

*We make it easier
to feel well*



*Annual and
Sustainability Report 2013*

 apoteket

***We want to make it easier
to feel well and offer a wide range
of medications, carefully selected
health products and qualified
pharmaceutical services.***

***When you visit us you will meet
dedicated employees with extensive
knowledge about medications
and health.***



About this report

Customers should be able to shop at Apoteket with good conscience. To clearly highlight Apoteket's accountability, from manufacturing through the customer encounter to waste management, sustainability issues are integrated even more clearly in this year's annual report. One effect of the application of GRI's new G4 Core framework is a more detailed description of the impacts and measures throughout the value chain, of which Apoteket's own business is a part.

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Apoteket in two minutes

With extensive knowledge about medications and health, we sell products and services that make it easier to feel well.

33

million customer encounters at the pharmacies estimated annually.

47.7

million daily doses of individually packaged medicines delivered to patients during the year.

12,300

pharmaceutical reviews carried out in healthcare during the year.

3,900

average number of employees from 83 countries who speak 64 languages.

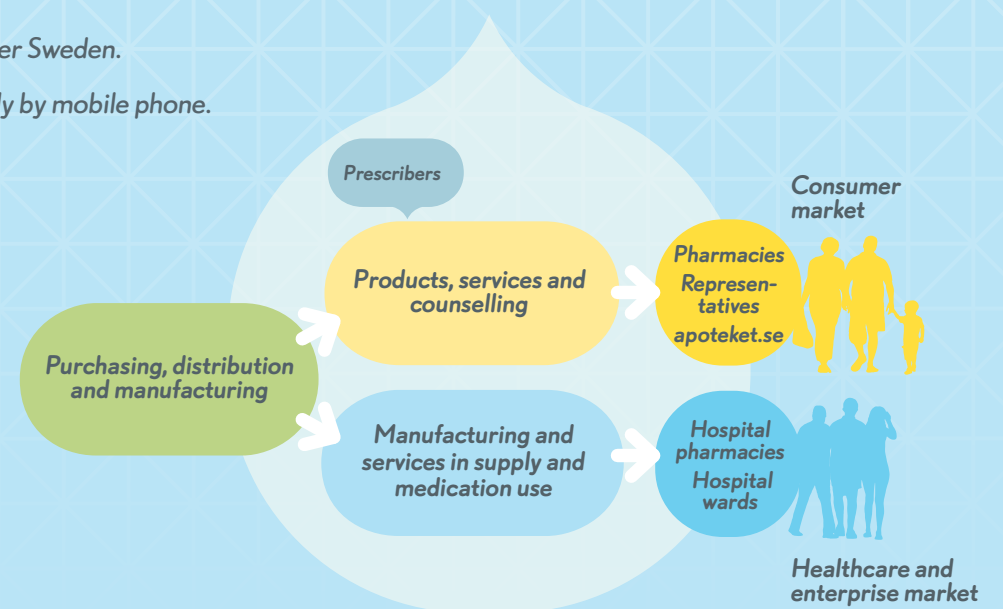
- Can be found in 250 locations, 60 hospitals and 700 hospital wards.
- Has 370 outpatient pharmacies and 693 pharmacy representatives all over Sweden.
- Offers the opportunity to purchase drugs online at apoteket.se or directly by mobile phone.
- Certified in compliance with ISO 14001 since 2007.
- Founded 1971, headquarters in Solna and customers throughout Sweden.

apoteket.se

Advice about health and medication use as well as an online store with medications and health products.

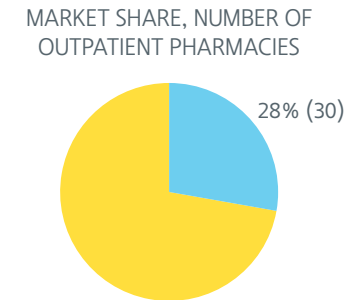
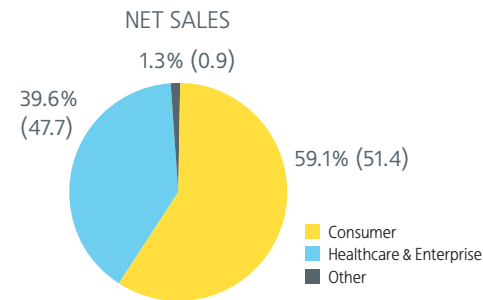
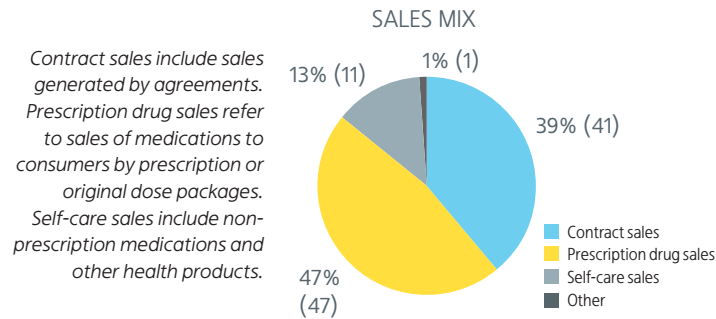
Our vision:
A Life in Health

BUSINESS MODEL



2013 in brief

2013 was an eventful year with major changes in the Swedish pharmacy market. Apoteket worked intensively to improve its customer offering and services in order to do an even better job of meeting the needs and expectations of its customers.



KEY FIGURES	2013	2012 ¹
Net sales, SEK million	18,847	21,392
Operating earnings, SEK million	354	141
Operating margin, %	1.9	0.7
Pre-tax earnings, SEK million	436	180
Net earnings, SEK million	364	232
Earnings per share, SEK	2,080	1,325
Operating cash flow, SEK million	860	-56
Capital employed, SEK million	2,182	2,878
Interest-bearing net debt, SEK million	285	1,785
Debt/equity ratio	18.3	203.2
Return on equity, %	10.2	8.8
Return on capital employed, %	16.3	5.0
Average number of employees	3,899	4,540
Dividend ²	150	31

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

2) Proposed dividend for 2013.

- Net sales fell 12 percent to SEK 18,847 (21,392) million.
- Operating earnings rose by 251 percent to SEK 354 (141) million.
- Net earnings amounted to SEK 364 (232) million.
- Proposed dividend is SEK 150 (31) million.
- Operating cash flow was SEK 860 (-56) million.
- 42,516 (39,472) health services provided to consumers, healthcare and enterprise customers.
- 378 (356) tonnes medical waste sent for safe disposal.



“Our aspiration is to be close to our customers to meet their needs and expectations.”

We simplify life for our customers

During the year we improved our customer offering in an effort to make it easier for our customers to feel well. We continue to work to make Apoteket a stronger and more efficient company and planned cost reductions have produced results sooner than expected. We also changed the sales mix, which contributed to a stronger gross margin.

Apoteket’s operating earnings rose by 251 percent to SEK 354 million. The operating margin increased to 1.9 percent. However, net sales declined in both the consumer and the healthcare markets.

Gross profit margin increased, mainly due to improved purchasing procedures and a changed sales mix.

Apoteket significantly reduced its indebtedness during the year. This achievement is the result of intensive work with the Company’s cash flow.

During the year we reduced our costs in all aspects of operations and discontinued unprofitable business, which had a positive impact on earnings.

APOTEKET IN A CHANGED MARKET

Apoteket reduced the proportion of pharmacies in the outpatient pharmacy market during the year. We signed new agreements with several county councils to provide supplies, manufacturing special medications and pharmaceutical knowledge services during the year. However, we did not succeed in renewing existing agreements with as many county councils as we would have liked. The reduction in agreements with the county councils and the limitations imposed on Apoteket in the healthcare market will have a negative impact on our revenues over the next few years. We are addressing this challenge with targeted efforts to offer even more competitive and affordable services.

SUSTAINABLE BUSINESS AS THE STARTING POINT

Our long-term ambition is to conduct sustainable business using our vision of a life in health as the starting point. We will show respect for people and the environment

in everything we do. Our efforts will also result in financial sustainability for the Company. This is a requirement if we are to be able to continue to help more and more people. The Company's objectives are specifically linked to finances, health, diversity, range and environment. These target areas include concrete and measurable objectives that we are working to achieve over the next few years.

We are driven by the objective of making it easier for our customers to feel well with the help of our advice, products and services, whether the customer has an illness or needs support to maintain a healthy lifestyle.

At our pharmacies, we can best offer this support in the customer encounter. We are now focusing on becoming stronger locally and being close to our customers to better meet their needs and expectations.

In the healthcare market, we want to give our customers—care providers—the best conditions possible so that they in turn can provide patients with corresponding support and security. We would therefore like to work as a close partner to care providers so that we can gain an even better understanding of their needs and contribute to more efficient healthcare and improved patient safety.

CAREFULLY SELECTED PRODUCTS AND SERVICES

We endeavour to offer a carefully selected range of non-prescription medications, health products and services. Products must meet high standards for us to include them in the range. We place particularly high demands on private label products. For example, many customers have already discovered Apoliva and Apofri, and we will continue to develop the range in the coming years.

Our services are important, mainly because they help our customers to feel better and reduce impact on the

environment. Unfortunately, we did not reach this year's target for selling services. We will therefore intensify our efforts to increase sales of services in the coming years.

Sustainable business also entails constant improvement of how we provide our services and how our products are manufactured and distributed. Apoteket signed the UN Global Compact already in 2009, which means we support the principles on sustainable companies of the UN Global Compact initiative. We actively work for an ethical and sustainable supply chain and set high environmental standards for product shipments to our various businesses. During the year we reached the goal of having all new self-care product suppliers sign Apoteket's Code of Conduct and we reviewed all new health product suppliers. We also increased collection of discarded drugs. All these efforts helped to reduce environmental impact.

CUSTOMER ENCOUNTERS

During the year we worked intensively to further improve our customer encounters. We gathered at employee meetings across the country to take additional steps together to further improve our approach to meeting customer needs. I promise that we will do our utmost each and every day to ensure that all customers and patients receive their medications in the manner and at the time they want. During the year, our employees have exceeded the goal with respect to identifying and satisfying customer needs in the customer encounter. We will now continue to develop our counselling services related to medications and health.

Apoteket also wants to be an attractive employer where employees experience job satisfaction and have room to grow. We will therefore carry out a special campaign with a focus on leadership in 2014.

AVAILABLE TO THE CUSTOMER

It should be easy to be our customer. We will therefore continue to improve our availability in several ways. We will be where our customers wish to find us and at times that suit them. We will therefore expand our opening hours at several pharmacies and open new pharmacies in prime locations. We are also working on reducing wait times for our customer service by phone.

Through our ApoPlus customer club, over one million members receive great offers and can collect points on all their in-store and online purchases at apoteket.se.

Customers can reach us around the clock at apoteket.se to check availability on our full range and purchase medications and other health products. Customers can also shop directly using their mobile phones.


Another of our initiatives is our subscription service, which makes it possible to always have customers' medications ready when they visit any of our pharmacies.

WE ARE NOW SHAPING THE COMPANY FOR THE FUTURE

We have come a long way in adapting Apoteket to new market conditions, but plenty of work remains. The full extent of a healthcare market subject to competition reaches us in 2014. We will therefore continue our strategic overhaul at the same pace as before, and tirelessly work to improve our product range, counselling and customer service. It should be easy to feel well!

In conclusion, I would like to thank all of our employees for their outstanding dedication that I see every day!

Solna in March 2014



Ann Carlsson

PRESIDENT



Business environment and market situation

Major changes continue to be implemented in the pharmacy market. Consolidation in the consumer market has begun and new players in the market for multi-dose dispensed medications have opened for business during the year. People continue to show strong interest in health and wellness, as well as exercise.

The pharmacy market faces a number of opportunities and challenges. Society continues to show strong interest in health and wellness. Many customers are also becoming more conscious health consumers. The exercise trend continues, but people who are already serious exercisers are working out even more. At the same time more and more people are becoming inactive.

Society is growing increasingly segregated with respect to health in other ways, too. For example, more children live in vulnerable environments where the family income does not cover necessary costs. There is also a difference between county councils regarding which patients receive the new, more expensive drugs that are available.

The younger generation is threatened by health problems related to a more sedentary lifestyle and childhood obesity.

Many older people use too many, inappropriate and often incorrect medications, causing unnecessary ill-health and many hospital visits. They are requesting more and more support to improve their health and their use of medications.

Another trend is the growing demand for Swedish companies to be able to ensure an ethical and sustainable supply chain.

GROWING MOBILITY

Digital tools are playing a growing role as support of consumer health initiatives. More and more consumers are buying medications and other health products online. Many also use web solutions and mobile apps to track their workouts. Healthcare is becoming increasingly digitised, such as development of simplified online solutions for ordering medications.

SALES OF PRESCRIPTION DRUGS AT SAME LEVEL

Prescribing of medications and the total value of sales in SEK for 2013 was at the same level as the previous year. The county councils are responsible for the majority of the cost of prescription drugs in society through the high-cost threshold. In 2013 this cost was SEK 17.2 billion, a decrease of SEK 350 million compared

with 2012. County council costs are affected by drug patent expiries and changes made at pharmacies to equivalent but less expensive drugs. Prescription drugs account for about 76 percent of pharmacy sales.

For non-prescription medications, the pharmacy industry accounts for the largest share of sales, but the increase in sales is mainly occurring in other retail outlets.

Total pharmacy sales in the consumer market were SEK 33.7 billion in 2013, an increase of 1.6 percent compared with 2012. The market is defined as total pharmacy market sales of prescription drugs and non-prescription medications, as well as other health products.

WEAK INCREASE IN NUMBER OF PHARMACIES

At the end of 2013 there were 1,302 outpatient pharmacies in the Swedish pharmacy market, compared with about 1,289 in late 2012. This represents a weak increase in pharmacy density, which is around 7,500 inhabitants per pharmacy, compared with about 10,100 inhabitants per pharmacy prior to re-regulation. The density of pharmacies has increased in urban areas in particular.

CONSOLIDATION IN THE PHARMACY MARKET HAS BEGUN

Since the spring of 2013 it has been permitted to buy and sell the pharmacies that Apoteket sold in conjunction with re-regulation. Two mergers occurred during the year, resulting in a change in ownership for two pharmacy chains, thereby reducing the number of players in the consumer market.

LESS EXTENSIVE HEALTHCARE CONTRACTS

County councils, municipalities and residential facilities procure services such as supplying of medicinal products, manufacturing of special medications, pharmaceutical services and multi-dose packaging of medications. The total value of county council contracts has decreased in response to strong downward pressure on prices

and less extensive contracts. More and more county councils are also choosing to employ pharmacists in an effort to provide internal management of their pharmaceutical services to a greater extent. The healthcare system has also developed stronger ties to the pharmaceutical industry and several county councils have negotiated discounts on purchase prices directly with manufacturers.

MAJOR CHANGES IN THE MULTI-DOSE MARKET

Apoteket created ApoDos in the late 1980s. With this service, people who need assistance taking their medications the right way and at the right time receive them packed in unit-dose pouches. In connection with re-regulation, Apoteket made e-dose prescriptions available to other parties. New contracts with county councils for multi-dose dispensed drugs came into force during the year. There are now two additional players besides Apoteket in the market.

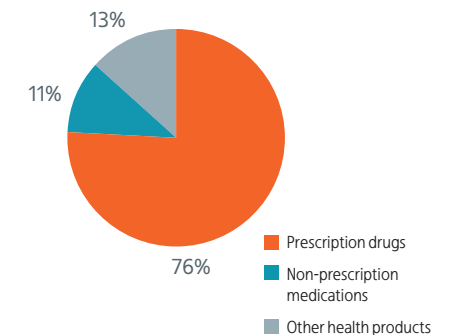
RE-REGULATION OF THE PHARMACY MARKET

Re-regulation of the pharmacy market has been implemented in several steps, beginning in 2008. In a first step, other retail outlets were permitted to sell a selection of non-prescription medications. The second step was procurement by county councils of supply services in the healthcare market, where previously Apoteket was the only alternative to in-house services. In the next step, two-thirds of Apoteket's pharmacies were sold while at the same time new players opened pharmacies. The entire healthcare market, including the market for multi-dose dispensed drugs, is now subject to competition.

The pharmaceutical and pharmacy inquiry presented the second part of its report on the pharmacy market in the spring of 2013. The proposal covers outstanding issues after re-regulation, including price, access and service. The government investigators will present proposals mainly relating to market conditions for dose dispensing in the spring of 2014.

Pharmacy industry sales in the consumer market amounted to about SEK 33.7 billion in 2013.

Pharmacy stakeholder sales in the consumer market in 2013



Pharmacy stakeholder total sales, by type of sale.

Strategic direction

Apoteket's goals and strategies are based on its vision, the shareholder's directive and financial targets.

VISION AND CUSTOMER PROMISE

Apoteket's vision is *A Life in Health*. Apoteket's customer promise is *We make it easier to feel well*. Apoteket offers products and solutions that make it easier for people to improve their health.

BUSINESS CONCEPT

With extensive knowledge about medications and health, we sell products and services that make it easier to feel well. We will be the leading and most popular pharmacy player with good long-term profitability.

STRATEGIES

Apoteket works to achieve its objectives based on five main strategies. They embody the work based on the vision and customer promise.

BUSINESS PLAN

Sustainability initiatives are a key component of Apoteket's business plan, which means that financial, social and environmental responsibility will permeate goal-setting, governance and follow-up of operations. Other components of the business plan include Apoteket's brand platform, business model and management model.

CORE VALUES

Apoteket is one of Sweden's strongest and most respected brands. It is a strategic asset that is constantly nurtured and developed. Apoteket's core values permeate the corporate culture and the day-to-day activities.

Apoteket's core values

Trustworthy

You can trust Apoteket. Our products, solutions and counselling are based on science and proven experience. Everything we offer is carefully selected and checked. We take pride in being honest and keeping our promises. We correct mistakes when it turns out that we are wrong.

Committed

We are genuinely interested in making it easier for customers to feel well. Our commitment means that we go further and always strive to make things better. We sincerely want to help solve our customers' problems here and now. We don't give up until we have succeeded.

Creative

We are one step ahead and dare to challenge ourselves. We listen, take the initiative and seek challenges. Our focus is on the opportunities that have an actual value for Apoteket and our customers. Through innovative ideas and solutions, we advance industry development.

Considerate

We strive to meet customers based on their needs and level of ambition. We are responsive and provide personalised advice and solutions. Our concern also goes hand in hand with environmental sustainability and social accountability.

