</i>				
fixed assets	5	19	5	19
- loss carryforwards	-14	13	-	-
- untaxed reserves	-19	103	-	-
- pension claims	-95	-133	-	-
Deferred tax in profit and loss	-123	2	5	19
<i>Deferred tax assets pertaining to:</i>				
- loss carryforwards	-	13	-	-
fixed assets	-	-	19	14
Total deferred tax assets	0	13	19	14

	Group		Parent Company	
	2011	2010	2011	2010
<i>Deferred tax liabilities pertain to:</i>				
- pension claims	-599	-504	-	-
fixed assets	18	14	-	-
- untaxed reserves	-157	-138	-	-
Total deferred tax liabilities	-738	-628	-	-
Net liabilities/assets	-738	-615	19	14
At the start of the year	-615	-617	14	-5
Recognised in profit and loss	-123	2	5	19
At year-end	-738	-615	19	14

Not 12 Earnings per share

	Group	
	2011	2010
Net earnings for the year (SEK m)	391	4,520
Number of shares	175,000	175,000
Earnings per share (SEK)	2,234	25,829

There is no dilution effect. Earnings per share 2010, adjusted for capital gain of SEK 4,430 m, amounted to SEK 514.

NOTE 13 Capital gain on sale of pharmacies 2010

In January and February 2010 Apoteket sold the eight subsidiaries, a total of 465 pharmacies, that were 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

On 29 April 2009, 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.

On 9 November 2009, 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. During the first quarter of 2010, the subsidiary was transferred to Apoteket's Parent Company at that time, Apoteket Omstrukturering AB, through a spinoff of shares in the subsidiary concerned.

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 2011, the category includes capitalised expenditures for a platform for e-commerce operations, dispensing activities and programme licenses.

Investments in development work during the year amounted to SEK 18 m and mainly comprised licenses for new IT systems.

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 impairment is not present.

Group	Development work		Rental contracts		Other Intangible assets		Total	
	2011	2010	2011	2010	2011	2010	2011	2010
Accumulated costs at the beginning of the year	162	112	32	23	24	24	218	159
Investments	18	50	1	9	-	-	19	59
Disposals/Retirements	-	0	-2	-	-3	-	-5	0
Accumulated cost at year-end	180	162	31	32	21	24	232	218
Accumulated depreciation at the beginning of the year	-40	-32	-18	-13	-14	-13	-72	-58
Depreciation for the year according to plan	-8	-8	-4	-5	-8	-1	-21	-14
Disposals/Retirements	-	0	2	-	2	-	4	0
Accumulated depreciation at the end of the year	-48	-40	-20	-18	-20	-14	-89	-72
Accumulated impairment losses at the beginning of the year	-99	-52	-	-	-	-	-99	-52
Impairment losses for the year	-	-47	-	-	-	-	-	-47
Accumulated impairment losses at the end of the year	-99	-99	-	-	-	-	-99	-99
Residual value at the end of year according to plan	33	23	11	14	1	10	45	47

Parent Company	Development work		Rental contracts		Total	
	2011	2010	2011	2010	2011	2010
Accumulated costs at the beginning of the year	153	107	32	21	185	128
Investments	17	46	1	11	18	57
Disposals/Retirements	-	0	-2	-	-2	0
Accumulated cost at year-end	170	153	31	32	201	185
Accumulated depreciation at the beginning of the year	-40	-31	-18	-13	-58	-44
Depreciation for the year according to plan	-4	-9	-5	-5	-9	-14
Disposals/Retirements	-	0	2	-	2	0
Accumulated depreciation at the end of the year	-44	-40	-21	-18	-65	-58
Accumulated impairment losses at the beginning of the year	-99	-52	-	-	-99	-52
Impairment losses for the year	-	-47	-	-	-	-47
Accumulated impairment losses at the end of the year	-99	-99	-	-	-99	-99
Residual value at the end of year according to plan	27	14	10	14	37	28

Not 15 Property, plant and equipment

Group	Buildings, land, land improvements		Equipment		Total	
	2011	2010	2011	2010	2011	2010
Accumulated costs at the beginning of the year	56	490	1,574	1,761	1,630	2,251
New acquisitions	3	12	321	216	324	228
Disposals/Retirements	-2	0	-115	-111	-117	-111
Dividend to shareholder ¹⁾	-	-446	-	-292	-	-738
Accumulated cost at year-end	57	56	1,780	1,574	1,837	1,630
Accumulated depreciation at the beginning of the year	-13	-274	-1,157	-1,280	-1,170	-1,554
Disposals/Retirements	0	0	100	93	100	93
Depreciation for the year according to plan	-2	-5	-91	-220	-93	-225
Dividend to shareholder ¹⁾	-	266	-	250	-	516
Accumulated depreciation at the end of the year	-15	-13	-1,148	-1,157	-1,163	-1,170
Accumulated impairment losses at the beginning of the year	-	-	-48	-4	-48	-4
Impairment losses for the year	-	-	-18	-44	-18	-44
Accumulated impairment losses at the end of the year	-	-	-66	-48	-66	-48
Residual value at the end of year according to plan	42	43	566	369	608	412
Carrying amount, buildings	39	40				
Carrying amount, land and land improvements	3	3				
Taxable value, buildings	11	11				
Taxable value, land	1	1				