Shareholder's directive

The shareholder's directive for Apoteket contains both tasks and restrictions. The aim is to ensure a well-functioning market and a good supply of medicinal products.

One of the tasks is that Apoteket will retain existing pharmacy representatives through 30 June 2015 to the extent necessary to maintain a satisfactory supply of medicinal products in those locations where the representatives are active.

The complete shareholder's directive is available at apoteket.se/omapoteket.

Main strategies

Promote sales with strong customer offerings and a clear profile.

Develop new customer offerings, markets and collaborations.

Reduce purchasing prices and operate an efficient supply chain.

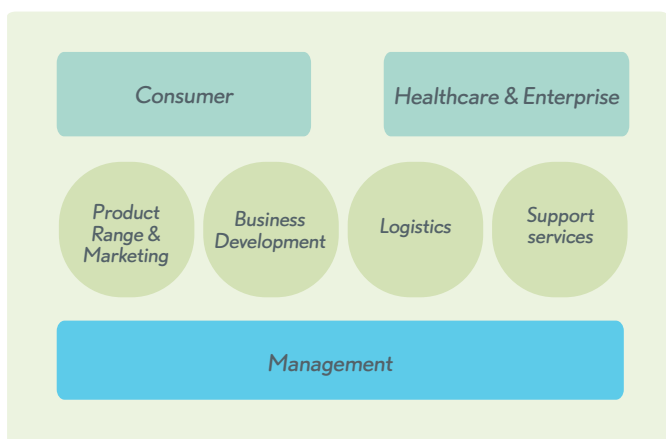
Reduce costs and simplify procedures.

Attract, improve and retain the right talent.

APOTEKET'S ORGANISATION

Apoteket is active in competitive markets. The business is organised to optimally address customers and their various needs.

The business units Product Range and Marketing and Business Development work together to develop products and services that customers request. The Logistics unit ensures optimal goods distribution through all of the Company's sales channels. Apoteket also has support services.



Business model

Apoteket's vision is "A Life in Health". The aim is to create value for customers, employees and the community at large by offering products and services that make it easier to feel well. Customers should feel confident that they are making wise choices, no matter what they choose to buy from the product range. Apoteket's responsibility covers the entire value chain, from manufacturing, purchasing and distribution of products through customer interaction to after the customer's consumption.

Purchasing

Apoteket's goal is that all products offered to the customer and used in the business must be quality assured and developed with consideration taken for people, the environment and long-term profitability.

Apoteket creates value by:

- purchasing goods and services
- reviewing suppliers to ensure good working conditions, respect for human rights and environmental concerns in manufacturing
- avoiding products with ingredients that are harmful
- interacting with suppliers to find alternative, more beneficial ingredients
- indirectly influencing pharmaceutical suppliers to reduce emissions of pharmaceutical residues and other chemical substances and
- negotiating good purchasing prices based on large purchasing volumes.

Read more on pages 30–36.

Manufacturing and distribution

Good distribution improves product availability. Apoteket can primarily influence shipments from wholesalers to pharmacies and to customers, as well as employee business travel. One challenge is to reduce environmental impact by coordinating shipments, while still maintaining a high level of availability.

Apoteket creates value by:

- distributing products
- manufacturing special medications
- minimising medical waste from own manufacturing and multi-dose production
- coordinating product packaging and deliveries
- expanding capacity utilisation for transportation of packages and sharing shipping routes with other companies' products to reduce emissions
- ensuring that transport providers meet environmental standards regarding vehicles, fuel, driving methods and traffic safety and
- imposing requirements for environmentally sound business travel.

Read more on pages 34–36.

Customer encounters

In the consumer market, Apoteket provides the medications for which prescribers in the healthcare system write prescriptions. In addition, customers can purchase a wide range of quality-tested non-prescription medications, health products and services. The customer also receives professional advice on medication use and health. Customer encounters mainly occur via outpatient pharmacies, pharmacy representatives, customer service and apoteket.se.

In the healthcare and enterprise market, Apoteket offers advanced, customised supply chain and advisory services, and also manufactures special medications. Services are provided at hospital pharmacies, wards and residential facilities, as well as at separate supply units. Businesses and organisations outside the healthcare sector also buy Apoteket's health services.

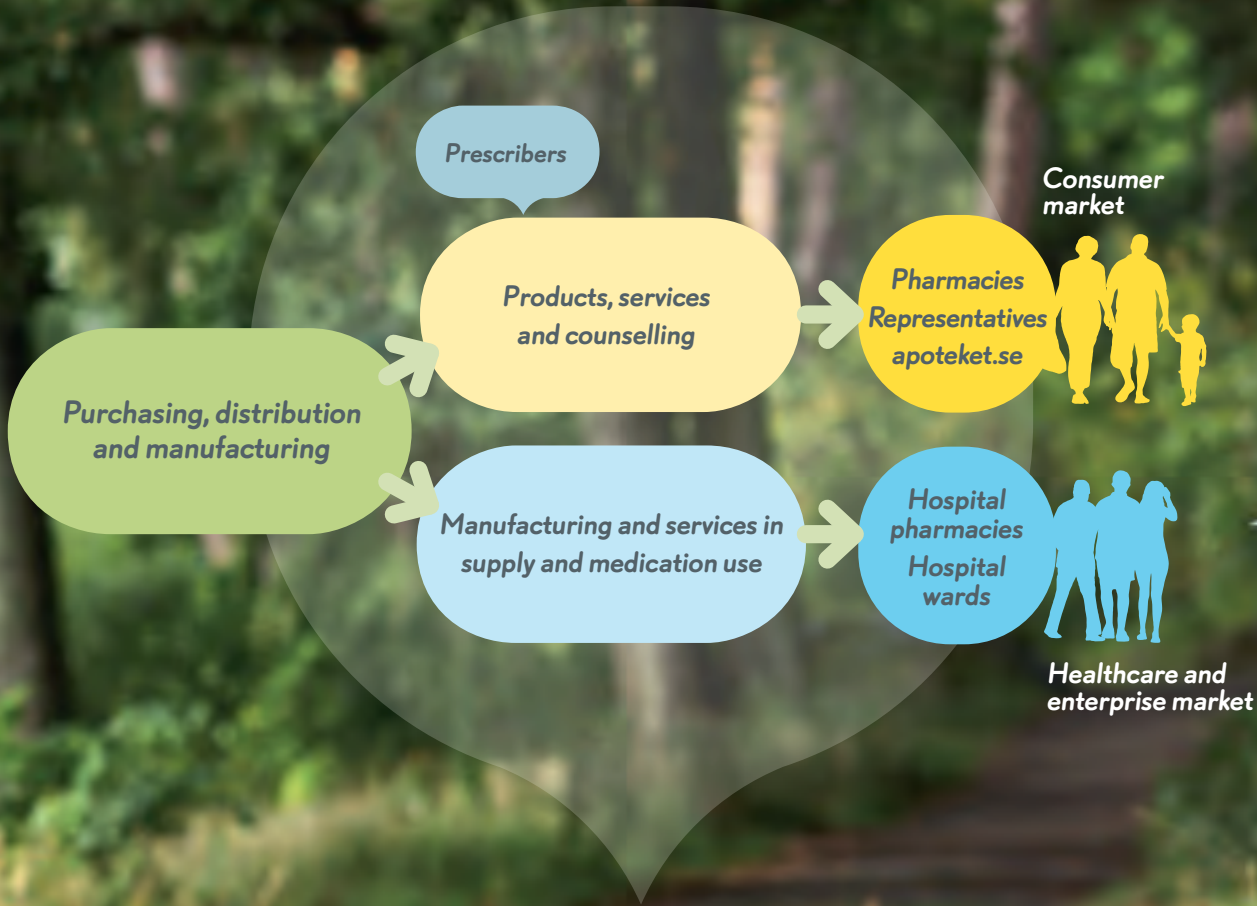
To ensure good customer encounters, it is important for Apoteket to recruit, develop and retain skilled and dedicated employees. By actively recruiting men and women from different ethnic backgrounds and age groups, the Company reflects the diversity of society. Combined with ongoing skills development, this strategy helps employees to meet the different needs of customers.

Apoteket minimises emissions of pharmaceutical residues by collecting discarded drugs and sending them for safe disposal.

Apoteket creates value by:

- providing medications, health products, services and counselling that help customers to achieve better health, lower healthcare costs for society and reduce environmental impact from discarded drugs
- checking healthcare providers' prescriptions to avoid medication errors and adverse drug interactions
- providing multi-dose dispensed drugs for patients who need extra support in their use of medications
- ensuring that care providers have the right medications available
- promoting wellness, gender equality, diversity and ongoing skills development among employees and
- conducting business throughout Sweden, in both urban and rural areas. Thus Apoteket plays an important role in the availability of medications and as an employer in different towns and cities.

Read more on pages 24–29 and 34–36.



A Life in Health



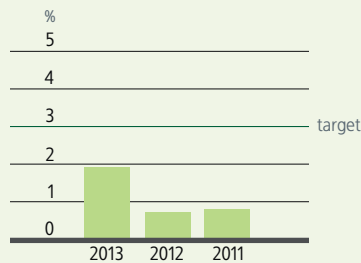
Financial and sustainability targets

Apoteket promotes a life in health and strives to be the leading pharmacy operator with good long-term profitability. Customers should be able to feel that Apoteket's employees, suppliers and partners take responsibility for long-term sustainable development, from a financial, environmental and social perspective. Below are the outcomes for a selection of Apoteket's 2013 targets.

PROFITABILITY TARGET:

3%

The operating margin will be 3 percent.



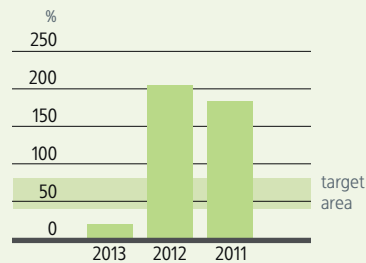
OUTCOME

The operating margin rose from 0.7 percent to 1.9 percent in 2013, due to higher gross profit margins and improved cost efficiency.

CAPITAL STRUCTURE TARGET:

40–80%

The debt to equity ratio will be 40–80 percent of pension-adjusted equity.



OUTCOME

The debt to equity ratio dropped from 203 percent at year-end 2012 to 18 percent at year-end 2013. The decrease was a result of strong operating cash flow, which in turn was a result of a sharp reduction in working capital.

DIVIDEND TARGET:

40–60%

The dividend will be 40–60 percent of net earnings for the year adjusted for earnings and taxes attributable to the pension foundation.



OUTCOME

The Board's proposed dividend for 2013 is SEK 150 million, an increase over the previous year's dividend SEK 31 million. The proposed dividend amounts to 51 percent of pension-adjusted net earnings for the year.

Apoteket's financial targets are long term, which means that the Company may exceed or fall short of targets certain years due to, for example, cyclical fluctuations. The evaluation is based on a combination of historical performance and expected ability to achieve the targets over the next few years. Apoteket's owner sets the financial targets.

Apoteket's sustainability goals are based on the Company's efforts to actively promote health and diversity, while minimising the Company's impact on people and the environment. Apoteket has had sustainability goals since 2006 and has adjusted them over the years to develop the business in the right direction. The

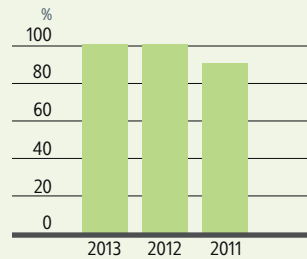
goals were reformulated and clarified in 2013 in a dialogue involving the owner, executive management and employees from different parts of the business. The result was four overarching objectives: health, diversity, range and environment. Apoteket's executive management will formulate the ultimate goals, which will then be adopted

by the Board of Directors in 2014. Each goal has a designated member of executive management who is in charge and is responsible for action plans and implementation. A selection of the 2013 sustainability goals is presented below. A complete list of sustainability goals and outcomes for 2013 can be found on page 93.

PRODUCT RANGE GOAL:

100%

Apoteket will strengthen confidence in the Company and increase sales of goods and services through a high-quality sustainable product range.



OUTCOME

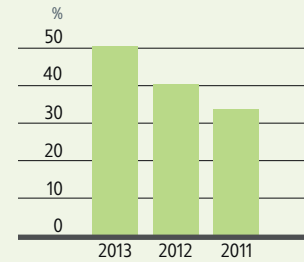
100 percent of all new suppliers of non-prescription medications and other health products have signed Apoteket's Code of Conduct during the year. The outcome was also 100 percent in 2012. The outcome for 2011 was 90 percent, but at that time the goal was the percentage of all self-care product suppliers who signed the Code of Conduct.

The objective is for both new and existing suppliers to sign the Code of Conduct.

DIVERSITY GOAL:

50/50

Apoteket must reflect societal diversity through the composition of managers and employees. The aim is to improve customer offerings and the Company's attractiveness as an employer.



OUTCOME

The gender distribution of Apoteket's executive management is 50 percent women and 50 percent men. The distribution among all employees is 86 percent women and 14 percent men.

The objective is to retain the even gender distribution in senior management and to increase the proportion of men among employees.

HEALTH GOAL:

64,500

Apoteket will prevent ill-health and simplify medication use for customers.



OUTCOME

In 2013 Apoteket provided 42,516 (39,472) services to consumers and corporate customers, as well as pharmaceutical reviews for healthcare customers.

The objective is for more customers to use these services.

The pharmacy for all of Sweden

Apoteket is Sweden's largest participant in the pharmacy market with a presence in 250 locations, 60 hospitals and 700 hospital wards. Apoteket constantly strives to be close to its customers and to make it easier for customers to feel well.

HEALTHCARE MARKET

The majority of county councils and regions have chosen Apoteket to supply medicinal products for inpatient care and to manufacture special medications. Apoteket is also tasked with providing pharmaceutical knowledge services to several county councils. At year-end 2013 Apoteket had contracts for one or several of these services with 15 county councils and regions.

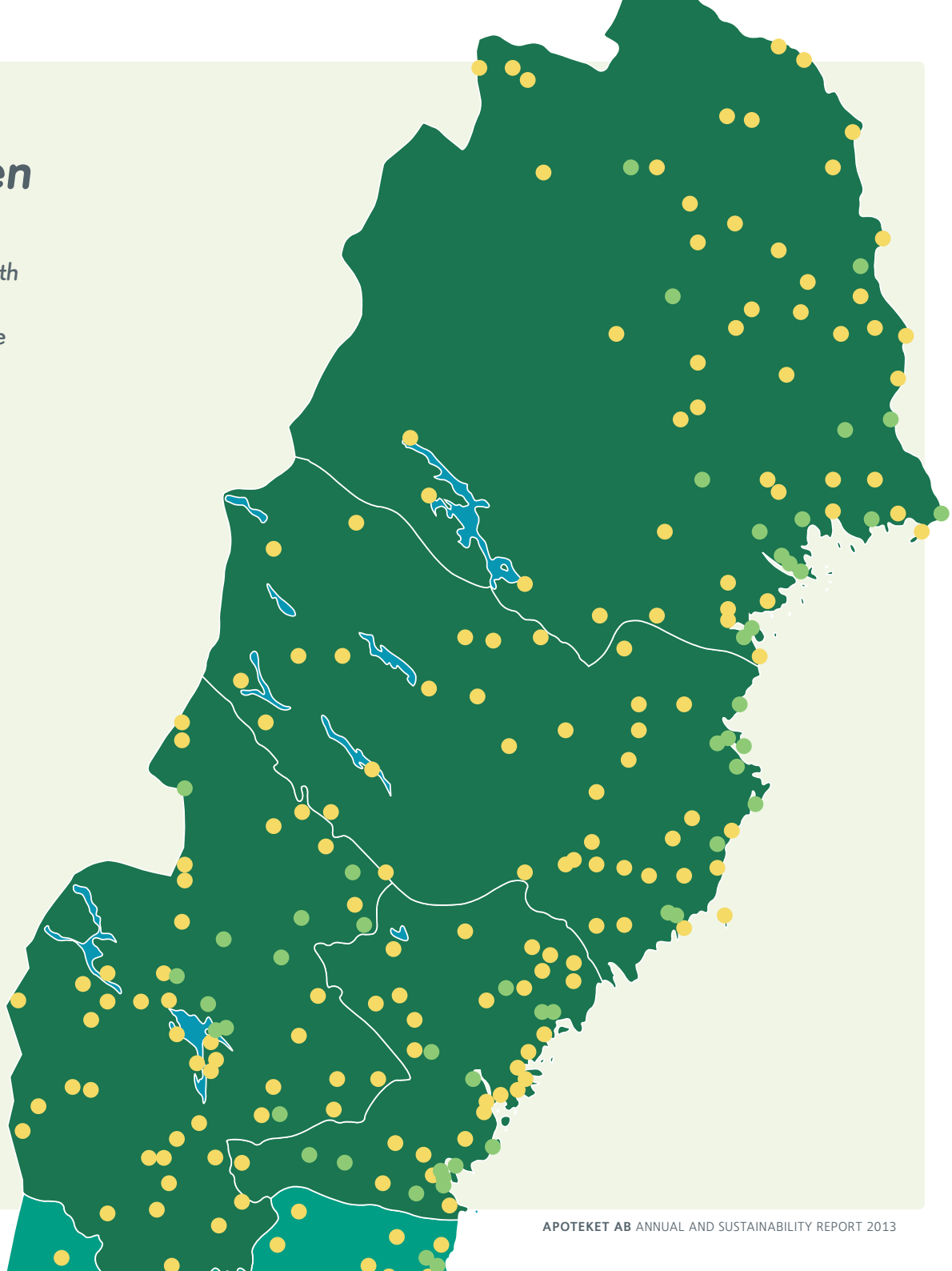
Moreover, Apoteket has contracts with eleven county councils to supply multi-dose dispensed drugs.

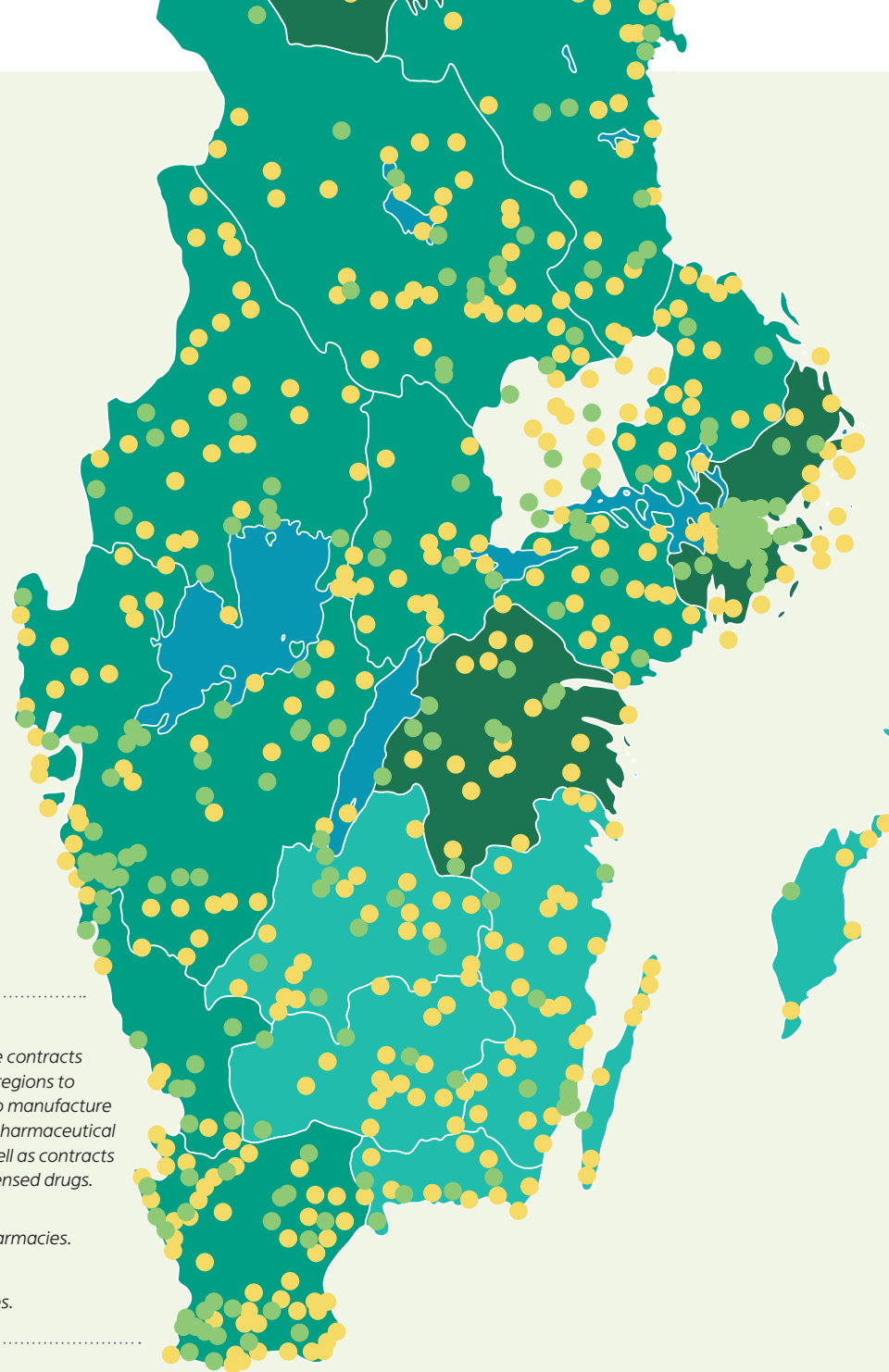
CONSUMER MARKET

Apoteket has more outpatient pharmacies in Sweden than any other participant in the pharmacy market. At year-end 2013 Apoteket had 370 outpatient pharmacies in hospitals, at primary care centres, in shopping centres and at other locations where customers live, shop or work.

Apoteket's pharmacy representatives are available at 693 locations and play an important role for accessibility of medications in the countryside and rural areas.

Read more about other channels in which Apoteket encounters its customers on pages 16–22.





Explanations:

- Apoteket has contracts with county councils and regions to supply multi-dose dispensed drugs.
- Apoteket has one or more contracts with county councils and regions to supply medications, manufacture special medications and provide pharmaceutical knowledge services.
- Apoteket has one or more contracts with county councils and regions to supply medications and to manufacture special medications and pharmaceutical knowledge services, as well as contracts to supply multi-dose dispensed drugs.
- Apoteket's outpatient pharmacies.
- Apoteket's representatives.

Apoteket on the consumer market

Apoteket offers medications, health products, services and counselling for the consumer market. Apoteket is also available to customers through several digital channels and through pharmacy representatives. Net sales in the consumer market in 2013 were SEK 11.1 billion, which accounts for 59 percent of Apoteket's total net sales.

370

outpatient pharmacies
across the entire country.

-2.3

percent change in net sales
compared with 2012.

>1

million members
in Apoteket's ApoPlus
customer club.

SIGNIFICANT EVENTS IN 2013

- Apoteket strives to offer the best customer relations in Sweden and received several awards during the year for best service and customer relationship management.
- Apoteket is first in Sweden to enable customers to purchase their prescription medications by mobile phone.
- At the turn of 2013/2014 opening times were expanded for many pharmacies. Apoteket's online store is open around the clock.
- Apoteket supports the Swedish Cancer Society's Pink Ribbon campaign. Together with the customers, Apoteket collected SEK 5.5 million for cancer research in Sweden.
- Customers purchase Apoteket's own brands to an increasing extent: "Apoliva" was the fifth most sold brand during the year on the pharmacy market in the facial products category, "Apoteket" was largest on the market for nutritional supplements and Apoteket's series of "Apofri" non-prescription medications was Sweden's sixth most sold brand in pain and fever.
- Apoteket was present with its mobile pharmacy at the Vätternrundan, Vansbrosimningen, Lidingöloppet and Ironman athletic events, as well as during the political events at Almedalen week.
- Over the course of the year a new retail concept was tested in a first step in four pharmacies.
- Together with Recipe for Men, Apoteket launched a specially designed skin care series for men. The series is called c/o Recipe for men, and is sold exclusively at Apoteket.



apoteket.se provides advice about health and medication use. The website also has an online store and information about pharmacy opening hours.

CUSTOMER OFFERING

On a typical day about 111,000 consumers turn to Apoteket's pharmacies to purchase medications and other health products. Additional customers encounter Apoteket at apoteket.se, through email, by phone and through the social media.

Apoteket wants to be a natural health partner and strives in every customer encounter to make it easier for customers to feel well.

Apoteket stocks all drugs that require a prescription and are approved for the Swedish market. In addition to medications that require a prescription, Apoteket offers a large product range of non-prescription medications, health products from established brands and a growing line of private label products. Apoteket also provides advanced health services carried out by specially trained pharmacists at the pharmacies, as well as health tests that customers can carry out themselves.

THE CUSTOMER ENCOUNTER

At the end of 2013 Apoteket had 370 outpatient pharmacies all over Sweden. Over the course of the year Apoteket consolidated its network of stores and remodelled several pharmacies. A few pharmacies moved to more convenient locations for customers.

Apoteket also offers pharmacy representative services at 693 locations. This option allows customers who live far from the nearest pharmacy to order and buy prescription and non-prescription medications through a pharmacy representative.

Apoteket's customer service is contacted daily by phone, email or mail. Customers get answers to questions about medications and help ordering medicines and other health products.

SWEDEN'S LARGEST E-COMMERCE FOR MEDICATIONS

Apoteket is available around the clock at apoteket.se. Here Apoteket offers advice and information about medications, use of medications, self-care and products. Customers can purchase both prescription and non-prescription medications, as well as other health products, from Apoteket's entire product range. They can choose whether to have them delivered to their home, a residential care facility, or to a pharmacy representative.

Packages can also be picked up at any pharmacy.

With Apoteket's mobile service, customers can easily find out whether a desired medication is in stock and purchase it directly by mobile phone. Customers can see where the closest pharmacy is located and the pharmacies' opening hours.

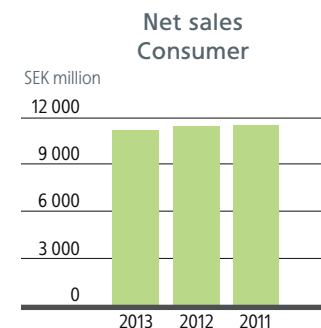
Apoteket also conducts an active dialogue with consumers through social media such as Facebook, Twitter and Instagram.

APOTEKET'S APOPLUS CUSTOMER CLUB IS GROWING

Members of Apoteket's ApoPlus customer club receive several benefits, including discounts for selected products, bonus points and invitations to various health-related activities. Over the past three years membership has expanded from 330,000 to over 1 million.

INCREASED PHARMACY ACCESSIBILITY

Apoteket opened some new pharmacies during the



Net sales excluding franchise companies.

28
percent of all outpatient pharmacies on the market belong to Apoteket.

STORE DEVELOPMENT

	2013			2012		
	Self-operated pharmacies	Franchise	Total	Self-operated pharmacies	Franchise	Total
Opening number 1 January	353	21	374	349	16	365
Newly opened	2	-	2	11	-	11
Closed	-6	-	-6	-2	-	-2
Sold	-	-	-	-	-	-
Transferred to franchise	-	-	-	-5	5	-
Closing number 31 December	349	21	370	353	21	374

year, but mainly focused on developing its existing pharmacies. One of the initiatives involved a new retail concept, which was introduced during the summer. The new concept aims to provide a better customer encounter and streamline pharmacy operations. Clearer signs will also make it easier for customers to find the pharmacies. Apoteket also increased opening hours at many pharmacies and launched several new services to increase access to medications.

FRANCHISE PHARMACIES SWITCH TO IN-HOUSE MANAGEMENT

In December Apoteket decided that all outpatient pharmacies would be managed in-house. The affected pharmacies will gradually shift to Apoteket as the agreements expire.

NET SALES

Net sales declined 2.3 percent from the preceding year to SEK 11,141 (11,407) million. Sales of prescription drugs fell at self-operated pharmacies, mainly due to lower prices, which in turn were attributable to a larger percentage of generic drugs. Sales of non-prescription medications and other health products increased.

MARKET SHARE

The market share for outpatient pharmacies as measured by sales of prescription and non-prescription medications was 33 percent in 2013, down from 34 percent in 2012. The market share figures include both self-operated pharmacies and franchise pharmacies.

Customers can check availability and purchase medications and health products at apoteket.se as well as directly by mobile phone through m.apoteket.se.



Apoteket on the healthcare and enterprise market

Apoteket offers advanced services in manufacturing, supplying and use of medications in the healthcare market. The Company also offers services to animal owners, veterinarians, dieticians and companies in other industries. Net sales in the healthcare market in 2013 totalled SEK 7.4 billion, which accounts for 40 percent of Apoteket's total net sales.

700

hospital wards and 60 hospitals where Apoteket had a presence during the year.

-23.8

percent change in net sales compared with 2012.

34,800

packages for individually tailored prescription medications that Apoteket manufactured during the year.

SIGNIFICANT EVENTS IN 2013

- Apoteket had agreements at year-end to supply medicinal products to 15 county councils and regions. Apoteket also had agreements with 13 county councils and regions to manufacture special medications and provide pharmaceutical knowledge services.
- Apoteket signed agreements to supply Karolinska Institutet and Lund University with medications.
- Several large Swedish companies chose to allow their employees to carry out Apoteket's "Hälsokoll" as part of their wellness programmes. The service was provided in company premises and at pharmacies close to the workplaces.
- Apoteket's new order processing system was successfully implemented at Sweden's hospital pharmacies.
- Apoteket launched a new service, Apoteket's Medicines Utilisation Reviews for safer medication procedures.
- Apoteket contracted with new players for multi-dose production in the regions Skåne, Halland and Västra Götaland, as well as in the "7 clover" county councils in central Sweden. The multidose-dispensing pharmacies in Vänersborg and Gothenburg were discontinued in connection with this transfer of services.



SUPPLY INCREASINGLY ADAPTED TO THE INDIVIDUAL

Thousands of patients in Swedish hospitals receive their vital medications from Apoteket’s hospital pharmacies, supply units and remote pharmacies. Supplying medicinal products to health services is one of Apoteket’s most important services and is becoming increasingly individually tailored. Apoteket’s service for multi-dose dispensed drugs, ApoDos, is one example of such a service.

Apoteket also provides pharmaceutical knowledge services to achieve more efficient medication use and to improve patient safety in both hospitals and various types of residential facilities. Patients and residential care facilities can also receive home delivery of specialty foods.

In addition, Apoteket offers chemotherapy preparations and licensed medicinal products, and also manufactures personalised medicines for patients in need of special medications.

VETERINARY DRUGS

Apoteket’s contract customers include veterinarians and professional animal owners. Apoteket offers these customers deliveries of medications and special feed.

FEW LARGE COUNTY COUNCIL CONTRACTS DURING THE YEAR

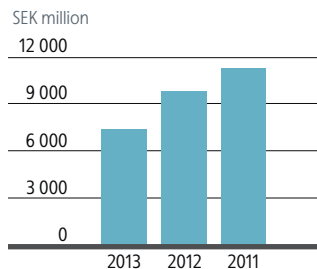
Compared with 2012, there were relatively few large contracts in the healthcare market in 2013. Apoteket signed agreements to supply Karolinska Institutet and Lund University with medications, which took effect during the year.

Apoteket also won the contract to provide Quality Assurance of Drug Handling in the healthcare market for Stockholm County Council. The service will complement Apoteket’s medicinal product support in Stockholm County hospitals.

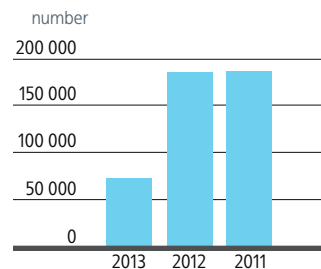
In the autumn Apoteket won the contract to provide ice spikes to 80,000 older citizens in the city of Gothenburg and 11,000 older citizens in Haninge Municipality, Stockholm. Many of the older customers tried out and picked up their ice spikes at the pharmacies. The elderly in Gothenburg and Haninge probably sustained fewer injuries from falls as a result of this initiative.

Apoteket also signed a large number of contracts with private healthcare providers, pharmaceutical companies, municipalities and counties.

**Net sales
Healthcare & Enterprise**



Multi-dose customers



72,500 patients in outpatient care used multi-dose dispensed drugs from Apoteket in 2013. Apoteket’s market share dropped during the year because of competition in the multi-dose market.



72,500

patients received multi-dose dispensed drugs from Apoteket during the year.

MULTI-DOSE DISPENSED DRUGS – A MARKET IN FULL COMPETITION

Apoteket provided multi-dose dispensed drugs to about 72,500 customers by year-end 2013, equivalent to about 47.7 million daily doses.

The new agreements for multi-dose dispensed drugs that a few county councils signed in 2012 came into force in 2013. Apoteket transferred all documentation required for new parties to be able to take over the service.

Several of Apoteket's existing agreements were extended by customer request until the new players could take over the contracts.

Beginning in May Apoteket transferred production of multi-dose drugs in the regions Skåne, Halland and Västra Götaland to new parties. In October Apoteket transferred multi-dose production in "7-clover", a collaboration involving seven county councils and municipalities in central Sweden, to new players.

As a result of these transfers, Apoteket discontinued the multi-dose dispensing pharmacies in Vänersborg and Gothenburg, as well as parts of the multi-dose dispensing pharmacies in Malmö and Solna.

In connection with the multi-dose agreements signed between county councils and new players in the multi-dose market, higher compensation levels than agreed were paid. Apoteket therefore considers the direct award to be inappropriate and has decided to appeal one of these agreements in the administrative court.

COMPANIES CHOOSE APOTEKET'S HEALTH CHECK-UP FOR THEIR EMPLOYEES

Businesses and organisations expressed growing interest in Apoteket's health services during the year. Several large Swedish companies in various industries chose to offer their employees Apoteket's Hälsokoll service during the year. The service is one way to meet

the needs of individuals who want to get a better handle on their health.

EASIER ORDERING SYSTEM FOR HEALTHCARE

During the year Apoteket implemented a new system for order processing at all Apoteket hospital pharmacies. The system offers increased flexibility to the health care customer and makes it possible to order via apoteket.se.

NET SALES

Net sales fell 23.8 percent from the preceding year to SEK 7,468 (9,804) million. Both supply services and other sales of services showed a decrease because of fewer county council agreements. Sales of multi-dose dispensed drugs declined due to several patent expirations, which resulted in lower prices, but mainly due to a lower percentage of county council agreements.

Award-winning advertisement for Apoteket's products in conjunction with sports injuries. (The ad is cropped)



Apoteket received the highest rating of all chain stores for service and customer relationship management.



Awards

Apoteket received awards and high ratings in many different surveys.

Meets most needs for people who want to give it their all and then some.



- The most trusted pharmacy chain in Resumé's and Nepa's Brand Measurement (first quarter).
- Highest rating of all chain stores for service and customer relationship management. Sweden's fourth strongest brand and the country's third most well-known brand in GfK's Study for the Publication Market (March).
- Gold key in the Analysis Prize category and silver key in the Best Loyalty Programme Category at the Guldnnyckeln Direct Marketing Gala (March).
- Sweden's highest ranked pharmacy chain in Resumé's and Nepa's brand measurement (second quarter).
- Best service provider in the pharmacy industry in ServiceScore's study (April).
- Golden Egg to Forsman & Bodenfors for Apoteket's advertisement Sports Injuries in the contest category Newspaper Advertising in conjunction with the Golden Egg Advertising industry Gala (April).
- Best at sustainability in the pharmacy industry according to Fair Trade Center (May).
- Pharmacist students' ideal employer according to Farmaceutbarometern [Pharmacist Survey] from Universum (May).
- Sweden's fifth most highly esteemed company and Sweden's most honest company for the fifth consecutive year, Anseendebarmetern [Reputation Survey] from Nordic Brand Academy (September).
- Customers' solution of choice in Resumé's and Xtreme Nordic's brand analysis (October).
- Sweden's Greenest Brand in the pharmacy industry and fifth place of all 86 measured brands in Differ's customer survey Sweden's Greenest Brand 2013 (December).

Health, diversity, product range and environment are areas in which Apoteket has great influence. Apoteket works proactively in these areas with accountability and value-adding activities.



HEALTH – WE MAKE IT EASIER TO FEEL WELL

Apoteket's vision – A Life in Health – refers to an undertaking to prevent ill-health and improve use of medications and lifestyle habits for customers. Health is an experienced condition based on the individual. That's why Apoteket focuses on enabling people, with the right support, to create conditions to feel good – whether they are healthy or sick.

Every day Apoteket meets people with different needs and priorities. Thanks to its employees' commitment, credibility and deep knowledge of medications and lifestyle habits, Apoteket can help with each individual's long-term health efforts. Improved health for the individual also contributes to a better state of health for the entire community, with lower sickness absence and reduced healthcare costs.