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

Parent Company	2011	2010	2011	2010	2011	2010
Accumulated costs at the beginning of the year	2	448	1,443	1,339	1,445	1,787
New acquisitions	-	0	304	204	304	204
Accumulated cost of assets sold to subsidiaries		-446 ¹⁾		-		-446
Disposals/Retirements	-2	-	-97	-100	-99	-100
Accumulated cost at year-end	0	2	1,650	1,443	1,650	1,445
Accumulated depreciation at the beginning of the year	-1	-263	-1,059	-938	-1,060	-1,201
Accumulated depreciation of assets sold to subsidiaries		266 ¹⁾		-		266
Disposals/Retirements	1	-	82	74	83	74
Depreciation for the year according to plan		-4	-79	-195	-79	-199
Accumulated depreciation at the end of the year	0	-1	-1,056	-1,059	-1,056	-1,060
Accumulated impairment losses at the beginning of the year	-	-	-48	-4	-48	-4
Impairment losses for the year	-	-	-18	-44	-18	-44
Accumulated impairment losses at the end of the year	-	-	-66	-48	-66	-48
Residual value at the end of year according to plan	0	1	528	336	528	337
Carrying amount, buildings	0	1				
Carrying amount, land and land improvements	0	0				
Taxable value, buildings	0	0				
Taxable value, land	0	0				

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 amounted to SEK 100 m.

NOTE 16 Holdings in associated companies

	Group		Parent Company	
	2011	2010	2011	2010
At the start of the year	27	27	18	9
New acquisitions during the year	–	–	–	9
Share in profit/loss ¹⁾	–3	0	–	–
At year-end	24	27	18	18

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

Group holdings in associated companies

2010	Assets	Liabilities	Income	Profit/loss
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
2011				
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	0
Fastighets AB Högberga 556449-1677, Stockholm	21	6	13	–3
Total	28	8	13	–3

Specification of Group holdings in associated companies

	Holding	%	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45.0	9
Fastighets AB Högberga 556449-1677, Stockholm	18,750	37.5	15

Specification of Parent Company holdings in associated companies

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

Not 17 Group pension Assets

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 subsidiaries' pen-

sion 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:

	2011	2010
Present value of funded obligations	–8,017	–7,445
Fair value of plan assets	9,376	10,343
Pension obligations minus plan assets	1,359	2,898
Unrecognised actuarial losses+/-gains-	474	–1,355
Recognised receivable excluding special employers' contribution	1,833	1,543
Special employer's contribution	445	374
Receivables recognised in the balance sheet	2,278	1,917

Note 17 cont.

The amounts recognised in profit or loss are as follows:

	2011	2010
Costs relating to employment in the current year ¹⁾	-88	-113
Cost of early retirement pensions ¹⁾	-3	-21
Interest expense ²⁾	-289	-281
Adjustment for unrecognised actuarial item regarding redemption of ITPK ¹⁾	10	-
Actuarial gain/loss during the year ²⁾	20	-
Expected return on plan assets	570	519
Total cost of defined-benefit plans	220	104
Cost of defined-contribution plans ¹⁾	-60	-132
Special employer's contribution ³⁾	39	-7
Total pension cost	199	-35

¹⁾ Recognised in consolidated profit or loss as personnel costs

²⁾ Recognised in consolidated profit or loss as a financial item

³⁾ Distributed in consolidated profit or loss between personnel costs and financial items

The actual return on the plan assets amounted to SEK -619 m (1,075). Actual return for 2011 is recognised excluding operating expense.

The principal actuarial assumptions used were as follows:

	2011	2010
Discount rate	3.50%	3.95%
Expected return on plan assets	5.00%	5.60
Future salary increases	3.30%	3.30%
Increased basic amount	2.00%	2.00%
Staff turnover	5.00%	3.50%
Average remaining length of service:	15.8 years	15.6 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, and thus do not impact profit or loss. The corridor is defined as 10% of the highest value of the pension obligation, or alternatively, of the plan assets. As of 31 December 2011, the actuarial loss was SEK 474 m.

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

	2011	2010
<i>Specification of changes in defined-benefit pension obligations</i>		
Present value of obligation at the beginning of the year	7,445	7,322
Cost of new vesting	88	113
Cost of early retirement pensions	3	21
Interest expense	289	281
Redeemed benefits	-58	-
Benefits paid out	-348	-303
Actuarial loss on obligation	598	11
Present value of obligation at the end of the year	8,017	7,445
<i>Specification of change in plan assets</i>		
Plan assets at the beginning of the year	10,343	9,268
Expected return on plan assets	570	519
Payment from Pension Foundations	-336	-
Actuarial loss/gain on plan assets	-1,201	556
Plan assets at the end of the year	9,376	10,343

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	2011	2010
Shares and similar financial instruments	3,945	5,781
Interest-bearing securities, etc	4,558	4,564
Other	874	-2
Total	9,376	10,343

Surplus and experience-based adjustments to liability/asset:

	2011	2010	2009	2008
Present value of defined-benefit obligations	-8,017	-7,445	-7,322	-6,978
Plan assets	9,376	10,343	9,268	6,641
Deficit/surplus	1,359	2,898	1,946	-337
Experience-based adjustments to the obligation	187	11	194	-424
Effects of changes in actuarial assumptions on obligation	-784	-	-	-
Experience-based adjustments to the plan assets	-1,201	556	2,405	-2,340

In 2012, the Group anticipates a net cash flow relating to defined-benefit plans amounting to SEK 337 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 60 (68) m. At year-end 2011, Alecta's surplus, in the form of the collective consolidation rate, was 113% (146). 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	
	2011	2010	2011	2010
Goods for resale at cost	1,358	1,069	1,117	839
Total	1,358	1,069	1,117	839

The expenditure for expensed inventories is included in goods for resale and amounted to SEK 18,554 m (21,086) in the Group and SEK 11,643 m (12,557) in the Parent Company.