COLLABORATIONS TO IMPROVE HEALTH IN THE COMMUNITY

Apoteket collaborates with several organisations to further improve the health status of the community.

Check Your Drugs is a project carried out in collaboration with the Swedish National Pensioners' Organisation and the Swedish Pensioners' Association aimed at improving use of medications by the elderly. A number of new targets were formulated in 2013. For example, one objective is to reduce the number of people aged 80 and older who use 10 or more medications by 50 percent no later than 2017.

Apoteket has collaborated with the Swedish Cancer Society for several years and a record amount was collected during the year for cancer research in Sweden.

Apoteket also collaborates with organisations such as Friskis & Sveltis, SOS Children's Villages and En Svensk Klassiker.

CUSTOMER HEALTH AND WELL-BEING

Medication use in society has greatly increased in recent decades, which is a contributing factor to the increased average life expectancy and improved quality of life. Apoteket's approximately 33 million customer encounters per year represent a great opportunity

through counselling to further increase the effect of medications and advice on health. The primary purpose of counselling is to support customers to ensure that they use the right drug, in the right combination at the right time and in the right amount. When patients pick up medications the pharmacist always checks that the prescriber's prescription is correct. Thus both the prescriber and the pharmacist are responsible for ensuring that the right medications are dispensed. In addition to counselling about medications, customers can be offered additional health products.

With the aim of developing the best customer relations in Sweden, Apoteket began to measure customer satisfaction at the 50 largest pharmacies during the year. The results show that the customers are very satisfied with their experience. When asked "How satisfied are you overall with your local pharmacy?", 94 percent responded that they had a positive attitude and were satisfied with the pharmacy they visited. They were especially pleased with the staff's positive attitude and commitment, as well as with the pharmacy's range and selection.

SAFE USE OF MEDICATIONS

Customer health and safety are the guiding light in Apoteket's business. Processes, procedures and IT support will minimise the risk of errors that can affect the customer when prescription drugs are dispensed. Apoteket also follows up and investigates the few errors that do occur, despite all precautions, to take corrective and preventive actions. During the year, the error rate was only 0.007 percent of all prescriptions handled. The low level has essentially remained

SEK **5.5**

million collected by Apoteket and customers for cancer research.

SEK **30**

billion. Amount that incorrect drug use is estimated to cost society annually.

Apoteket's counselling improves customers' medication use, thereby improving their quality of life.

unchanged over the past three years. Those errors deemed to be serious or potentially serious for the customer are reported to the National Board of Health and Welfare under the lex Maria act. Four lex Maria reports were filed for outpatient services during the year, which is a decrease from the previous year.

SERVICES IN THE CUSTOMER ENCOUNTER

Many pharmacies offer personalised counselling about medications, free of charge, with a specially trained pharmacist. The purpose is to see how the customer's different drugs interact with each other and to respond to questions and concerns about, for example, use, side effects and dosage.

Several pharmacies also have specially trained and certified health coaches who offer advice about changes in living habits to help the customer feel better. Such changes may involve support in changing eating habits, quitting smoking, beginning an exercise regimen and reducing stress.

Apoteket's Health Check-up is a health service that was developed in collaboration with the European Society of Cardiologists to inspire people to improve their chances of avoiding future cardiovascular problems. The service includes a health questionnaire, blood pressure check and a blood test to measure cholesterol. Hälsokoll is offered to both consumers and companies and is carried out by specially trained pharmacists. All Apoteket's health services are checked by an expert advisory panel.

Apoteket also offers self-tests that the customer can use to identify indications for or to rule out certain conditions before seeking care.

In the healthcare market, Apoteket offers pharmaceutical reviews in which the pharmacist and healthcare providers review a patient's medicines to suggest changes and improvements. There are many examples of the positive effect of this service on patient quality of life. To help the healthcare system to streamline and assure the quality of its drug supply, Apoteket offers services such as Medicine Support, Quality Assurance of Drug Handling and Apoteket's Medicines Utilisation Reviews for safer and more secure pharmaceutical processing.

The employees' fundamental pharmaceutical education and ongoing professional skills development together with regular calibration of equipment ensure that services are carried out in accordance with current regulations and with consideration taken to humans and the environment.

ATTRACTIVE EMPLOYER

The average number of employees at Apoteket is about 3,900, the majority of whom are pharmacists with undergraduate or graduate degrees. All employees are covered by collective agreements. According to Universum's Pharmacist Survey, Apoteket remains the first choice of pharmacy students among all participants in the pharmacy market. The objective is to retain this ranking. The competition for talent in the industry is intensive and Apoteket continually works to attract, develop and retain talented and committed employees.

EMPLOYEE KNOWLEDGE

Deep and broad knowledge of medications and health form the core of Apoteket's offering. Customer health

is considered from a holistic perspective to enable employees to provide the proper assistance in the customer encounter. In recent years, several roles have been further developed within the Company, both to better address customer needs and to generate clearer career paths and growth opportunities for employees. Skills development initiatives are continually linked to different roles. In addition to teacher-led classes, about one hundred different e-learning courses are available.

Employees' careers and skills development are monitored through annual performance reviews. The employee survey shows that 78 percent of employees had performance reviews in 2013, which is an increase over the previous year.

To take advantage of Apoteket's cutting edge expertise in certain areas, a specialised pharmacist group is available to which pharmacy staff can address particularly complex issues.

Selection of services to consumers:

- Apoteket's Hälsokoll health service
- Apoteket's Blood sugar monitoring service
- Apoteket's Blood pressure monitoring service
- Apoteket's Allergy service
- Apoteket's Weight monitoring service
- Self-tests
- Prescription drug subscriptions
- Mobile app to purchase drugs
- Counselling on medication use

EMPLOYEE WELL-BEING

Apoteket’s employees will help promote customer health through counselling, products and services. For credible customer relations, it is important that the employees themselves feel good. Consequently Apoteket carefully monitors sick leave statistics. During the year, total sickness absence continued to rise. The number of employees on sick leave longer than 14 days is growing. These trends reflect the trends in society, but Apoteket is working to break the cycle. One positive trend is that shorter absence due to illness has decreased, while work attendance has increased. To some extent this can be explained by structural changes at Apoteket.

ACTIVITIES FOR MORE MOTIVATED EMPLOYEES

Apoteket has carried out a number of activities during the year to increase employee motivation from an already high level. For example, in one initiative Apoteket’s President gathered employees at about 30 meetings around Sweden to discuss future developments at Apoteket. Various projects have been carried out to investigate how employees view stress, to reduce short-term absence and to simplify managers’ systematic work environment initiatives.

All employees have been invited to participate in “Apoteketklassikern”, a contest in which employees try different types of exercise during the year in connection with the races included in the Swedish Classic Circuit.

Apoteket also offers a fitness subsidy and has funds earmarked for health promotion activities in the workplace. Despite these activities, the proportion of motivated employees dropped slightly during the year.

WORK UNDER RESPONSIBILITY

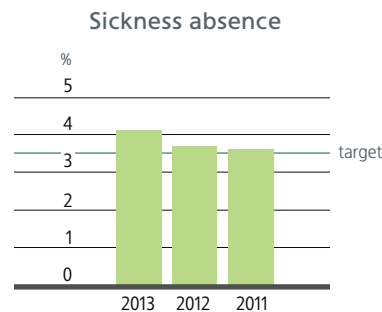
Another important part of job satisfaction is the ability to work with a clear conscience – to be able to rely on Apoteket’s values and policies.

Apoteket shall be a leader in sustainable development, which also includes good ethics and anticorruption initiatives. Apoteket is engaged in preventive work to ensure that undue influence does not occur in the Company’s contacts with the outside world. No incidents of corruption were reported in 2013.

Over the course of the year an overarching risk analysis related to anticorruption was carried out. The analysis showed that the entire Company faces no significant risks of corruption. However, employees in certain parts of the organisation should be more aware in their conduct to avoid undue influence, especially those entities involved in public procurement and supplier contacts.

Updated anticorruption guidelines will be adopted by management and implemented during the first quarter of 2014. Apoteket’s current guidelines and conduct are monitored by its legal counsel. In 2014, educational initiatives are also planned for corporate management and the respective management teams. The updated guidelines will be published on the intranet.

About 30
local employee meetings with CEO increased internal dialogue.



Total sickness absence has risen. Long-term sickness absence rose while short-term sickness absence fell.



The result has decreased slightly, demonstrating the importance of taking appropriate measures on an ongoing basis.



DIVERSITY – APOTEKET REFLECTS SWEDEN

Apoteket is a state-owned company that is owned by the Swedish people. The company wants to promote a healthy lifestyle for all people, regardless of gender, ethnicity and age. It is therefore natural to try to reflect the diversity of society at all levels of the Company.

Diversity inspires creative new approaches and provides greater understanding of the varied needs of both customers and employees. Diversity is essential for developing new solutions and business ideas, as well as for being an attractive employer. When hiring new employees Apoteket therefore considers diversity factors such as varied ethnic backgrounds and male jobseekers.

ETHNICITY THAT DEVELOPS

Apoteket's employees come from a total of 83 countries. In all, 23 percent of employees are foreign-born or have at least one parent who is foreign-born, which is a little more than Sweden as a whole. The diversity of its workforce

enables Apoteket to develop products and services that also match the diversity of its customers.

The ethnic diversity of the Company's employees also contributes to better customer encounters through valuable language skills and understanding of different cultures. It promotes communication, counselling and provision of services, thereby increasing patient safety.

Employees wear name badges with symbols of the languages they speak. A simple intranet solution has also been available for many years that allows employees to contact colleagues with other language skills to assist in the customer encounter. Diversity is also important for building personal and trusting relationships locally.

Apoteket offers internships to pharmacists with foreign licenses so that, with additional training they can become licensed in Sweden. A good command of the Swedish language is a requirement for such internships.

At Apoteket employees have the opportunity to trade traditional Swedish holidays for holidays in other cultures. There is also a liberal collection of work clothing; for example, women may wear a shawl to cover their hair.

MORE MEN

Apoteket strives to achieve equal gender distribution, among both employees and executive management. The average number of employees includes 14 percent men, which is about the same level as last year. The objective is to expand that percentage. One challenge is

that the sex ratio is already skewed in the pharmaceutical education programmes. To attract more men to Apoteket both male and female employees attend trade fairs and career days. When hiring new employees, Apoteket seeks male applicants.

EQUAL OPPORTUNITY

Of course, all customers and employees are treated with equal respect regardless of age, gender, disability, sexual orientation, religion or ethnic origin.

During the year Apoteket continued its initiative to promote equal rights regardless of sexual orientation. An inspirational group within the Company has prepared a proposal on how to improve and take advantage of LGBTQ diversity in various parts of the Company, thereby contributing to Apoteket's success and development.

No cases of discrimination involving Apoteket employees were reported to the Discrimination Ombudsman. Apoteket closely monitors employees' perception of discrimination. The employee survey showed that very few employees feel that discrimination exists within the Company.

DISABILITIES PRESENT NO OBSTACLES

Apoteket aims to make life easier for customers with disabilities by adapting both the store environment and the product range. In addition, Apoteket intends to increase opportunities for people with disabilities to work in the pharmacies.

14%

of the average number of Apoteket employees are men.

50%

of representatives in Apoteket's executive management are men.

50%

of members of Apoteket's Board of Directors elected by the AGM are men.



Apoteket strives to offer customers the most attractive product range in the market. The product range is selected based on Apoteket's carefully established criteria for quality and sustainability, as well as the needs and requests of the 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. Many new products were launched over the course of the year; in particular, Apoteket expanded its line of private label products. Customers are increasingly requesting perfume-free alternatives and during the year Apoteket carried out a campaign on the theme Unscented. It also launched a line of unscented facial care products for sensitive skin.

APOTEKET'S PRIVATE LABEL PRODUCTS

Apoteket's own brands are Apoliva, Apoteket, Apoteket Formula and Försvarets Hudsalva. A total of around 700 products have been developed under these brands. The products are designed to be especially gentle for both people and the environment. They hold the same high quality as products from the market-leading brands, at the same time that they are affordable.

Apoliva is Apoteket's own beauty care brand and includes several different series, with everything from face creams to skin lotions and hair treatments.

Apoteket is the brand that includes basic products, such as soap, plasters and support stockings.

Apoteket Formula is a line of extra high-quality products. It has been developed in cooperation with experts in dental and oral care, nutritional supplements and skin care.

PRODUCT RANGE – CAREFULLY SELECTED BY APOTEKET

Apoteket's goal is that all products offered to the customer must be quality assured and developed with consideration taken for people, the environment and long-term profitability. Customers should quite simply feel secure that they are making wise choices, no matter what they choose to buy from the product line.

Försvarets Hudsalva was initially used by the Swedish armed forces to prevent chafing and protect skin against the cold. Today it is mainly used for dry lips, elbows and other parts of the body.

SPECIALLY DEVELOPED PRODUCT SERIES

Apofri is a line of non-prescription medications specially developed for Apoteket, such as painkillers, cough medicine and nasal spray. Apofri is currently the sixth largest brand in the overall pain and fever market.

c/o Recipe for men is a line of skin care products jointly developed by Apoteket and the Swedish skin care company Recipe for Men. This line of facial and body products is specially designed to meet the needs of men.

RIGOROUS REQUIREMENTS FOR PRODUCTS

The wide range of products includes everything from prescription and non-prescription medications to health products.

Apoteket carefully reviews each product that is developed, taken into or eliminated from the range according to its seven-step quality control system. The product review covers the entire chain from production to use and is currently limited to non-prescription medications and health products that Apoteket may choose to include in the product range.

Just like other pharmacy operators, Apoteket is obligated to provide all drugs that require a prescription and are approved for the Swedish market. Consequently, opportunities to select or eliminate individual suppliers are limited, and it is not possible to work with the same type of follow-up as for retail goods suppliers. Instead, regulatory authorities such as the Medical

Products Agency are responsible for evaluating the products from a health and safety perspective.

Apoteket’s systematic review procedures have improved many products. An active dialogue is maintained with suppliers to avoid substances that have a negative impact on health and the environment if such substances are not critical to product function. Apoteket has compiled a list of approved substances as well as those it wants to avoid in its product range.

One example of a product that has been improved is Apoteket’s mouthwash DentiPro. The Company has chosen not to include artificial colouring, even though it is common in other mouthwash products. An example of an ingredient with negative environmental aspects is the UV filter, but its ability to protect against harmful UV radiation is important, so Apoteket accepts such ingredients.

Microplastics in facial scrubs are controversial because if they enter waterways, they can become trapped in mussels that filter the water. It is difficult to find other kinds of scrubbing beads with equivalent functionality, but Apoteket is working on developing better alternatives to phase out microplastics.

Apoteket thoroughly investigates product complaints through root cause analysis and personal contact with the concerned customer. The valuable information that emerges is applied in product development.

Apoteket also reviews the information on all health products to ensure that it complies with applicable rules and gives the customer appropriate guidance.

HIGH STANDARDS FOR SUPPLIERS

Apoteket has about 1,100 product suppliers, two thirds of which are suppliers of medications and one third are

Apoteket’s quality control begins and ends with the customer’s needs and desires, without compromising its responsibility for people and the environment.



Any product that is not a medication that requires a prescription is reviewed in seven steps:

suppliers for other health products. The suppliers are located primarily in Europe and Asia. Most of Apoteket's private labels are manufactured in Sweden. All new suppliers of health products (i.e., vendors who partnered with Apoteket during the year) have signed Apoteket's Code of Conduct. The code sets standards for working systematically with quality, working conditions, human rights, business ethics and the environment. A minimum is to avoid pollution during production, unreasonable wages and working hours, child labour, forced labour and other unacceptable conditions. All (100 percent) new suppliers of health products are evaluated according to the requirements of Apoteket's Code of Conduct through methods such as meetings, existing third-party certification and self-evaluation.

Apoteket also conducts on-site audits of existing and potential suppliers. Existing suppliers are those with which Apoteket has an ongoing business relationship, while potential suppliers are not yet approved for collaboration. In these cases, the audit focuses on the requirements of the code that are most relevant for each supplier. Depending on the results of the audit, Apoteket decides on how the collaboration will continue as well as the need for action plans and follow-up audits. The objective is always to correct deviations in close dialogue with the supplier. Collaborations are terminated only in exceptional cases, mainly in cases of serious offenses against the Code of Conduct and if deviations are not corrected. Most deviations involve health and safety. Over the course of the year Apoteket

1

Needs check: All of Apoteket's products must make it easier for customers to feel well.

2

Supplier check: Only the most serious suppliers and producers are good enough and therefore all of Apoteket's suppliers must comply with high standards.

3

Function check: Apoteket, independent experts and consumer panels ensure that the products offer the right function and perceived feeling – with respect to both content and packaging.

4

Mildness check: Experts review the products to ensure they are gentle for the customer, entail minimal potential for allergic reactions and do not contain any unnecessary ingredients.

5

Environmental check: Both Apoteket's own experts and independent experts check that product contents and packaging comply with Apoteket's high environmental standards. For example, ingredients must not be toxic, hard to break down or accumulate in the aquatic environment.

6

Expertise check: Expertise and knowledge are important for Apoteket to be able to recommend the right product for the customer's needs; consequently employees receive training and their knowledge is tested regularly.

7

Checked by the customer: Apoteket has done everything in its power to ensure that the products on the pharmacy shelves are of the highest quality. But the customer is the toughest test, and of course, customers receive a refund if they are not satisfied for any reason.



reviewed 44 new suppliers, including 14 site visits. No serious violations of Code requirements were identified during the year.

Apoteket also aims to indirectly influence pharmaceutical suppliers with respect to environmental and social aspects through industry associations, agencies and other bodies.

RESPONSIBLE PURCHASING

Apoteket’s Code of Conduct also applies to suppliers of products and services that Apoteket purchases for its own business,

such as work clothes and shop fittings. Under the new purchasing policy adopted during the year the code must be incorporated into all agreements – in other words, agreements for purchasing products sold to customers as well as products and services used within the Company. The policy also clarifies that quality, the environment and sustainability must be considered in specifications associated with central and local purchases. The aim is to reduce impact on people and the environment, while ensuring cost-effective purchasing.





ENVIRONMENT – APOTEKET ASSUMES END TO END RESPONSIBILITY

Apoteket's activities impact the environment both in Sweden and in other countries where products that the Company sells or uses are manufactured. Apoteket works systematically to reduce any negative environmental impact, with a focus on the release of drug substances and carbon dioxide.

Apoteket's business areas have an impact on the environment throughout the value chain. When manufacturing and using medicines and health products, certain drugs and chemicals are released in the aquatic environment. Air emissions occur when electricity and energy for heating are used in our suppliers' factories and in Apoteket's own premises, as well as during transports and business travel. At the same time Apoteket has a positive impact on the environment through counselling and services related to handling and use of medicines. Proper handling and use results in a decrease in the amount of discarded drugs.

MEDICINAL PRODUCTS FOR BETTER OR WORSE

Medicinal products that are correctly used contribute to a life in health. Correct medication use is a strong contributing factor to better public health and increased life expectancy.

However, manufacturing and use have a negative impact on the environment. Since Apoteket is obligated to provide all approved medicines, the Company has not been able to set the same social and environmental requirements for drug suppliers as for suppliers of other products. Apoteket's objective moving forward is to reduce environmental impacts at the manufacturing level through an indirect influence on trade associations, government agencies and other bodies.

To reduce environmental impact during use, customers receive advice on how to use medications properly, thereby reducing the amounts that are scrapped. Customers are also encouraged to return leftover drugs to a pharmacy. Apoteket receives leftover and discarded drugs from both the public and from healthcare and business customers with which Apoteket has agreements.

All pharmaceutical waste – both collected and Apoteket's internal waste is sent for safe combustion. Over the course of the year, 378 tonnes of pharmaceutical waste were sent for incineration, an increase of 22 tons over the previous year. The amount of hazardous waste decreased from 76 to 35 tonnes, mainly because Apoteket's production of special medications dropped for the year.

EFFICIENT TRANSPORTS

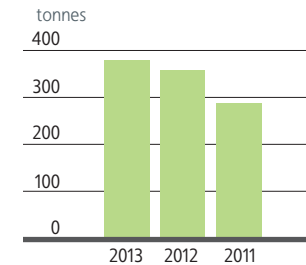
Transports are the hub of Apoteket's supply chain and one of the sources of carbon dioxide emission that its operations generate. Apoteket's supply units carry out order picking, dispensing, and production of individually packaged pharmaceuticals as well as delivery of medicines and other health products. The products are transported to Apoteket's own distribution and sales channels, as well as directly to customers.

However, Apoteket's mission to provide medications in accordance with current regulations and customer demands is not always consistent with its objective to reduce emissions. Certain transports are unavoidable when dealing with products that must reach the customer on time.

Transports are divided between Apoteket's own transports and services provided by other wholesalers. Apoteket has the greatest ability to influence in its own supply chains – in other words, transports from its own wholesale operations to the various businesses, as well as transports to the Company's customers.

Apoteket's wholesale business, which buys goods from manufacturers and distributes them to the Company's stores and production units, is the largest supplier in terms of volume to the Company's outpa-

Medical waste sent for safe disposal



The increase in recent years suggests that more consumers are choosing to return their leftover drugs to pharmacies.



Medicinal products and the environment

Active pharmaceutical substances that pass through the human body and sewage treatment plants unchanged have an impact on living organisms when they are released into the environment. Medicinal products that are flushed down the drain or thrown away in household waste can also end up in nature. Many medications are produced in low-cost countries such as China and India, where extremely high concentrations of pharmaceuticals have been identified in wastewater from pharmaceutical factories, leading to major environmental and health problems, including an increased risk of antibiotic resistance. In addition, high concentrations of pharmaceutical substances in the aquatic environment may affect reproduction in fish and amphibians.

tient pharmacies. A total of about 55 percent of all packages that go to different businesses within the Company come from Apoteket's wholesale operations.

In 2014 Apoteket is initiating a collaboration with the distributor Tamro for management of its wholesale business with the aim of streamlining and further improving the quality of deliveries to pharmacies.

Several of Apoteket's contract customers place stringent demands on transports with respect to service, lead times and green vehicles. By coordinating transports, increasing the fill rate in trucks and shipments, and using greener vehicles and fuels Apoteket is reducing carbon emissions. The goal is to reduce carbon dioxide emission from its own transports in relation to the number of delivered packages.

Apoteket has limited potential to influence transportation of goods by other wholesalers. Over the next few years Apoteket intends to engage in dialogue with wholesalers in order to raise the standards for goods transports.

EMISSIONS FROM GOODS TRANSPORTS

Total carbon dioxide emission from goods transports in 2013 was measured at 6,584 tonnes, compared with 8,165 tonnes in 2012. The main reason for the reduction is that Apoteket's wholesalers are using public transport flows to a greater extent. This means that in some cases carriers are not only coordinating shipments of goods for the various pharmacy operators, but also with other retailers' goods.

TRAVEL ON COMPANY BUSINESS

Employees' business travel also gives rise to greenhouse gas emissions. When travel is necessary employees are required to do so by train rather than by plane, and to

use green cars. Details regarding business travel requirements can be found in the Company's travel guidelines.

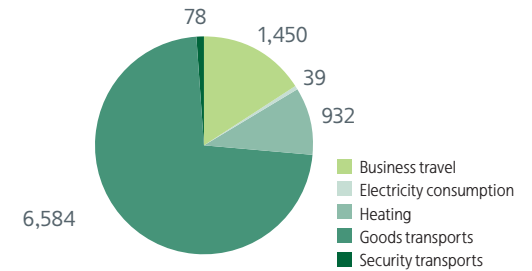
ENERGY CONSUMPTION

Energy efficiency is an important issue that goes hand in hand with both reduced costs and environmental impact. Approximately 10 percent of Apoteket's climate impact derives from energy consumption. The majority involves heating of premises and the most common heating method is district heating. Regarding electricity, those parts of the business that have their own electricity plan have chosen electricity produced from renewable sources, such as wind and hydro. Carbon dioxide emission from electricity use and heating during the year were measured at 971 tonnes, a reduction of 100 tonnes since the previous year.

CONTINUOUSLY IMPROVING ENVIRONMENTAL IMPACT

Apoteket has been certified in compliance with ISO 14001 since 2007, which means the Company has an environmental management system. During the year Apoteket's environmental certification was renewed for an additional three years. The Company's procedures and environmental impact were reviewed as part of the recertification process. The result was a clearer and more efficient management system that makes it easier for employees to take environmental considerations into account in their everyday lives. The management system focuses on the activities in which Apoteket's environmental impact is greatest: medical waste management, carbon dioxide emission, production and sales of pharmaceuticals and other products, as well as counselling and education.

Carbon dioxide emission, tonnes



Apoteket's total carbon emission during the year was 9,083 (11,106) tonnes. Emissions from all sources have declined. Security transports are included beginning in 2013.



Transports and the environment

Transports are necessary for Apoteket's products to reach customers. The transport routes that Apoteket is able to influence are from wholesalers to pharmacies and from pharmacies to customers. Transports are largely carried out with vehicles that run on fossil fuels, which is a source of greenhouse gas emissions that has an impact on the climate. Employee business travel is another source of emissions. Apoteket reduces environmental impact by setting requirements for suppliers' vehicles and driving methods, as well as employees' travel habits.

Sustainable business practices

Apoteket aspires to be the leading and most popular pharmacy operator with good long-term profitability. To succeed, operations must be managed in an economical, environmental and socially sustainable manner. Consequently Apoteket promotes development to more clearly integrate sustainability issues in its operational management.

For Apoteket it is important that financial, environmental and social issues are naturally integrated in procedures and decisions. Sustainable operational governance contributes to sustainable development and also provides owners, customers and partners with added value that helps Apoteket to guide the business towards established objectives.

GOVERNANCE AND MONITORING

Apoteket's objectives are continually monitored by Apoteket's various management groups as well as by executive management. The financial targets are set by Apoteket's owners, while sustainability targets are decided by executive management and approved by the Board. Executive management is responsible for ensuring that action plans are formulated and implemented so that the objectives can be achieved. In addition, each quarter a quality and environmental monitoring review is conducted for reporting and decisions on matters concerning patient safety, quality and sustainable development in the business processes.

MANAGEMENT SYSTEM AND SYSTEMATIC EFFORTS

Apoteket's quality and environmental management system is a tool for systematic management and monitoring of the business. The management system consists of processes and tools needed to drive customer satisfaction, patient safety, efficiency, compliance and minimize environmental impact. The Board of Directors establishes Apoteket's policies for quality, the environment, ethics, human resources, product range, purchasing, the brand, accounting and finance, and safety. Guidelines such as Apoteket's Code of Conduct are established by the President.

Deviations are recorded and monitored to avoid repeating the same mistakes in the future. Advisors who meet customers have clear quality-assured roles. Employees complete regular training to ensure that taking quality and environmental considerations and social issues into account is a natural part of daily work. The management system is regularly evaluated as part of quality and environmental monitoring in the management groups.



Apoteket strives to engage in business in an economical, environmental and socially sustainable manner.

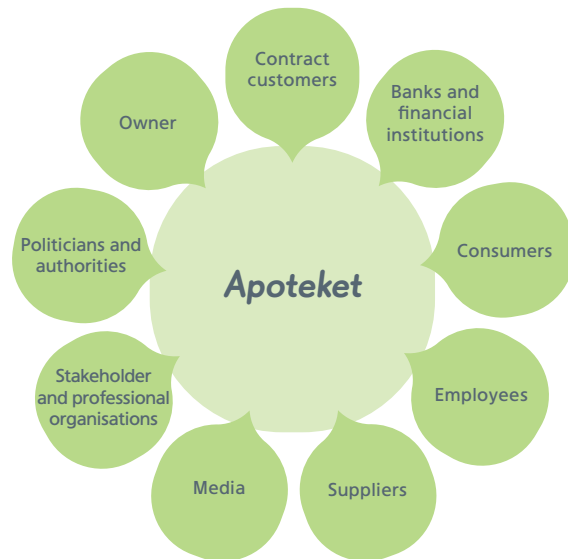
Particular emphasis is placed on follow-up of customer satisfaction. Customers' opinions are monitored through annual surveys and more frequent methods such as review meetings, management of customer feedback, customer panels, mystery shopping and brand analysis. Survey results are discussed regularly in executive management and are the basis for strategic decisions.

Apoteket's systematic work regarding work place initiatives ensures a good work environment for employees. Occupational health and safety risks are noted and rectified continuously, for example through safety audits or prior to major changes in the workplace. Employees' opinions are captured through the employee survey, deviation system and sick leave statistics.

A systematic approach helps Apoteket to efficiently and economically satisfy customer needs with respect to sustainable development and in compliance with regulatory and other requirements.

Apoteket's stakeholders

Apoteket's stakeholders are customers, employees, partners and other groups that in any way affect, are affected by or have an interest in Apoteket's business.



In order to run a business that takes these groups into account, a dialogue is conducted through various channels during the year. For example, consumer views are captured and answered through Apoteket's customer service or any of the local pharmacies. Contract customers are engaged in dialogue through opportunities such as contract negotiations, follow-up meetings and regular feedback sessions.

Employee expectations were identified during the year in the employee survey and at the approximately 30 staff meetings

where the Company's chief executive officer met and held a dialogue with all employees in several locations all over Sweden.

APOTEKET'S KEY ISSUES IN 2013

Each year the dialogue between Apoteket and stakeholders is analysed to identify the key issues over the past year. The findings of this analysis are used to set strategic priorities for Apoteket's activities and to identify the content to be highlighted in the annual report and the sustainability report.

Read more about Apoteket's key issues on the following pages:

- Financial and sustainability targets, pages 12–13.
- More stringent requirements from owners for sustainable business management, pages 13 and 50.
- Product availability and content, pages 16–19, 30–33.
- Health and safety as well as preventive health campaign, pages 24–27.
- Medication use, environmental impact and scrapping, pages 24–27, 34–36.
- Stress, absenteeism and motivation among employees, pages 26–27.
- Diversity, pages 28–29.
- Review and monitoring of suppliers, pages 31–33.
- Environmentally efficient transports, pages 35–36.

For a more detailed description of the method for stakeholder dialogue and information on channels, frequency and corrective measures, see pages 91–92.

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 2013. The Company has its registered office in Solna.

OWNER

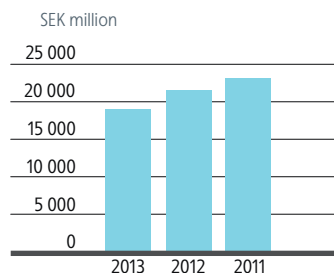
Apoteket is owned by the Swedish state and managed by the Ministry of Finance. Business is conducted under market-based terms and conditions.

SIGNIFICANT EVENTS IN 2013

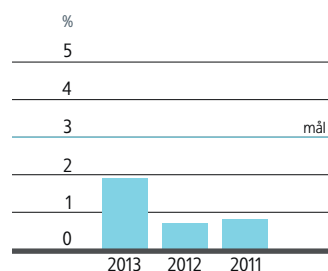
- In April Apoteket received a revised shareholder's directive and new financial targets.
- To increase availability and create a more efficient supply chain, Apoteket signed an agreement with the pharmaceutical distributor Tamro in October. The agreement is valid from 1 March 2014.
- Multi-dose dispensed drug service was transferred from Apoteket to new pharmacy operators during the year. As a result, the multidose-dispensing pharmacies in Vänersborg and Gothenburg were discontinued. A decision was also taken to phase out the multidose-dispensing pharmacy in Malmö.
- Apoteket discontinued multi-dose dispensed drug services in Germany, which means that all business at Apoteket is now concentrated in Sweden.
- Apoteket took the decision that all outpatient pharmacies would be managed in-house. The affected pharmacies are gradually shifting to Apoteket.
- Apoteket signed an extensive agreement with Karolinska Institutet and Lund University under which it will supply medicinal products.
- Apoteket's headquarters moved in March to new premises in Solna.
- Apoteket's environmental certificate (ISO 14001) was renewed for three years following an external audit.



Net sales Apoteket



Operating margin Apoteket



Net sales and performance

Apoteket's net sales declined 11.9 percent in 2013, SEK 2,545 million less compared with the previous year, totalling SEK 18,847 (21,392) million. The decrease was mainly due to increased competition in both the healthcare market and the consumer market.

REVENUE ANALYSIS

For self-operated shops within the Consumer business area, sales of prescription drugs fell, while sales of non-prescription medications and other health products rose. The gradual transition to franchise operations also contributed to the reduction.

Sales in Healthcare & Enterprise decreased as a result of lost county council agreements. Sales from multi-dose dispensed drugs declined mainly because other parties took over the business in three regions.

PERFORMANCE

Operating earnings for 2013 amounted to SEK 354 (141) million, which was an improvement of SEK 213 million compared with the corresponding period the previous year. Improved gross margins, lower staff

costs and other overheads are the main factors contributing to this improvement in earnings.

Restructuring expenses of SEK 44 (85) million were charged against earnings.

Depreciation amounted to SEK 192 (198) million.

NET EARNINGS

Net earnings amounted to SEK 364 (232) million, which was an improvement of SEK 132 million compared with the corresponding period the previous year. In addition to the improvement in operating earnings, income is affected by the improvement in net financial items, primarily relating to net financial income for pensions, which was SEK 87 (60) million. Net financial income for pensions is calculated according to the new accounting principle for pensions, IAS 19R.

The tax liability was SEK 72 million, which corresponds to a tax rate of 17 percent. The low tax rate is mainly due to deferred tax assets reported during the period relating to previously unrecognised tax loss carryforwards attributable to discontinued operations in Norway and Germany.

SALES SUMMARY

Amount in SEK million	Full-year 2013	Full-year 2012	Change %
Consumer	11,141	11,407	-2.3
Healthcare & Enterprise	7,468	9,804	-23.8
Other ¹	238	181	31.5
Total net sales	18,847	21,392	-11.9

1) Other mainly relates to sales to franchisees.

CASH FLOW

Operating cash flow was SEK 860 (–56) million for the period; the improvement is mainly due to improved operating earnings and reduced operating capital.

Cash flow from financing activities amounted to SEK –877 (–114) million. The reduced borrowing requirement can mainly be explained by improved operating cash flow and compensation received from Apoteket’s pension foundation of SEK 690 (267) million. The dividend paid amounted to SEK 31 million.

Cash flow for the period was SEK –17 (–170) million, while cash and cash equivalents on 31 December 2013 amounted to SEK 36 (53) million.

INVESTMENTS

Investments in intangible assets and property, plant and equipment amounted to SEK 135 (134) million and consisted primarily of investments in new construction and renovation of pharmacies, as well as investments in IT systems. Divestment of non-current assets amounted to SEK 23 million.

FINANCIAL POSITION, LIQUIDITY AND RETURN

Equity on 31 December 2013 amounted to SEK 4,389 million, up SEK 1,349 million compared with the receding year-end figure. This change corresponds with the total comprehensive income and paid dividends for the period.

Apoteket’s debt/equity ratio was 18 percent, compared with 203 percent at the previous year-end. The equity ratio was 56 percent (38). Return on capital employed was 16.3 percent (5.0), and return on equity was 10.2 percent (8.8) for the most recent 12-month period.

Interest-bearing net debt was SEK 285 million as at December 2013, compared with SEK 1,785 million at the beginning of the year.

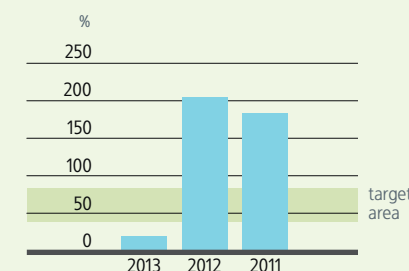
The reduction is due to a payment from Apoteket’s pension foundation as well as a positive operating cash flow.

KEY FIGURES, QUARTERLY								
	2013:4	2013:3	2013:2	2013:1	2012:4	2012:3	2012:2	2012:1
Net sales, SEK million	4,623	4,461	4,838	4,925	5,342	5,074	5,420	5,556
Operating earnings, SEK million	55	86	115	99	37	70	14	21
Operating margin in %	1.2	1.9	2.4	2.0	0.7	1.4	0.3	0.4

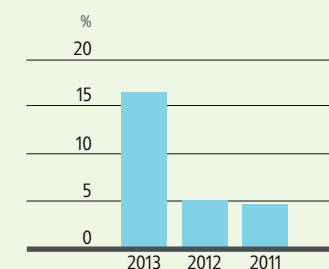
Analysis of change, interest-bearing net debt

SEK million	2013	2012
Balance at 1 Jan	1,785	1,776
Operating cash flow	–860	56
Dividend	31	200
Payment	–690	–267
Other	19	20
Balance at 31 Dec	285	1,785

Debt/equity ratio



Return on capital employed



Operations in the subsidiary Apoteket Farmaci AB were integrated into Apoteket AB on 1 February 2013.