Note 19 Other receivables

	Group		Parent Company	
	2011	2010	2011	2010
VAT receivables	387	385	235	227
Other receivables	109	42	103	40
Total	496	427	338	267

Note 20 Prepaid expenses and accrued income

	Group		Parent Company	
	2011	2010	2011	2010
Rents invoiced	80	78	71	68
Accrued expenses	42	32	36	32
Accrued suppliers' bonus	8	5	6	5
Other items	15	7	6	2
Total	145	122	119	107

Note 21 Accrued expenses and prepaid income

	Group		Parent Company	
	2011	2010	2011	2010
Vacation pay reserves	162	156	132	120
Bonus to employees	20	15	17	11
Backdated salaries	20	11	20	11
Prepaid income	18	7	–	7
Accrued suppliers' invoices	61	54	59	36
Other items	7	2	6	1
Total	288	245	234	186

Note 22 Other provisions

	Group		Parent Company	
	2011	2010	2011	2010
At the start of the year	236	160	213	156
<i>Expensed in profit or loss</i>				
Additional provisions	23	201	20	178
Reversed unutilised amounts	–78	–9	–68	–9
Utilised during the year	–80	–116	–69	–112
At year-end	101	236	96	213
Of which, long-term provision ¹⁾	14	36	13	36
Of which, current provision	87	200	83	177

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				Total
	Rents	Severance pay	Loss-making contracts	
At the start of the year	43	57	136	236
Additional provisions	2	21	–	23
Utilised during the year	–	–31	–49	–80
Reversed unutilised amounts	–25	–20	–33	–78
At year-end	20	27	54	101

Additional provisions pertaining to rents comprise costs for the closure of dispensing operations in Borås. Reversed rents are unutilised reserves for the cost of vacant premises in connection with the relocation of pharmacies.

Additional provisions for severance pay comprise personnel costs for the closure of dispensing operations, personnel costs related to tenders lost in a number of county councils and other adjustments to the Group's current scope of activities.

Additional provisions for loss-making contracts comprise restructuring and reregulation costs in connection with Apoteket's transitional activities to other participants.

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. There are 30 remaining guarantee commitments for an amount of about SEK 66 (70) m. 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 2011, this amounted to SEK 32 m (28).

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 on 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.

Due dates for receivables

Group	2011	2010	2009	2008
Overdue, but not impaired				
< 30 days	96	22	12	5
30–90 days	6	9	13	4
Overdue and impaired				
91–180 days	1	0	0	1
> 180 days	0	0	0	1
Total	103	31	25	11

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.

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.

In 2011, time of invoicing has been harmonised with time of sale, which had a significant impact on the amount of past due but not impaired receivables from 0-30 days.

Note 23 cont.

Provision for doubtful receivables

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

Group	2011	2010	2009	2008
At the start of the year	3	3	3	4
Provision for anticipated losses	0	0	0	-1
At year-end	3	3	3	3
Confirmed losses	4	6	7	6
Recovered bad debts	4	4	5	5

The year's cost for doubtful receivables amounted to SEK 4 m (6). 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.

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.

Fair value of financial instruments

The nominal amount less any assessed credit entries for accounts

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

Group	2011		2010	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>				
Accounts receivable ¹⁾	2,920	2,920	3,207	3,207
Current investments ²⁾	-	-	5,923	5,923
Cash and cash equivalents	223	223	189	189
Total	3,143	3,143	9,319	9,319
<i>Financial liabilities</i>				
Accounts payable ³⁾	2,188	2,188	2,431	2,431
Other long-term liabilities	43	43	61	61
Loan liabilities ⁴⁾	1,999	1,999	2,000	2,000
Total	4,230	4,230	4,492	4,492

¹⁾ When calculating the carrying amount of accounts receivable, the portion of the receivables that is regarded as uncertain is taken into account.

²⁾ Current investments comprise the amount received on the sale of subsidiaries encompassing 465 pharmacies.

³⁾ The fair value of accounts payable is the same as the carrying amount.

⁴⁾ Liabilities to credit institutions, interest-bearing.

Financial assets held for resale	Group		Parent Company	
	2011	2010	2011	2010
At the start of the year	-	3	-	3
Purchases and sales, net	-	-3	-	-3
At year-end	-	-	-	-

Financial assets available for sale consisted of condominiums in 2009, which were sold in 2010.

Financial liabilities to credit institutions	Group		Parent Company		Granted
	2011	2010	2011	2010	
Nordea	800	1,000	800	1,000	2,500
Commercial paper	1,199	1,000	1,199	1,000	1,500
Total utilised credit	1,999	2,000	1,999	2,000	4,000

The granted, unutilised overdraft facility amounts to SEK 800 m. Loan liabilities comprise overnight loans of SEK 800 m (1,000) carrying an interest rate of 2.70% (2.30) and a commercial paper of

SEK 1,199 m (1,000) carrying an interest rate of 2.30% (1.67). The maturity of the commercial paper is seven days. The carrying amount of loan liabilities provides a fair approximation of the fair value.

Note 23 cont.

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	
	2011	2010	2011	2010
Interest income on financial assets ¹⁾	35	33	38	34
Interest expense on financial liabilities	-20	-7	-25	-7
Exchange-rate gains/losses on liabilities	-1	5	-1	5
Total	14	31	12	32

¹⁾ Interest income on current investments in the period January-June 2011 amounted to SEK 33 m.

Note 24 Average number of employees

	2011		2010	
	Average number of employees	of whom, men %	Average number of employees	of whom, men %
<i>Parent Company</i>				
Sweden	3,691	12.4	3,946	11.8
<i>Subsidiaries</i>				
Sweden	942	18.8	1,709	21.2
Group total¹⁾	4,633	13.7	5,655	14.6

¹⁾ 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

	2011		2010	
	Number of whom, men %		Number of whom, men %	
<i>Group</i>				
Members of the Board ¹⁾	9	33.3	24	41.7
President and other senior executives	24	41.7	23	30.4
<i>Parent Company</i>				
Members of the Board	9	33.3	9	33.3
President and other senior executives	9	33.3	10	20.0

¹⁾ External representatives on the Board of Directors of the subsidiaries have resigned during the year.

Sickness absence

	Group		Parent Company	
	2011	2010	2011	2010
Total sickness absence as a percentage of total normal working hours	3.6	3.6	3.7	3.6
Sickness absence for women ¹⁾	3.9	3.8	4.0	3.8
Sickness absence for men ¹⁾	2.1	2.2	1.9	2.0
Sickness absence for those aged 29 and below ¹⁾	2.0	1.8	2.0	1.8
Sickness absence for those aged 30-49 ¹⁾	4.1	3.9	4.3	4.1
Sickness absence for those aged 50 and above ¹⁾	3.9	4.0	4.1	4.0

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

	Group		Parent Company	
	2011	2010	2011	2010
Proportion of total sickness absence lasting for 60 days or more (%)	1.0	1.0	0.9	1.0

Note 25 Related-party transactions

Group companies

For the Parent Company, Group companies accounted for 0.1% (0.3) of purchases and 3.4% (4.5) 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 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 2.7 m (3.2) pertaining to interest

payments relating to Group companies. Interest expense includes SEK 6.6 m (2.5) pertaining to interest payments relating to Group companies.

Remuneration of senior executives

Remuneration of senior executives is presented in Note 9.

Other organisations in Sweden

Apoteket AB's pension foundation manages the plan assets that secure the defined benefit pension obligations for Apoteket AB and Apoteket Farmaci AB. In 2011 Apoteket AB received a payment of SEK 336 (0) m for retirement pension payments made relating to 2010.

Note 26 Share of earnings of Group companies

	Parent Company	
	2011	2010
Group contributions	217	246
Dividends from subsidiaries	–	8
Results from the sale of shares in subsidiaries	–	4,775
Impairment losses on shares in the subsidiaries Apoteket International AB and Apoteksakademin AB	–72	–
Total	145	5,029
Sold subsidiaries		
Sales price	0	5,969
Selling expenses	0	–187
Carrying amount of sold shares	0	–1,007
Results from the sale of shares in subsidiaries	0	4,775

Note 27 Appropriations

	Parent Company	
	2011	2010
Difference between book depreciation and straight-line depreciation		
– Buildings	–	27
– Equipment	–25	82
Tax allocation reserve, provision for the year	–67	–
Reversal of tax allocation reserve	–	258
Group contributions provided	–48	–
Total	–140	367

Note 28 Participations in Group companies

	Parent Company	
	2011	2010
Accumulated costs at the beginning of the year	335	1,653
Capital contribution to newly formed subsidiaries and new acquisitions	59	83
Divestments	–	–1,011
Impairment losses ¹⁾	–72	–
Liquidation ²⁾	–65	–
Distributed to Parent Company ³⁾	–	–390
Accumulated cost at year-end	257	335

¹⁾ Impairment losses on shares in the subsidiaries Apoteket International AB and Apoteksakademin AB due to weak profitability.

²⁾ Liquidation of subsidiary Adara AB.

³⁾ Pertains to the spinoff of shares in 2009 in the subsidiaries Apoteksgruppen i Sverige AB and Apoteket Produktion & Laboratorier AB.

Note 28 cont.

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

Group companies/Reg. no./Registered office	Number of participations	Proportion in percent	Carrying amount	
			2011	2010
Apoteket Farmaci AB 556758-1789, Stockholm	25,000	100	250	250
Apoteksakademin i Sverige AB 556792-4005, Stockholm	1,000	100	0	3
Förvaltnings AB Tanken 556500-6953, Stockholm	1,000	100	0	0
Adara AB 556615-7367, Stockholm	1,000	100	0	65
Apoteket International AB 556606-4266, Stockholm ¹⁾	1,000	100	0	10
Apoteket Norge AS 993289396, Oslo ¹⁾	100	100	–	–
Apoteket Deutschland GmbH 264819621, Marschacht ¹⁾	250	100	–	–
<i>Dormant companies</i>				
Apoteksinformation AB 556043-0984, Stockholm	50,000	100	6	6
Apoteksbolaget AB 556459-6723, Stockholm	500	100	1	1
Nordiska Apoteksservice AB 556629-4616, Stockholm	34,000	100	–	0
Sveriges Apotek AB 556197-7355, Stockholm	1,000	100	–	0
BD Bankdata AB 556309-7343, Stockholm	1,000	100	–	0
Total			257	335

¹⁾ 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.

Note 29 Dividend per share

At the Annual General Meeting on 26 April 2012, a cash dividend pertaining to 2011 of SEK 1,142.86 (30,857.14) per share, totalling SEK 200 m (5,400) will be recommended. The dividend will be

recognised as a distribution of earnings. During 2011, dividends of SEK 5,400 m were paid to the owner.

Note 30 Untaxed reserves

	Parent Company	
	2011	2010
Accumulated excess straight-line depreciation	25	–
Tax allocation reserves	572	505
Total	597	505
<i>Accumulated excess straight-line depreciation was distributed as follows:</i>		
Equipment	25	–
Total	25	–
<i>Tax allocation reserves were distributed as follows:</i>		
Tax allocation reserve, allocated at the assessment for 2007	69	69
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
Tax allocation reserve, allocated at the assessment for 2012	67	–
Total	572	505

Note 31 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.

Apoteket AB continued development of franchise operations in 2011 through the start-up of twelve new companies. These franchise companies will become independent companies outside the Group and sign their own pension terms and conditions under collective agreements.