Parent Company

Net sales for Apoteket AB (publ) in 2013 amounted to SEK 18,400 (13,960) million. The main reason for the increase is that the business in the subsidiary Apoteket Farmaci AB was transferred to the Parent Company.

Operating earnings for the period amounted to SEK 861 (–88) million. Net earnings amounted to SEK 642 (56) million.

Cash flow from operating activities amounted to SEK 979 (94) million. Cash flow from investing activities amounted to SEK –122 (–147) million. Cash flow from financing activities amounted to SEK –876 (–114) million. Apoteket received a payment from Apoteket's pension foundation of SEK 690 million during the year.

Cash flow for the period amounted to SEK –19 (–167) million.

EVENTS OF MATERIAL SIGNIFICANCE TO AN ASSESSMENT OF DEVELOPMENT, RISKS AND UNCERTAINTIES

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

Material risks and uncertainties

Like all business operations, Apoteket's activities are exposed to risks and uncertainties that could impact the Company's ability to implement strategic plans as well as its earnings and position. Apoteket's risk management aims to identify risks that may affect the business and the ability to achieve goals. For Apoteket, the task involves preventing known risks and being prepared to manage risks to which the Company may be exposed.

RISK ANALYSIS

Following the annual review of the business plan, Apoteket carries out risk analyses of its various areas of operation. These analyses are compiled into a total risk analysis for the Company. Executive management then prioritises based on significance and probability so that about ten main risks ultimately remain. The analysis is based on financial impact and probability. It includes risk factors with both short-term and long-term effects, where financial impact also takes sustainability-related risks into account. These risks are categorised into political and market risk, operational risk and financial risk.

The respective member of the executive management is responsible for risks that are not included among the main risks.

POLITICAL AND MARKET RISK

Political and market risk relate to external events and changes that are linked to Apoteket's business environment and the market in which the Company is active.

For Apoteket these risks primarily include market regulations, increased competition and public relations risks.

The Swedish state has carried out a number of studies to analyse the effects of re-regulation of the pharmacy market.

These studies may influence the playing rules for the pharmacy market. There is a risk that the market will continue to be regulated and Apoteket will be subjected to more restrictions from the owner.

Increased competition is a risk posed by new operators, mergers and new customer offerings.

Negative publicity in the media and social media could impact Apoteket's customers, both consumers and healthcare and enterprise customers.

OPERATIONAL RISKS

Operational risks comprise internal factors or events that may affect the prospects for achieving Apoteket's established objectives.

Apoteket's operational risks primarily consist of IT changes, organisational transition, and cash management. In mid-2012, cash management provider Panaxia declared bankruptcy and Apoteket's procedures for cash management procedures came into focus. In 2013, Apoteket worked on preventing cash risk by having good controls carried out in time and periodic financial reviews of the suppliers and customers who do business with Apoteket.

FINANCIAL RISKS

Financial risk relates to the risk that a specific financial asset varies over time.

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 monthly feedback.

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 healthcare market are primarily municipalities and county councils. Overall, the credit risk is low.

Financial risk management is governed by Apoteket's financial policy. For more information about financial risk management, please see note 21.

SENSITIVITY ANALYSIS

	Estimated impact, SEK million
1% change in net sales, prescription drug sales	100
1% change in net sales, self-care sales	25
1% change in compensation and benefits, including social security contributions	20
0.25% change in the discount rate used in the calculation of the present value of the defined benefit pension obligation	250



Sustainability initiatives in four areas

Apoteket's sustainability initiatives focus on four overarching objectives: health, diversity, product range and environment. They address health and diversity among both customers and employees, a carefully selected product range and responsible supplier relationships, reduced carbon footprint from transports and reduced environmental impact from pharmaceuticals.

In 2013 Apoteket achieved several of its sustainability targets. Employees have surpassed the goal regarding offering advice to customers and asking the right questions in order to offer additional products. All new health product suppliers have signed Apoteket's Code of Conduct.

Apoteket did not reach the year's objectives for sales of health services and did not succeed in extending agreements with as many county councils and regions as was desired.

An overview of Apoteket's sustainability goals is available on pages 12–13. More information about specific goals and outcomes is available on pages 24–36 as well as page 93.

Significant post-balance sheet events

Apoteket has no significant events to report since the balance sheet date.

Guidelines regarding the remuneration of senior executives

The 2013 AGM approved the Board's proposed guidelines, which entail that the Company will apply the principles laid down in the Government's "Guidelines for Terms and Conditions of employment for Senior Executives in State-owned Companies," adopted on April 20, 2009. The guidelines encompass a number of guiding principles.

The Company must ensure that total remuneration for senior executives is reasonable and well-balanced. It must 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 shall ensure that remuneration to senior executives follows the guidelines established by the AGM. Based on the documentation, which served as the basis for the Board's original decision on remuneration, and using the Board's Corporate Governance Report as a starting point, the Company's auditors will conduct a review to ensure that agreed

remuneration levels and other conditions of employment are not exceeded. The Company's auditors will also submit a separate report annually prior to the Board's accounts meeting to present their observations regarding compliance of the terms of employment for senior executives and other employees with the Board's decision and the guidelines adopted by the AGM. If the auditor feels the guidelines have not been followed, the reasons for this assessment must be stated. The Company must continuously conduct market comparisons for this purpose to ensure that remuneration complies with the remuneration principles in relation to comparable companies.

Before taking decisions on individual remuneration, the Company must ensure that written documentation is available showing the total cost of the set remuneration.

The Company shall apply these guidelines in all subsidiaries and the guidelines must be approved by annual general meeting of shareholders for each subsidiary.

The Company shall prepare, via the Remuneration Committee, all decisions relating to remuneration

principles, remuneration and other employment terms and conditions of senior executives. Salary and benefits for the President and other senior executives are presented in Note 8.

PROPOSED GUIDELINES FOR THE PERIOD UP UNTIL THE NEXT AGM

The Board's motion to the 2014 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 applied during 2013.

For further information on the State 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 84.

Corporate Governance Report

Apoteket Aktiebolag (publ) is a Swedish public limited liability company with its registered office in Solna. The Swedish State owns all shares in Apoteket AB and ownership is exercised by the Ministry of Finance.



CORPORATE GOVERNANCE

The Government has a mandate from the Riksdag to actively manage the State’s holdings in companies to maximise long-term value growth and to ensure that the specific service mission is performed well. State-owned companies are subject to the same laws as private companies, such as the Swedish Companies Act, Annual Accounts Act, Competition Act and Accounting Act. There are no special rules for state-owned companies.

In the State Ownership Policy, the Government describes applicable frameworks and its attitudes towards important principles on corporate governance in all state-owned companies. The ownership policy serves as the basis for Apoteket’s corporate governance along with its articles of association, financial objectives and shareholder's directive. The ownership policy includes special guidelines for external reporting and terms and conditions of employment for senior executives. The owner requires Apoteket to set a good example in the field of sustainable business practices, including human rights, working conditions, the environment, anti-corruption, business ethics, equality and diversity. Apoteket also applies the Swedish Code of Corporate Governance (the “Code”). Deviations from the Code are reported in the table below.

ANNUAL GENERAL MEETING

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

According to the Articles of Association, Apoteket must conduct its activities in a manner that promotes a satisfactory

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 division for state-owned enterprises at the Ministry of Finance is responsible for the nomination process.
4.5: Reporting of independence in relation to major shareholders of the Company.	Independence in relation to major shareholders is not reported.	The Code is primarily intended to protect minority shareholders in companies with widespread ownership. For state-owned companies there is no reason to report independence in this regard.

supply of medicinal products in Sweden. Apoteket's financial targets, tasks and restrictions can be read in their entirety in the minutes from the AGM and the shareholder's directive, which are published at apoteket.se/omapoteket/bolagsstyrning.

SHAREHOLDER'S DIRECTIVE

The shareholder's directive for Apoteket contains both tasks and restrictions. The aim is to ensure a well-functioning market and a good supply of medicinal products. Apoteket is responsible for the existing pharmacy representatives through 30 June 2015. More information about the shareholder's directive is available at apoteket.se/omapoteket/bolagsstyrning.

BOARD OF DIRECTORS

The Board of Directors is responsible for overarching organisational issues and the strategic direction of the pharmacy. The Board must ensure that the business enjoys the public trust and that Apoteket conducts business within the limits permitted by the law, articles of association, shareholder's directive, and the State ownership policy.

Each year the Board of Directors adopts rules of procedure for its own work and for the allocation of responsibilities between the Board and the Audit and Remuneration Committee. The allocation of responsibilities between the Board and the President, as well as reporting instructions, is regulated in the instructions to the President, which are adopted annually by the Board of Directors.

NOMINATION PROCESS

The nomination process for board members is co-ordinated by the division for state-owned enterprises at the Ministry of Finance. A working group project team analyses current competency requirements based on the composition of the Board as well as the business and current status of the Company. Any recruitment requirement is then determined, and the recruitment process begins. Board members are selected from a broad recruitment base. When the process is complete nominations are published in accordance with the Code's guidelines.

	Elected	Meetings Board	Meetings Audit Committee	Meetings remuneration Committee	Regular fee, SEK k	Fees for committee work, SEK k
Christian W. Jansson ¹	2009	8/8			300	
Gert Karnberger ²	2009	8/8	6/6		150	25
Kristina Schauman ³⁾	2009	8/8	6/6		150	50
Elisabet Wenzlaff ⁴⁾	2009	8/8		4/4	150	
Maria Curman ⁵⁾	2012	8/8		4/4	150	
Leif Ljungqvist ⁶⁾	2012	8/8	6/6			
Carina Jansson ⁷⁾	2002	5/7			24	
Carin Sällström-Nilsson ⁸⁾	2009	8/8			24	
Marie Redeborn ⁹⁾	2012	8/8			24	
Anna Ekergren ¹⁰⁾	2013	1/1			2	
Gunilla Larsson ¹¹⁾	2009	8/8			24	

- 1) Chair, Board of Directors
- 2) Member of the Audit Committee.
- 3) Chair, Audit Committee.
- 4) Chair, Remuneration Committee:
- 5) Member of the Remuneration Committee:
- 6) Member of the Audit Committee.
- 7) Employee representative, appointed by the Swedish Pharmaceutical Association. Resigned in November 2013.
- 8) Employee representative, appointed by the Swedish Pharmacists Association.
- 9) Employee representative (deputy), appointed by Swedish Pharmacists Association.
- 10) Employee representative, appointed by Unionen, beginning December 2013. Resigned in March 2014.
- 11) Employee representative (deputy), appointed by Unionen.

BOARD COMPOSITION

Apoteket's Board of Directors consists of six members and no deputies. In addition to Board members elected by the AGM, the employee organisations appoint two members and two alternates. At Apoteket's 2013 AGM, Christian W. Jansson (chairman), Gert Karnberger, Kristina Schauman, Elisabet Wenzlaff, Maria Curman and Leif Ljungqvist were re-elected. The Board possesses solid expertise and experience in relevant areas, creating good conditions for Apoteket to conduct business in the re-regulated pharmacy market.

Unionen appointed Anna Ekergren to serve as a member until 31 March 2014 and Gunilla Larsson as deputy. Unionen will appoint a new board member in 2014. The Swedish Pharmacists

Association has appointed Carin Sällström-Nilsson as Board member and Marie Redeborn as deputy member.

The Board established from among its members an Audit Committee with three members and a Remuneration Committee with two members. The President is not a member of the Board, but attends meetings. The Board members are presented in greater detail on pages 98–99.

CHAIRMAN OF THE BOARD

The Chairman must ensure that the work of the Board is conducted efficiently and in line with the shareholder's directive and decisions, which, among other aspects, cover the responsibility to lead Board work, assume responsibility for contact with the owner

in issues affecting ownership and communicate 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 Elisabet Wenzlaff (chairperson) and Maria Curman. The Remuneration Committee held four meetings in 2013.

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), Gert Karnberger and Leif Ljungqvist. The Audit Committee held six meetings in 2013.

SIGNIFICANT BOARD ISSUES DURING 2013

The Board of Directors held eight meetings in 2013, including one which was the statutory meeting, four scheduled meetings and three meetings by telephone. Among other issues, the Board of Directors dealt with the following:

- Year-end financial report, including proposed dividend
- Annual and Sustainability Report 2013
- Interim reports
- Strategic business plan and budget

- Shareholder's directive and corporate issues
- Investment issues
- Organisational and structural changes
- Overarching objectives for sustainable business practices

AUDITORS

The auditor is 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 2013 AGM elected the registered public accounting firm Ernst & Young for a one-year period until the 2014 AGM, with Åsa Lundvall, Authorised Public Accountant, as auditor in charge. 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 auditor 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 auditor met the entire Board in conjunction with the adoption of the Annual Report and the Sustainability Report.

PRESIDENT AND EXECUTIVE MANAGEMENT

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. 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. Executive management is led by the President and meets once a month as part of the process of running and moni-

toring operations. Company-wide issues and governance issues are prepared in executive management and investment matters in Investment Management, which consists of the Chief Financial Officer (Chair), President and General Counsel. Operations are monitored by means of monthly financial reports and quarterly follow-ups. Sustainability targets are monitored quarterly on the same occasion. Executive management is presented in greater detail on pages 100–101.

APPROVED REMUNERATION PRINCIPLES AND EMPLOYMENT TERMS AND CONDITIONS FOR THE PRESIDENT AND OTHER SENIOR EXECUTIVES.

In accordance with the State 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 principles and terms of employment adopted by the 2013 AGM are outlined on page 8.

SUSTAINABLE BUSINESS PRACTICES: PRIORITY ISSUE

Sustainable business practices are a priority for Apoteket and its owner. The owner tightened the requirement for state-owned companies to integrate financial, environmental and social aspects even more clearly into all procedures and decisions. Apoteket has therefore formulated new sustainability goals, which are in line with the owner's requirements and are deemed to be comprehensive, business-driven, long-term, challenging, measurable, communicable and engaging. They also support Apoteket's vision, "A Life in Health". Read more on pages 12–13.



Report on Internal Control

Under the Swedish Companies Act and the Swedish Code of Corporate Governance, the Board of Directors is ultimately responsible for the Company having sound internal controls, processes and procedures that ensure compliance with established principles for financial reporting and internal control and that the Company's financial statements are prepared in accordance with the law, applicable accounting standards and other requirements. This report has been prepared in accordance with the Swedish Annual Accounts Act 6:6, paragraph two, point two, and is therefore limited to internal control and risk management with respect to financial reporting. The description of the Group's internal control and risk management systems also apply to the Parent Company.

Apoteket uses the Committee of Sponsoring Organisations of the Treadway Commission (COSO) Internal Control Integrated Framework to help support development of internal governance and control systems. Internal control is described using the components control environment, risk evaluation, control activities, dissemination of information and monitoring.

An internal control function was created in autumn 2012 to strengthen the Company's internal control work. The function is organisationally part of the Business Unit and consists of one position. The function monitors the control activities that the Company has adopted and reports deviations involving internal control, including an action list with clearly defined deadlines and responsibility to the Company's Audit Committee and management. This work also includes close collaboration with the Company's external auditors. Deviations must be rectified by the respective manager. Examples of controls include monitoring of the completeness of invoicing, inventory and purchasing procedures in stores and Apoteket's wholesale operations.

CONTROL ENVIRONMENT

The basis of this internal control consists of the control environment with the organisation, decision-making processes, responsibilities and authorities that are documented and communicated in governing documents such as guidelines, policies, instructions and manuals. Examples include the distribution of work between the Board on the one hand and the President on the other hand, and the other bodies that the Board established, instructions for approval powers, as well as accounting and reporting instructions.

Apoteket has a functioning organization with revenue responsibility divided between Consumer and Healthcare & Enterprise. These commercial units are supported by specialised units responsible for logistics, product range and marketing. In addition to providing adequate support to the commercial units, these specialised units will leverage opportunities for economies of scale within each area.

Documentation regarding reporting forms and policies, internal governance, control and monitoring is gathered in internal policies, guidelines and instructions. These documents are available to affected employees through Apoteket's intranet and information meetings.

At the foundation, the manager for each operation is responsible for internal control.

The results of the control activities that are carried out are presented and reviewed with the respective manager at regular meetings.

RISK ASSESSMENT

The Group's risk management methods are intended to ensure that risks are managed within the established framework.

Apoteket has a centralised accounting function for the Company. In order to identify, analyse and decide on the treatment of any errors in financial reporting, it is crucial that the Business Unit understand the processes and procedures, as well as their risks. Items in the statement of earnings and balance sheet are consistently risk-assessed, especially ahead of quarterly and annual closing. Crucial for determining whether an activity carries high risk are the volume, complexity, valuation and accrual periods.

A large percentage of Apoteket's operations depends on a smoothly functioning IT system. This also applies to internal control in respect of financial reporting, which is largely systems-dependent, since the transactions are created and handled in the business system. Apoteket replaced its IT support system for its contract customers during the year, with an extra focus on ensuring flows and procedures. Improvement of procedures and IT support for stores continued throughout the year.

CONTROL ACTIVITIES

Control activities are designed to detect, correct and prevent errors and inefficiencies.

There is a well-defined division of responsibility regarding control activities in the Company. Responsibility and roles in terms of financial reporting have been defined and communicated to employees at Apoteket. To minimise the risks in financial flows, control activities have been implemented in key areas such as inventory and purchasing in stores and in Apoteket's wholesale operations, completeness in billing and documentation of completed and approved tests of changes in IT support.

INFORMATION AND MONITORING

Apoteket has established information and communication channels to encourage completeness and accuracy in financial reporting. Examples include governing documents such as internal policies, guidelines, manuals and codes pertaining to finan-

cial reporting. Apoteket monitors compliance with these governing documents.

The Board of Directors and executive management receive regular information regarding financial reporting. They review the official reports and carry out an active dialogue with the external auditors. The President and executive management subsequently convey the information to the Company's employees and external reports are also published on the intranet.

Financial results and operational key data are analysed monthly for all units within the Company. Executive management meets on a quarterly basis with operations managers to review results, key data and operational target fulfilment. This approach offers an accurate reflection of the business status and ensures that operational control functions in relation to targets.

BOARD OF DIRECTORS AND MONITORING

The Board of Directors, which monitors all key areas and provides balanced guidance to various employees, addresses the outcome of the Group's risk assessment and risk-management procedures annually. The Board receives monthly financial reports and addresses the financial position of the Company and the Group at each Board meeting.

During the year the Group's internal control function monitored the control activities that the Company adopted and reported deviations to Apoteket's Audit Committee and management.

Apoteket does not have an internal audit function at this time. The Board took a decision on this matter and believes that existing structures for monitoring and evaluation are satisfactory. External initiatives can be carried out for certain special audits. This decision is reviewed annually.



Financial statements

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Consolidated statement of comprehensive income

Amounts in SEK million	Note	2013	2012 ¹
Net sales		18,847	21,392
Other operating income		125	132
Total revenues	5	18,972	21,524
Goods for resale ²	16	-14,987	-17,175
Other external costs	6, 7	-1,427	-1,651
Personnel costs	8, 15, 29	-2,012	-2,359
Depreciation and impairment	12, 13	-192	-198
Operating profit		354	141
Share of earnings of associated companies	14	1	-2
Net financial items – pensions	15, 30	87	60
Other financial income	21	1	3
Other financial expenses	21	-7	-22
Pre-tax earnings		436	180
Income tax	9, 30	-72	52
Net earnings for the year		364	232

Amounts in SEK million	Note	2013	2012 ¹
<i>Other comprehensive income</i>			
<i>Items that cannot be reclassified to profit and loss</i>			
Actuarial gains	15, 30	1,303	1,044
Deferred tax	15, 30	-287	-255
<i>Items that can be reclassified to profit and loss</i>			
Change in translation reserve		-	-3
Other comprehensive income		1,016	786
Comprehensive income during the year		1,380	1,018
Net earnings for the year attributable to Parent Company's shareholders		364	232
Comprehensive income during the year attributable to Parent Company's shareholders		1,380	1,018
Earnings per share, SEK	11	2,080	1,325
Number of shares		175,000	175,000

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

2) 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 million	Note	2013	2012
<i>Operating activities</i>			
Pre-tax earnings		436	180
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		192	198
Change in pension claim		-252	-170
Other		-43	13
Taxes paid		4	16
Cash flow from operating activities before changes in working capital		337	237
<i>Cash flow from changes in working capital</i>			
Changes in inventories		156	1
Changes in receivables		827	193
Changes in liabilities		-348	-353
Cash flow from operating activities		972	78
<i>Investing activities</i>			
Investments in intangible assets	12	-59	-37
Investments in property, plant and equipment	13	-76	-97
Divestment of non-current assets		23	-
Cash flow from investing activities		-112	-134
<i>Financing activities</i>			
Change in current financial liabilities		-1,517	-161
Payment received from Apoteket's Pension Foundation		690	267
Amortisation of debt		-19	-20
Dividends paid	27	-31	-200
Cash flow from financing activities		-877	-114

Amounts in SEK million	2013	2012
Cash flow for the year	-17	-170
Cash and cash equivalents at the beginning of the year	53	223
Cash and cash equivalents at the end of the year	36	53

Cash flow from receipt of interest income amounted to SEK 1 (3) million.

Cash flow from payment of interest amounted to SEK 7 (22) million.

CONSOLIDATED OPERATING CASH FLOW

Amounts in SEK million	2013	2012
Cash flow from operating activities	972	78
Investments in intangible assets	-59	-37
Investments in property, plant and equipment	-76	-97
Divestment of non-current assets	23	0
Operating cash flow	860	-56

Consolidated balance sheet

Amounts in SEK million at 31 December	Note	2013	2012 ¹
ASSETS			
<i>Fixed assets</i>			
Intangible assets	12	83	65
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	13	25	30
Equipment		404	488
Total property, plant and equipment		429	518
<i>Financial fixed assets</i>			
Holdings in associated companies	14	8	22
Pension claim	15	3,635	2,771
Total financial fixed assets		3,643	2,793
Total fixed assets		4,155	3,376
<i>Current assets</i>			
Inventories	16	1,201	1,357
Accounts receivable	21	1,975	2,773
Current tax assets		–	52
Other receivables	17	282	289
Prepaid expenses and accrued income	18	149	172
Cash and cash equivalents	21	36	53
Total current assets		3,643	4,696
TOTAL ASSETS		7,798	8,072

Consolidated balance sheet

Amounts in SEK million at 31 December	Note	2013	2012 ¹
EQUITY			
Share capital		175	175
Retained earnings		4,214	2,865
Total equity		4,389	3,040
LIABILITIES			
<i>Long-term liabilities</i>			
Deferred tax	10	941	704
Other provisions	20	–	10
Other long-term liabilities	21	–	23
Total long-term liabilities		941	737
<i>Current liabilities</i>			
Liabilities to credit institutions, interest-bearing	21	321	1,838
Accounts payable	21	1,802	1,992
Current tax assets		68	–
Other liabilities		4	154
Accrued expenses and prepaid income	19	239	260
Other provisions	20	34	51
Total current liabilities		2,468	4,295
Total liabilities		3,409	5,032
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		7,798	8,072
<i>Contingent liabilities</i>			
Sureties, PRI Pension Guarantee	20	37	35
Guarantee commitments, others		55	56
Pledged assets		None	None

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

Changes in consolidated equity

Amounts in SEK million	Note	Share capital	Translation reserve	Retained earnings	Total equity
Opening balance at 1 January 2012		175	-2	2,483	2,656
Changed accounting policy IAS 19R	30			-434	-434
Adjusted opening shareholders' equity		175	-2	2,049	2,222
Comprehensive income during the year			-3	1,021	1,018
Dividend				-200	-200
Closing balance at 31 December 2012		175	-5	2,870	3,040
Opening balance at 1 January 2013		175	-5	2,870	3,040
Comprehensive income during the year				1,380	1,380
Dividend				-31	-31
Closing balance at 31 December 2013		175	-5	4,219	4,389

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

Parent Company statement of earnings

Amounts in SEK million	Note	2013	2012
Net sales	5, 23	18,400	13,960
Other operating income		124	123
Total revenues		18,524	14,083
Goods for resale ¹	16, 23	-14,595	-10,502
Other external costs	6, 7	-1,424	-1,550
Personnel costs	8, 22, 29	-1,457	-1,957
Depreciation and impairment	12, 13	-187	-162
Operating profit		861	-88
Share of earnings of Group companies	24	17	217
Other interest income and similar profit/loss items	21, 23	3	3
Interest costs and similar profit/loss items	21, 23	-6	-26
Earnings before appropriations and tax		875	106
Appropriations	25	-88	17
Pre-tax earnings		787	123
Income tax	9	-145	-67
Net earnings for the year		642	56

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 million	2013	2012
Net earnings for the year	642	56
<i>Other comprehensive income</i>		
Change in fair value reserve	-	-
Total comprehensive income during the year	642	56

Parent Company cash-flow statement

Amounts in SEK million	Note	2013	2012
<i>Operating activities</i>			
Earnings before appropriations and tax		875	106
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		187	162
Share of earnings of Group companies		-17	-217
Other		5	-39
Payment received from Apoteket's Pension Foundation		-690	-267
Taxes paid		-28	-17
Cash flow from operating activities before changes in working capital		332	-272
<i>Cash flow from changes in working capital</i>			
Changes in inventories		-10	-75
Changes in receivables		214	398
Changes in liabilities		443	43
Cash flow from operating activities		979	94
<i>Investing activities</i>			
Investments in intangible assets	12	-59	-37
Investments in property, plant and equipment	13	-77	-87
Investments in financial fixed assets		-	-23
Divestment of non-current assets		14	-
Cash flow from investing activities		-122	-147

Amounts in SEK million	Note	2013	2012
<i>Financing activities</i>			
Change in current financial liabilities		-1,535	-181
Payment received from Apoteket's Pension Foundation		690	267
Group contributions received/distributed		-	-
Dividends paid	27	-31	-200
Cash flow from financing activities		-876	-114
Cash flow for the year		-19	-167
Cash and cash equivalents at the beginning of the year		51	218
Cash and cash equivalents at the end of the year		32	51

Cash flow from receipt of interest income amounted to SEK 3 (3) million.
Cash flow from payment of interest amounted to SEK 6 (26) million.

Parent Company balance sheet

Amounts in SEK million at 31 December	Note	2013	2012
ASSETS			
Fixed assets			
Intangible assets	12	83	64
<i>Property, plant and equipment</i>			
Buildings, land and land improvements	13	–	–
Equipment		403	463
Total property, plant and equipment		403	463
<i>Financial fixed assets</i>			
Participations in Group companies	26	257	257
Receivables from Group companies		7	7
Holdings in associated companies	14	9	18
Deferred tax assets	10	8	35
Total financial fixed assets		281	317
Total fixed assets		767	844
<i>Current assets</i>			
Inventories	16	1,201	1,192
Accounts receivable		1,972	1,654
Receivables from Group companies		39	645
Current tax assets		–	46
Other receivables	17	280	191
Prepaid expenses and accrued income	18	149	164
Cash and cash equivalents		32	51
Total current assets		3,673	3,943
TOTAL ASSETS		4,440	4,787

Parent Company balance sheet

Amounts in SEK million at 31 December	Note	2013	2012
EQUITY			
<i>Restricted equity</i>			
Share capital (175,000 shares with quota value SEK 1,000)		175	175
Statutory reserves		35	35
Total restricted equity		210	210
<i>Non-restricted equity</i>			
Retained earnings		135	110
Net earnings for the year		642	56
Total non-restricted equity		777	166
Total equity		987	376
Untaxed reserves	28	668	580
<i>Provisions</i>			
Other provisions	20	34	49
Total provisions		34	49
LIABILITIES			
<i>Long-term liabilities</i>			
Liabilities to Group companies		7	7
Other long-term liabilities		0	23
Total long-term liabilities		7	30

Amounts in SEK million at 31 December	Note	2013	2012
<i>Current liabilities</i>			
Liabilities to credit institutions, interest-bearing	21	321	1,838
Accounts payable		1,802	1,513
Liabilities to Group companies		308	69
Current tax assets		68	0
Other liabilities		6	114
Accrued expenses and prepaid income	19	239	218
Total current liabilities		2,744	3,752
Total liabilities		3,453	3,782
TOTAL SHAREHOLDERS EQUITY AND LIABILITIES		4,440	4,787
<i>Contingent liabilities</i>			
Sureties, PRI Pension Guarantee	20	37	33
Guarantee commitments, others		55	56
Pledged assets		None	None

Changes in Parent Company's equity

Amounts in SEK million	Share capital	Statutory reserves	Retained earnings	Net earnings for the year	Total equity
Opening balance at 1 January 2012	175	35	247	63	520
Dividend paid	–	–	–200	–	–200
Distribution of earnings	–	–	63	–63	–
Net earnings for the year	–	–	–	56	56
Closing balance at 31 December 2012	175	35	110	56	376
Opening balance at 1 January 2013	175	35	110	56	376
Dividend paid	–	–	–31	–	–31
Distribution of earnings	–	–	56	–56	–
Net earnings for the year	–	–	–	642	642
Closing balance at 31 December 2013	175	35	135	642	987

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Note 1 GENERAL INFORMATION

Apoteket AB (publ.) (the Parent Company) and its subsidiaries (which jointly form the Group) distribute and sell pharmaceutical and health 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 Solna. The street address of corporate headquarters is Dalvägen 12, 169 03 Solna.

On 7 March 2014 the Board of Directors and the President approved the consolidated financial statements and the Annual Report for financial year 2013, which will be presented to the Annual General Meeting on 10 April 2014.

Note 2 SUMMARY OF IMPORTANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) and the interpretative recommendations of the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the European Commission. Recommendation RFR 1 "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 Swedish kronor. 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 2012 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 2013. This detailed account only covers changes that have significance for Apoteket.

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 recognised in other comprehensive income. Items that are recognised in profit and loss are to be recognised separately from

Cont'd note 2

those items that are not recognised in profit and loss. The amendment does not change the actual content of other comprehensive income, only the way it is presented.

IAS 19R Employee benefits, pensions

Significant changes primarily relating to accounting for defined benefit pension plans took 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. For effects on the Group's performance and position, please see Note 30.

Information concerning forthcoming standards, amendments and interpretations*IFRS 9 Financial Instruments Recognition and Measurement (not adopted by the EU)*

This standard is a part of a comprehensive revision of the current standard IAS 39. The standard entails a reduction in the number measurement categories for financial assets and that the main categories for recognition are at cost or fair value via the balance sheet. IFRS 9 must be applied for financial years beginning on or after 1 January 2015.

Apoteket has not evaluated the effects of the new standard.

IFRS 10 Consolidated Financial Statements and amendment IAS 27 separate financial statements

The standard must be applied for financial years beginning on or after 1 January 2014. 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.

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 arising after the acquisition. Intragroup transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated. During the year, Apoteket AB's subsidiary Apoteket Farmaci AB merged with the Parent Company through a net asset acquisition on 1 February 2013.

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 percent 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.

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.

Apoteket is run as one operating segment with revenues from two markets, the consumer market and the healthcare and enterprise market.

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 programme development and a reasonable portion of assignable indirect costs.

Other intangible assets

Other intangible assets mainly comprise expenditure for the

Cont'd note 2

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

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

Additional expenditure

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

Depreciation 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:

- Financial assets and liabilities held for sale.
 - 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.

*Cont'd note 2***3) Investments intended to hold 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.

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 percent 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 weighted acquisition cost (WAC) for stores. For other entities first-in first-out (FIFO) is used.

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 monthly service charge from franchise pharmacies.

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 assets 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.

During the year Apoteket AB reported a deferred tax asset relating to the deficits arising in the operations in Norway and Germany.

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

Group companies have different pension plans. The pension plans 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.

Cont'd note 2

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 or 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. The defined benefit pension obligation is calculated, annually, by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is 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.

In the case of those pension payments recognised as defined-contribution plans, the Group pays contributions to an insurance company or 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.

Net interest expense for pension obligation and plan assets is recognised in net financial items. Vesting is recognised in operating earnings. Actuary entries are recognised in other comprehensive income.

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 19R, is performed annually. For further information about pension calculations according to IAS 19R, see Note 15.

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 and associated companies

Participations in subsidiaries and 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 19R. The principal differences compared with the rules of IAS 19R 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 that companies whose equity in pension funds exceeds the capital value of the pension liabilities does not report this surplus in the balance sheet.

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 are handled according to rule RFR2.

Note 5 BREAKDOWN OF INCOME**Net sales include income from:**

	Group		Parent Company	
	2013	2012	2013	2012
Sales of goods	18,113	20,365	17,701	13,302
Sales of services	681	947	646	579
Invoiced costs	18	42	18	19
Notification charges, statutory charges	35	37	35	37
Rental income	0	1	0	23
Other income	0	0	0	0
Total	18,847	21,392	18,400	13,960

Other operating income includes income from:

	Group		Parent Company	
	2013	2012	2013	2012
Franchise fee	122	106	122	106
Recovered bad debts	0	0	0	0
Gains, sales of equipment	2	11	1	2
Other income	1	15	1	15
Total	125	132	124	123

Note 6 OPERATIONAL LEASING FEES**Future minimum leasing fees relating to operational leases that cannot be terminated were distributed as follows:**

	Group		Parent Company	
	2013	2012	2013	2012
Within 1 year	200	249	200	248
Between 1 and 5 years	411	537	411	537
After more than 5 years	56	148	56	148
Total	667	934	667	933

Leasing costs relating to operational leases during the year amounted to SEK 293 (289) million in the Group and to SEK 291 (276) million in the Parent Company.

Apoteket's leasing charges relate mainly to the rental of premises for pharmacies and headquarters. Most of the rental agreements expire within five years, although there is nothing to indicate that they will not be renegotiated.

Note 7 FEES FOR AUDITORS AND AUDIT COMPANIES

	Group		Parent Company	
	2013	2012	2013	2012
<i>Audit activities</i>				
Ernst & Young AB ¹⁾	1.5	2.2	1.5	1.8
<i>Other assignments</i>				
Ernst & Young AB, tax consultancy services	0.4	0.3	0.4	0.3
Ernst & Young AB, other services	0.0	1.1	0.0	1.1
Total	1.9	3.6	1.9	3.2

1) The charge for audit activities besides audit engagements, relating to verification of the Sustainability Report, was SEK 0.1 million in 2013 and is included in the amount.

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, and other assignments that the auditors are obligated to conduct.

Note 8 SALARIES, OTHER REMUNERATION AND SOCIAL COSTS

	Group		Parent Company	
	2013	2012	2013	2012
Salaries and remuneration	1,409	1,643	1,387	1,362
Social security fees	574	677	42	564
(of which pension costs) ¹⁾	(219)	(152)	(-307)	(122)
Total	1,983	2,320	1,429	1,926

1) Of the Group's pension costs, calculated according to IAS 19R, SEK 8.5 (8.5) million 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 59.7 (66.0) million. The defined benefit pension obligations for this category are secured through Apoteket AB's Pension Foundation.

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 57.4 (55.7) million. The bonus target is designed as a financial category concerned amounted to SEK 7.3 (7.3) million. Pension costs are defined as pension premiums paid, change in pension reserve and pensions paid. Apoteket's pension agreement is valid from 2008. Under the agreement, 1) all employees are connected to ITP, excluding certain transitional categories and management personnel, and 2) Apoteket takes annual decisions on the indexing of matured pensions and vested pension rights, as opposed to before when the value was guaranteed.

Pension costs in the Group do not include interest expense, income or a portion of the special employer's contribution. A payment of SEK 690 million from Apoteket's pension foundation had a positive impact on pension costs in the Parent Company.

Cont'd note 8

Incentive programme

A results-based programme for employees and first-line managers with direct or indirect contact with customers can give SEK 5,000. The bonus target is designed as a financial improvement target. The programme does not cover personnel employed by the central units.

Salaries and other remuneration distributed among senior executives and other employees

	Group		Parent Company	
	2013	2012	2013	2012
Members of the Board and President and other senior executives ¹⁾	23	30	21	21
(of which bonuses, etc.)	(-)	(-)	(-)	(-)
Other employees	1,386	1,613	1,366	1,341
Total	1,409	1,643	1,387	1,362

1) In the Group, the group consisting of the Board of Directors, President and other senior executives includes 21 (29) people. In the Parent Company, the equivalent group includes 20 (20) people. Apoteket defines "other senior executives" as members of executive management and the presidents of the subsidiaries.