	2011	2010
Capital value of pension commitments at start of year	-6,205	-6,352
Revenue/cost, excluding interest expense, charged to earnings	-435	20
Interest expense	-214	-195
Payment of pensions	326	322
Capital value of pension commitments at year-end	-6,528	-6,205

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

	2011	2010
Fair value of assets at start of period	10,343	9,268
Return on specially detached assets ¹⁾	-631	1,075
Payment from Pension Foundations	-336	-
Fair value of assets at year-end	9,376	10,343

¹⁾ Return on specially detached assets for 2011 is recognised including operating expense.

	2011	2010
Capital value of pension commitments at year-end	-6,528	-6,205
Fair value of assets at year-end	9,376	10,343
Net reported for pension commitments (asset +/-liability -)	2,848	4,138
Liability/receivable recognised in the balance sheet	-	-

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

	2011	2010
Pensions under own management		
Revenue/cost, excluding interest expense, charged to earnings	-435	20
Interest expense	-214	-195
Return on specially detached assets	-631	1,075
Increase/decrease in surplus in specially detached assets	1,280	-1,222
Cost of pensions under own management	10	-322
Pensions through insurance		
Insurance premiums	-60	-107
Recognised pension cost	-50	-429
Special employer's contribution on pension costs	-9	-104

Note 31 cont.

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

Type of asset	31 December 2011	Percentage
Shares and similar financial instruments	3,944	42%
Interest-bearing securities etc	4,558	49%
Other	874	9%
Total	9,376	100%

The Parent Company anticipates a net cash flow, in 2012, relating to defined-benefit plans amounting to a negative SEK 337 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) interest rate assumption of 3.85% 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 fund. 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 3.6%.

Note 32 Post-balance sheet events

After the closing date Apoteket received tender responses relating to the supply of medicinal products from four county councils with full award for three tenders and one of three possible awards in the fourth tender. The tenders varied in scope, but overall the service content is lower than the current agreement.

Tender response has also been received in respect of three multidose-dispensing tenders, one of which involved individual dose-dispensing contracts from a county council and two pertained to a joint procurement. Apoteket was awarded one of these three dose-dispensing contracts.

Proposed distribution of earnings

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

Retained earnings	SEK 247,445,708
Earnings for the year	SEK 62,952,918
Total	SEK 310,398,626

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 1,142.86 per share, total	SEK 200,000,000
To be carried forward	SEK 110,398,626
Total	SEK 310,398,626

The dividend approved by the Annual General Meeting will be paid by 31 May 2012.

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 develop-

ment 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 26 April 2012.

Stockholm, 9 March, 2012

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 9 March, 2012.

Ernst & Young AB
Åsa Lundvall
AUTHORISED PUBLIC ACCOUNTANT

My review report was submitted on 9 March, 2012.

Lars Elinderson
MEMBER OF THE RIKSDAG

Auditor's Report

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

Report on the annual accounts and consolidated accounts

We have audited the annual accounts and consolidated accounts of Apoteket AB for the year 2011. The annual accounts and consolidated accounts of the company are included in the printed version of this document on pages 6–65.

Responsibilities of the Board of Directors and the President for the annual accounts and consolidated accounts

The Board of Directors and the President are responsible for the preparation and fair presentation of these annual accounts in accordance with the Annual Accounts Act and of the consolidated accounts in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act, and for such internal control as the Board of Directors and the President determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these annual accounts and consolidated accounts based on our audit. We conducted our audit in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the annual accounts and consolidated accounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual accounts and consolidated accounts. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation and fair presentation of the annual accounts and consolidated accounts in order to design audit procedures that are appropriate in the circumstances, but not for the purpose

of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board of Directors and the Managing Director, as well as evaluating the overall presentation of the annual accounts and consolidated accounts.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2011 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act, and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2011 and of their financial performance and cash flows in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the annual meeting of shareholders adopt the income statement and balance sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

In addition to our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the company's profit or loss and the administration of the Board of Directors and the President of Apoteket AB for the year 2011.

Responsibilities of the Board of Directors and the President

The Board of Directors is responsible for the proposal for appropriations of the company's profit or

loss, and the Board of Directors and the President are responsible for administration under the Companies Act.

Auditor's responsibility

Our responsibility is to express an opinion with reasonable assurance on the proposed appropriations of the company's profit or loss and on the administration based on our audit. We conducted the audit in accordance with generally accepted auditing standards in Sweden.

As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit, we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

As a basis for our opinion concerning discharge from liability, in addition to our audit of the annual accounts and consolidated accounts, we examined

significant decisions, actions taken and circumstances of the company in order to determine whether any member of the Board of Directors or the President is liable to the company. We also examined whether any member of the Board of Directors or the President has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

We recommend to the annual meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the President be discharged from liability for the financial year.

Stockholm, 9 March, 2012

Ernst & Young AB

Åsa Lundvall

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 2011. 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, 9 March, 2012

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 below. 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.

The AGM

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



Deviation table

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

The State's ownership policy	Deviation	Explanation
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.

Act, the Articles of Association and the Government's ownership policy.

Apoteket's AGM was held on 28 April, whereby the Board of Directors was re-elected. Pursuant to the Articles of Association, Apoteket shall pursue its operations in a manner that promotes an adequate supply of pharmaceuticals 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. 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.

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

Amounts in SEK 000s	Elected, year	Board meetings	Audit Committee meetings	Remuneration Committee meetings	Ordinary fee	Fees for committee work
Christian W Jansson ¹⁾	2009	12/12			300	–
Gert Karnberger ²⁾	2009	12/12	8/8		150	25
Kristina Schauman ³⁾	2009	12/12	5/5		150	50
Lars-Johan Jarnheimer ⁴⁾	2009	12/12	3/3	3/3	150	–
Elisabet Wenzlaff ⁵⁾	2009	11/12		3/3	150	–
Carina Jansson ⁶⁾	2002	11/12			24	–
Carin Sällström-Nilsson ⁷⁾	2009	11/12			24	–
Malin Jonsson ⁸⁾	2009	11/12			24	–
Marie Redeborn ⁹⁾	2012				–	–
Gunilla Larsson ¹⁰⁾	2009	12/12			24	–

¹⁾ Chairman of the Board.

²⁾ Chairman Audit Committee through March 2011, after that a member.

³⁾ Chairman of the Audit Committee through April 2011.

⁴⁾ Chairman of the Remuneration Committee and member of the Audit Committee through March 2011.

⁵⁾ Member of the Remuneration Committee.

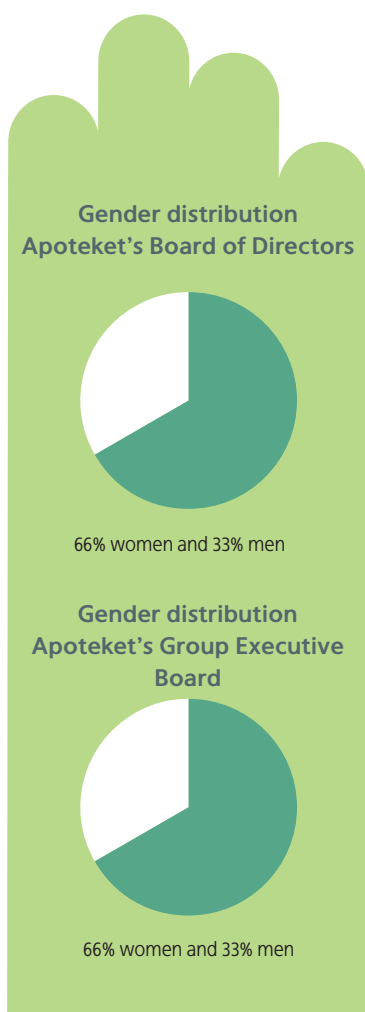
⁶⁾ Employee representative, appointed by the Swedish Association of Technical Pharmacy Employees.

⁷⁾ Employee representative, appointed by the Swedish Pharmaceutical Association

⁸⁾ Employee representative (deputy), appointed by the Swedish Pharmaceutical Association. Resigned 31 December 2011.

⁹⁾ Employee representative (deputy), appointed by the Swedish Pharmaceutical Association. Newly elected 2012.

¹⁰⁾ Employee representative (deputy), appointed by the Swedish Association of Technical Pharmacy Employees.



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 who beginning in 2012 will be replaced by Marie Redeborn. 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.

The Board members are presented in greater detail on page 76.

Chairman of the Board

The Chairman must ensure that the work of the Board is conducted efficiently and 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 Committee consists of Lars-Johan Jarnheimer, Chairman, and Elisabet Wenzlaff. The Remuneration Committee held three meetings during 2011.

Audit Committee

The Audit Committee shall assist the Board of Directors in quality assuring financial reporting for the company and the Group. The committee consists of Kristina Schauman, Chairperson, and Gert Karnberger. The Audit Committee held eight meetings during 2011.

Significant Board issues during 2011

The Board of Directors held 12 meetings over the course of 2011, of which one was the statutory meeting, five scheduled and five extraordinary meetings held by telephone.

Among other issues, the Board of Directors dealt with the following:

- The owner's mandate and corporate issues
- Strategic business plan and budget
- Interim reports for each quarter
- Year-end report
- Annual Report and Sustainability Report
- Investment issues

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 2011 AGM elected the registered public accounting firm Ernst & Young for a one-year period until the 2012 AGM, with Åsa Lundvall, 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 2012. 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.

Internal auditing

The company has not established a special audit function since it believes that the existing structures for monitoring and evaluation of internal controls are satisfactory.

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. The Group Executive Board is presented on page 77.

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 2011 AGM:

- The company applies the guidelines for employment terms and conditions of senior executives in State-owned companies as set by the Government on 20 April 2009.
- Total remuneration of senior executives shall be reasonable and well-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 act as a guide for the total remuneration of other employees.
- The company continually conducts market comparisons to ensure that remuneration complies with the remuneration principles in relation to comparable companies.
- In decisions regarding remuneration, there is underlying written information showing the company's total cost of the set remuneration.
- Reasons for deviation from the set guidelines must be presented in Board decisions.
- The Remuneration Committee prepares all decisions relating to remuneration principles, remuneration and other employment terms and conditions of senior executives.

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 2011 financial year. The results-based programme did not encompass senior executives and employees of support and staff functions, but solely employees in the operation. The programme can provide 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/result unit concerned. This report describes how Apoteket works to assure the internal control processes in respect of financial reporting.

Report on internal control

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 following areas: 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. New managers are regularly offered courses in business administration.

Risk evaluation

Apoteket has a central unit that also manages the ongoing accounting processes for the subsidiaries. The unit 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 a smoothly functioning IT system. IT-related risks are also assessed. This also applies to internal control in respect of financial reporting, which is largely systems dependent. After replacing IT systems during the year, Apoteket focused especially on ensuring flows and procedures. Special procedures were developed for high-risk activities.

Control activities

Control activities created based on 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. Re-

sponsibility 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 regularly 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, 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 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 pharmacies must comply with regulatory requirements, GPP, GMP and GCP requirements as well as internal management documents. To a certain extent, these requirements also cover significant processes for financial reporting. Requirements compliance is monitored through self-inspection and internal quality and environmental audit.

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 fulfillment. 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.

Auditor's Report on the Corporate Governance Report

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

Duties and responsibilities

We have examined the 2011 Corporate Governance Report on pages 68–74. The Board has responsibility for the corporate governance report and ensuring that it is prepared in accordance with the Swedish state's "ownership policy and guidelines for state-owned companies" and thus in accordance with the Swedish Code of Corporate Governance and the Annual Accounts Act, where applicable. Our responsibility is to make a statement on the Corporate Governance Report on the basis of our audit.

Focus and scope of the review

We conducted our audit in accordance with RevU 16, 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.

Opinions

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

Stockholm on 9 March 2012
Ernst & Young AB

Åsa Lundvall
Authorised Public Accountant

Board of Directors and Auditors



Christian W Jansson
Chairman of the Board
Board member since 2009.
Born 1949.
Other significant assignments: Chairman of KappAhl and of Svensk Handel. Board member of Bong 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 and Chairman of the Audit Committee of Swedol AB (publ).
Previous positions: President, CEO and Board member of Clas Ohlson AB.



Kristina Schauman
Board member since 2009.
Born 1965.
Other significant assignments: Board member of the Advisory Board of Save the Children. 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.
Previous positions: Chief Legal Counsel Volvo Cars AB, CEO and Chief Legal Counsel Akzo Nobel AB, Chief Legal Counsel ABB AB.

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.
Board member of Apoteket AB's Pension Foundation and deputy in Swedish Confederation of Professional Employees.



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 (regular member). On Apoteket's Board of Directors since 2009. Born 1954.



Marie Redeborn
Employee representative (deputy), appointed by the Swedish Pharmaceutical Association, on Apoteket's Board of Directors since 2012. Born 1964.

Auditors

Åsa Lundvall
Certified Public Accountant
Ernst & Young AB, elected 2011.
Born 1970.
Other significant assignments: Elected auditor of H&M Hennes & Mauritz Sverige AB, Ramsbury Property AB and Lidl KB.

Lars Elinderson
Lay auditor
Member of the Riksdag
elected 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: Board member of Ruter Dam, council member of Stockholm Chamber of Commerce and member of CCRC Europe.
Previous positions: Assignments at ICA Group, most recently as Head of the ICA Business area.



Jan Johansson
CFO
Degree in Business Administration. Employed and member of Group Executive Board 2011. Born 1962.
Previous positions: CFO Eniro and CFO Nobia (publ).



Ulrika Eriksson
Director Konsument business area.
Degree in business administration. Employed at Apoteket since 2005 and member of the Group Executive Board 2005–2007, and since 2009. Born 1969.
Other significant assignments: Boardmember Bong AB and ProPac International AB.
Previous positions: Purchasing Manager Small Shops Sverige AB, Vice President Svenska Pressbyrån 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: Chairman of e-Hälsainstitutet. Boardmember of Karolinska Institutet Board of Directors and IQ.
Previous positions: Chairman 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 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 Pressbyrån.



Lars Skutholm
Director Product line and Purchasing.
Degree in business administration. Employed at Apoteket since 2009 and member of the Group Executive Board since 2011. Born 1968.
Previous positions: Assignments at Pharmacia, Nycomed, Novartis and Nestlé.



Annema Paus
Director Farmaci business area and CEO of Apoteket Farmaci AB. Pharmacist.
Employed 2000 and member of Group Executive Board 2001–2008 and since 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.



Jonas Friberg
Acting Director Supply Chain
Degree in Business Administration. Employed 1996 and member of Group Executive Board since June 2011. Born 1967.
Previous positions: Leadership positions Apoteket AB within Production, Distance Trading and Customer Service. Most recently responsible for strategic project.



Anna Rogmark
Legal Counsel
Bachelor of laws Employed at Apoteket since 2005 and member of the Group Executive Board since 2010. Born 1965.
Previous positions: Corporate Lawyer at Biovitrum and Pharmacia.

Carina Fält
Will assume the position of Director for New Business in April 2012.

Olle Carls
Will assume the position of Director for Supply Chain in spring 2012.

Multi-year summary

Key figures

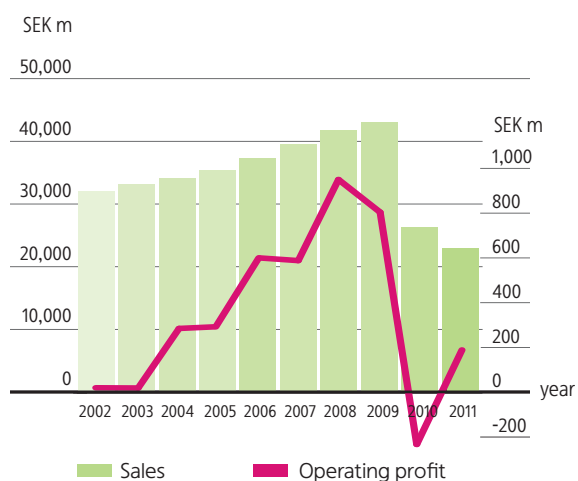
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Net sales, SEK m	22,960	26,275	43,073	41,710	39,493	37,269	35,444	34,092	33,112	32,026
Gross profit, SEK m	4,406	5,835	8,901	8,447	7,941	7,456	6,979	6,671	6,235	5,853
Operating expenses, SEK m	4,298	5,422	8,103	7,508	7,365	6,871	6,701	6,405	6,224	5,895
Operating earnings, SEK m	189	-233	804	950	588	600	292	285	19	20
Financial items, SEK m ³⁾	14	31	3	19	14	21	-2	-3	178	11
Pre-tax earnings, SEK m	586	4,524	806	969	602	621	290	282	197	31
Net earnings for the year, SEK m	391	4,520	532	711	433	447	201	205	351	12
Dividend (approved and paid the following year), SEK m	200 ¹⁾	5,400	372	237	145	150	70	100	117	100
Balance sheet total, SEK m	8,249	13,537	11,686	11,700	10,596	10,309	9,815	8,943	7,913	8,658
Equity, SEK m	2,656	7,665	4,026	3,838	3,293	3,010	2,632	2,518	1,855	1,648
Change in net sales, %	-12.6	-39.0	3.3	5.6	6	5.1	4	3	3.4	7.9
Gross profit margin, %	19.2	19.7	20.7	20.3	20.1	20	19.7	19.6	18.8	18.3
Equity/assets ratio, %	32.1	56.6	34.5	32.8	31.1	29.2	26.8	28.2	23.4	19
Return on capital employed, %	13.0	46.8	14.6	18.2	11.1	12	6.2	7.5	5.4	1.9
Return on equity, %	7.6	77.3 ²⁾	13.5	19.9	13.7	15.8	7.8	9.4	20	0, 7
Average number of employees	4,633	5,655	10,319	10,666	10,689	10,632	10,914	10,856	10,886	10,827

¹⁾ Dividend for 2011 relates to a proposed, but not yet approved dividend.

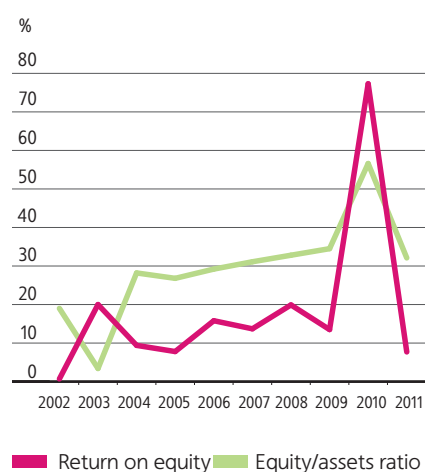
²⁾ Return on equity, adjusted for capital gains of SEK 4,427, amounted to 2.5%.

³⁾ Financial items do not include return on assets or interest expense on the pension obligation.

Sales and operating profit



Return on equity and equity/assets ratio



Financial definitions

Available liquidity

Total unutilised line of credit plus cash and cash equivalents.

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

Balance sheet total less non-interest-bearing liabilities including deferred tax liabilities.

COSO

In 1992 the Committee of Sponsoring Organizations of the Treadway Commission (COSO) published the Internal Control Integrated Framework to help businesses and other organisations to assess and improve their internal governance and control systems.

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.

Goods for resale

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

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 claims/liabilities

Interest-bearing net claims/liabilities less interest-bearing assets, e.g., pension assets.

International Financial Reporting Standards (IFRS)

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

Operating cash flow

Cash flow from operating activities and cash flow from investing activities excluding corporate acquisitions and divestments. **Operating margin**
Operating income after depreciation, amortisation and impairments as a percentage of this year's invoiced sales.

Pro forma

To increase comparability between the years 2011 and 2010, pro forma figures are used on pages 3–22 regarding net sales and operating earnings for 2010. When using pro forma values for net sales and operating profit the contributions of disposed units to net sales and operating earnings for 2010 are excluded from Apoteket's total net sales and operating earnings for 2010.

Return on capital employed

Profit after net financial items plus financial expenses as a percentage of average capital employed.

Return on equity

Profit after tax as a percentage of average shareholders' equity for the last twelve months.

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 results in simpler and safer handling, provides a better overview and reduces waste.

Apotekens Service AB (APSE)

State company responsible for the infrastructure used by all players in the reregulated pharmacy market.

Dental and Pharmaceutical Benefits Agency, The (TLV)

Government agency that reviews and makes decisions about which drugs and dental care procedure will be covered by the state in the high-cost threshold.

Drug utilisation reviews

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

Extemporaneous drugs

Drugs that are not available from the pharmaceutical industry for reasons related to the production process, or for other reasons, but that are still needed. They are produced temporarily to meet the specific needs of the customer.

Medical Products Agency, The

The Medical Products Agency is responsible for oversight of medical device products and cosmetics, as well as approval and inspection of pharmaceuticals and natural remedies. The purpose is for patients and the healthcare system to have access to safe and effective products that are used as intended.

Multidose-dispensed drugs

See ApoDos.

Nonprescription drugs

Medicinal products that do not require a prescription. Also referred to as Over-the-counter (OTC) drugs.

Operating margin

Operating income after depreciation, amortisation and impairments as a percentage of this year's invoiced sales.

Other health products

Such products include skin and hair care products, dental products, hygiene products, nutritional supplements, blood pressure monitors and health books.

Patient ready for discharge

Patient ready for discharge from inpatient care.

Pharmacy representatives

Pharmacy representatives are distribution points for medications and other pharmacy goods. They are found in small communities that do not have regular pharmacies.

Pharmaceutical specialist

Person with a pharmaceutical education, such as pharmacist and prescriptionist.

Prescription drug sales

Sales of prescription drugs and other prescribed sales, such as multidose dispensed drugs, ApoDos.

Self-care products

Self-care products include nonprescription drugs and other health products.

Apoteket AB (publ)
Postal address: SE-118 81 Stockholm, Sweden
Street address headquarters:
Södermalmsallén 36, Stockholm
Telephone: +46 (0)10-447 50 00
Fax: +46 (0)10-447 55 15
Website: www.apoteket.se
Corp. Reg. No.: 556138-6532
Customer service telephone: +46 (0)771-450 450