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

	Elected	Meetings	Meetings	Meetings	Fees for
		Board of Directors	Audit Committee	Remuneration Committee	committee work, SEK k
Christian W. Jansson ¹⁾	2009	8/8			300
Gert Karnberger ²⁾	2009	8/8	6/6		150
Kristina Schauman ³⁾	2009	8/8	6/6		150
Elisabet Wenzlaff ⁴⁾	2009	8/8		4/4	150
Maria Curman ⁵⁾	2012	8/8		4/4	150
Leif Ljungqvist ⁶⁾	2012	8/8	6/6		
Carina Jansson ⁷⁾	2002	5/7			24
Carin Sällström-Nilsson ⁸⁾	2009	8/8			24
Marie Redeborn ⁹⁾	2012	8/8			24
Anna Ekergren ¹⁰⁾	2013	1/1			2
Gunilla Larsson ¹¹⁾	2009	8/8			24

1) Chair, Board of Directors.

2) Member of the Audit Committee.

3) Chair, Audit Committee.

4) Chairperson of the Remuneration Committee.

5) Member of the Remuneration Committee.

6) Member of the Audit Committee.

7) Employee representative, appointed by the Swedish Pharmaceutical Association. Resigned in November 2013.

8) Employee representative, appointed by the Swedish Pharmacists Association.

9) Employee representative (deputy), appointed by Swedish Pharmacists Association.

10) Employee representative, appointed by Unionen, beginning December 2013. Resigned in March 2014.

11) Employee representative (deputy), appointed by Unionen.

Board composition

The Board of Directors consists of six members and no deputies. In addition to Board members elected by the AGM, the employee organisations appoint two members and two alternates. At Apoteket's 2013 AGM, Christian W. Jansson (chairman), Gert Karnberger, Kristina Schauman, Elisabet Wenzlaff Maria Curman and Leif Ljungqvist were re-elected. The Board possesses solid expertise and experience in relevant areas, creating good conditions for Apoteket to conduct business in the re-regulated pharmacy market.

Unionen appointed Anna Ekergren to serve as a member until March 2014 and Gunilla Larsson as deputy. Unionen will appoint a new employee representative to the Board in 2014. The Swedish Pharmacists Association has appointed Carin Sällström-Nilsson as Board member and Marie Redeborn as deputy member.

The Board established from among its members an Audit Committee, with three members, and a Remuneration Committee with two members. The President is not a member of the Board, but attends meetings. The Board members are presented in greater detail on pages 98-99.

Work of the Board of Directors

The Board of Directors held eight meetings in 2013, including one which was the statutory meeting, four scheduled meetings and three meetings by telephone. Among other issues, the Board of Directors dealt with the following:

- Year-end financial report, including proposed dividend
- Annual and Sustainability Report
- Interim Reports
- Strategic business plan and budget
- Shareholder's directive and corporate issues
- Investment issues
- Organisational and structural changes
- Overarching objectives for sustainable business practices

Remuneration and benefits paid to senior executives in 2013

Member of executive management since	Salary, SEK k	Other benefits, SEK k ¹	Total, SEK k	Pension age	Pension cost SEK k ²	Period of notice (employee/company)	Severance pay	
Ann Carlsson, President ³	2010	3,875	68	3,943	65	1,154	6 months/ 6 months	18 months
Ulrika Eriksson, Vice President and Director of the Consumer business area	2009	2,250	59	2,309	65	750	6 months/ 6 months	18 months
Eva Fernvall, Director of Corporate Communications	2005	1,587	59	1,646	65	576	6 months/ 6 months	18 months
Kenneth Hagsten, Director of Human Resources	8 April 2013	1,150	49	1,199	65	271	6 months/ 6 months	6 months
Monica Höglind, Director of Human Resources through 17 March 2013	2007	647	30	677	62	98	6 months/ 6 months	18 months
Anna Rogmark, Chief Legal Officer and Director of Business Support	2010	1,656	105	1,761	65	490	6 months/ 6 months	18 months
Carina Fält, Director of Business Development	2012	1,333	137	1,470	65	394	6 months/ 6 months	12 months
Pontus Rosén, Director of Product Range & Marketing	2012	1,347	61	1,408	65	357	6 months/ 6 months	6 months
Jan Johansson, CFO	2011	2,399	43	2,442	65	749	6 months/ 6 months	18 months
Lars Skutholm, director Healthcare & Enterprise	2011	1,802	60	1,862	65	544	6 months/ 6 months	12 months
Olle Carls, Director of Logistics	2012	1,884	59	1,943	65	568	6 months/ 6 months	12 months
Annema Paus, director of Healthcare & Enterprise and president of Apoteket Farmaci AB through 30 Sept. 2012 ⁴⁾	2001	665	28	693	65	224	6 months/ 6 months	18 months
Total		20,595	758	21,353		6,175		

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-contribution pension at a rate of 30 percent of her basic salary.

4) Annema Paus, President of Apoteket Farmaci AB, received dismissal pay through 31 March 2013 and severance pay for 18 months. Payment of severance pay occurs in 2013 and 2014, though it will be offset by any future remuneration.

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. Deductions will be made against any future benefits.

Pension terms

President and CEO Ann Carlsson has a defined-contribution pension at a rate of 30 percent 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 Board of Directors following preparation by the Remuneration Committee.

Remuneration of senior executives who are not members of Group executive board

Thony Björk is President of Apoteket's subsidiary in Germany. Salaries and other benefits for the President amounted to SEK 1,359,000 and pension costs were SEK 1,168,000. Thony Björk is associated with the ITP2 pension plan.

Cont'd note 8

Remuneration and benefits paid to senior executives in 2012

	Member of executive management since	Salary, SEK k	Other benefits, SEK k ¹	Total, SEK k	Pension age	Pension cost SEK k ²	Period of notice (employee/company)	Severance pay
Ann Carlsson, President ³	2010	3,633	91	3,724	65	1,080	6 months/6 months	18 months
Ulrika Eriksson, Vice President and Director of the Consumer business area	2009	2,129	71	2,200	65	676	6 months/6 months	18 months
Eva Fernvall, Director of Corporate Communications	2005	1,587	74	1,661	65	583	6 months/6 months	18 months
Monica Höglind, Director of Human Resources	2007	1,915	117	2,032	62	574	6 months/6 months	18 months
Anna Rogmark, Chief Legal Officer	2010	1,591	154	1,745	65	481	6 months/6 months	18 months
Carina Fält, Director of Business Development	16 April 2012	954	0	954	65	240	6 months/6 months	12 months
Pontus Rosén, Director of Product Range & Marketing	1 October 2012	1,138	61	1,199	65	254	6 months/6 months	6 months
Jan Johansson, CFO	2011	2,314	51	2,365	65	735	6 months/6 months	18 months
Lars Skutholm, director Healthcare & Enterprise	2011	1,608	78	1,686	65	422	6 months/6 months	12 months
Olle Carls, Director of Logistics	1 April 2012	1,369	40	1,409	65	378	6 months/6 months	12 months
Jonas Friberg, acting director of Supply Chain through 29 Feb. 2012	2011	1,099	73	1,172	65	49	according to collective agreement	
Annema Paus, director of Healthcare & Enterprise and president of Apoteket Farmaci AB through 30 Sept. 2012 ⁴	2001	5,362	101	5,463	65	634	6 months/6 months	18 months
Total		24,699	911	25,610		6,106		

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-contribution pension at a rate of 30 percent of her basic salary.

4) Annema Paus, President of Apoteket Farmaci AB through 30 Sept. 2012, received dismissal pay and severance pay for 18 months. Payment of severance pay occurs in 2013 and 2014, though it will be offset by any future remuneration.

Note 9 INCOME TAX

	Group		Parent Company	
	2013	2012 ¹	2013	2012
Current tax for the year	-118	-19	-118	-57
Current tax for earlier years	0	-26	0	-26
Deferred tax	46	97	-27	16
Total	-72	52	-145	-67
Deferred tax recognised in other comprehensive income attributable to pensions	-287	-255	-	-

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

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 as shown in the following table.

	Group		Parent Company	
	2013	2012 ¹	2013	2012
Pre-tax earnings	436	180	787	123
Tax at the existing tax rate	-96	-47	-173	-32
Tax effect of changed corporate tax rate	-	132	-	-5
Tax effect of other tax-exempt income	1	0	1	0
Adjustment of tax attributable to earlier period	6	-10	6	-10
Tax effect of non-deductible costs	-3	-3	-4	-18
Tax effect of previously unrecognised loss carryforwards	-	-12	-	-
Reporting of previously unrecognised loss carryforwards	25	-	25	-
Other tax effects	-5	-8	-	-2
Total	-72	52	-145	-67

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

The income tax rate for 2013 is 22.0 (26.3) percent. Deferred taxes have been taken into account at a rate of 22.0 (22.0) percent.

Note 10 DEFERRED TAX

	Group		Parent Company	
	2013	2012 ¹	2013	2012
<i>Deferred tax expense/revenue pertaining to:</i>				
fixed assets	-52	16	-52	16
loss carryforwards ²	25	-	25	-
untaxed reserves	-19	4	-	-
pension claims	-190	-310	-	-
effect of changed tax rate	-	132	-	-
other	-5	-	-	-
Deferred tax in comprehensive income	-241	-158	27	16

Deferred tax assets pertaining to:

loss carryforwards ²	25	-	25	-
fixed assets	-	-	-	35
Total deferred tax assets	25	-	25	35

Deferred tax liabilities pertain to:

pension claims	-802	-610	-	-
fixed assets	-17	34	-17	-
untaxed reserves	-147	-128	-	-
Total deferred tax liabilities	-966	-704	-17	-
Net liabilities/assets	-941	-704	8	-

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

2) Relates to previously unrecognised tax loss carryforwards attributable to discontinued operations in Norway and Germany.

Note 11 EARNINGS PER SHARE

	Group	
	2013	2012 ¹
Net earnings for the year, SEK million	364	232
Number of shares	175,000	175,000
Earnings per share, SEK	2,080	1,325

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

Note 12 INTANGIBLE ASSETS

Intangible assets are categorised in three groups: development work, rental contracts and other intangible assets. Capitalised development expenditures are recognised in the development work category. As at 31 December 2013, the category includes capitalised expenditure for an e-commerce platform, dispensing operations, a group-wide order system and software licenses.

Investments in development work during the year amounted to SEK 59 million and mainly comprised the new company-wide order system.

In the rental contracts category, capitalised expenditure is recognised for the acquisition of rental contracts, and these relate to strategically located premises. The category of Other intangible assets includes interior fittings in property belonging to third parties, which were reclassified from tangible assets in connection with the net-asset transfer to subsidiaries.

Determination of any impairment losses requirements for intangible assets was performed according to IAS 36, whereby the estimated recoverable value was compared with the carrying amount for each intangible asset. Regarding the valuation of intangible assets, Apoteket has assessed that an impairment charge of SEK 22 million is necessary (attributable to a new company-wide order system).

Group	Development work		Rental contracts		Other intangible assets		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
Accumulated cost at the beginning of the year	216	180	31	31	19	21	266	232
Investments	59	36	–	1	–	–	59	37
Divestments /disposals	–12	–	–1	–1	–	–2	–13	–3
Accumulated cost at year-end	263	216	30	31	19	19	312	266
Accumulated depreciation at the beginning of the year	–55	–48	–23	–21	–19	–20	–97	–89
Depreciation for the year according to plan	–16	–7	–3	–3	0	–1	–19	–11
Divestments /disposals	12	–	1	1	0	2	13	3
Accumulated depreciation at year-end	–59	–55	–25	–23	–19	–19	–103	–97
Accumulated impairment losses at the beginning of the year	–104	–99	–	–	–	–	–104	–99
Impairment losses for the year	–22	–5	–	–	–	–	–22	–5
Accumulated impairment losses at the end of the year	–126	–104	–	–	–	–	–126	–104
Residual value at year-end according to plan	78	57	5	8	0	0	83	65

Parent Company	Development work		Rental contracts		Total	
	2013	2012	2013	2012	2013	2012
Accumulated cost at the beginning of the year	206	170	31	31	237	201
Investments	59	36	–	1	59	37
Accumulated cost on assets from Group companies	29	3	–	1	29	37
Divestments /disposals	–12	–	–1	–1	–13	–1
Accumulated cost at year-end	282	206	30	31	312	237
Accumulated depreciation at the beginning of the year	–51	–44	–23	–21	–74	–65
Depreciation for the year according to plan	–15	–7	–3	–3	–18	–10
Accumulated depreciation on assets from Group companies	–18	–	–	–	–18	–
Divestments /disposals	1	–	1	1	2	1
Accumulated depreciation at year-end	–83	–51	–25	–23	–108	–74
Accumulated impairment losses at the beginning of the year	–99	–99	–	–	–99	–99
Impairment losses for the year	–22	–	–	–	–22	–
Accumulated impairment losses at the end of the year	–121	–99	–	–	–121	–99
Residual value at year-end according to plan	78	56	5	8	83	64

Note 13 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, land and land improvements		Equipment		Total	
	2013	2012	2013	2012	2013	2012
Accumulated cost at the beginning of the year	53	57	1,848	1,780	1,901	1,837
New acquisitions	–	–	77	97	77	97
Divestments /disposals	–11	–4	–20	–29	–31	–33
Accumulated cost at year-end	42	53	1,905	1,848	1,947	1,901
Accumulated depreciation at the beginning of the year	–16	–15	–1,264	–1,148	–1,280	–1,163
Divestments /disposals	0	–	11	28	11	28
Depreciation for the year according to plan	–1	–1	–141	–144	–142	–145
Accumulated depreciation at year-end	–17	–16	–1,394	–1,264	–1,411	–1,280
Accumulated impairment losses at the beginning of the year	–7	–	–96	–66	–103	–66
Reversal of impairment losses	7	–	–	–	7	–
Impairment losses for the year	–	–7	–11	–30	–11	–37
Accumulated impairment losses at year-end	–	–7	–107	–96	–107	–103
Residual value at year-end according to plan	25	30	404	488	429	518
Carrying amount, buildings	25	27				
Carrying amount, land and land improvements	3	3				
Taxable value, buildings	11	11				
Taxable value, land	1	1				

Parent Company	Buildings, land and land improvements		Equipment		Total	
	2013	2012	2013	2012	2013	2012
Accumulated cost at the beginning of the year	–	–	1,723	1,650	1,723	1,650
New acquisitions	–	–	77	87	77	87
Accumulated costs taken over from Group companies	–	–	97	–	97	–
Divestments /disposals	–	–	–20	–14	–20	–14
Accumulated cost at year-end	–	–	1,877	1,723	1,877	1,723
Accumulated depreciation at the beginning of the year	–	–	–1,176	–1,056	–1,176	–1,056
Accumulated depreciation taken over from Group companies	–	–	–78	–	–78	–
Divestments /disposals	–	–	11	14	11	14
Depreciation for the year according to plan	–	–	–138	–134	–138	–134
Accumulated depreciation at year-end	–	–	–1,381	–1,176	–1,381	–1,176
Accumulated impairment losses at the beginning of the year	–	–	–84	–66	–84	–66
Impairment losses for the year	–	–	–9	–18	–9	–18
Accumulated impairment losses at year-end	–	–	–93	–84	–93	–84
Residual value at year-end according to plan	–	–	403	463	403	463

Note 14 HOLDINGS IN ASSOCIATED COMPANIES

	Group		Parent Company	
	2013	2012	2013	2012
At the start of the year	22	24	18	18
Divestments for the year	-15	-	-9	-
Percentage of profit/loss ¹	1	-2	-	-
At year-end	8	22	9	18

1) Percentage of loss stated after tax.

Group holdings in associated companies

2012	Assets	Liabilities	Income	Loss
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	0
Fastighets AB Högberga 556449-1677, Stockholm	19	7	13	-2
Total	26	9	13	-2
2013				
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	0
Total	7	2	0	0

Specification of Group holdings in associated companies

	Holdings	Proportion in %	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45.0	8

Specification of Parent Company holdings in associated companies

	Holdings	Proportion in %	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45.0	9

Note 15 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' pension foundation. With regard to the insurance-secured ITP, Alecta has stated that it lacks sufficient information for defined benefit accounting. For this reason, the ITP plan is being recognised as a defined-contribution plan. In 2008, Apoteket signed a new pension agreement with the trade union associations, which entailed, 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

	2013	2012 ¹
Pension obligation, balance at 1 January	8,027	8,017
Benefits earned during the period	79	85
Early retirement pensions	12	2
Interest expense	279	281
Pensions paid	-359	-336
Actuarial gains/losses on pension obligation	-310	-22
Pension obligation, balance at year-end	7,728	8,027
Fair value of plan assets, balance at 1 January	10,257	9,376
Expected return	349	328
Payment	-690	-267
Return above expected return, gains/losses on plan assets	738	820
Fair value of plan assets, balance at year-end	10,654	10,257
Changes in net assets or (net liabilities)		
Pension assets the year at the beginning of the year	2,230	1,359
Unrecognised profit/loss	-	-
Pension cost	-21	-40
Pensions paid	359	337
Payment	-690	-267
Actuarial gains/losses	1,048	841
Pension assets at year-end, excluding special employer's contribution	2,926	2,230
Special employer's contribution	709	541
Pension assets recognised on the balance sheet	3,635	2,771

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

Cont'd note 15

	2013	2012 ¹
<i>Breakdown of plan assets</i>		
Shares and similar financial instruments	3,188	2,854
Interest-bearing securities, etc.	6,128	6,175
Other	1,338	1,228
Total plan assets	10,654	10,257
<i>Income statement items</i>		
Benefits earned during the period	79	85
Interest expense	279	281
Expected return on plan assets	-349	-328
Early retirement pensions	12	2
Special employer's contribution	5	10
Total pension costs	26	50
<i>Other comprehensive income items</i>		
<i>Items that cannot be reclassified to comprehensive income for the period</i>		
Actuarial gains/losses on pension obligation		
– experience-based adjustments to the obligation	67	22
– effects of changes in assumptions	243	–
Return above expected return, gains/losses on plan assets	738	820
Total other comprehensive income	1,048	842
<i>Distribution by plan for defined benefit pension obligations</i>		
Apoteket Plan	4,911	5,223
ITP2 plan	2,817	2,804
Total pension obligations	7,728	8,027

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

	31 December 2013	31 December 2012
Number of retirement benefits, divided among active, paid-up and pensioners		
Active	2,609	3,230
Paid-up policyholders	18,383	18,757
Pensioners	13,914	13,217
Total commitments included in the obligation	34,906	35,204

The actual return on the plan assets amounted to SEK 1,087 (1,148) million. Actual return for 2013 is recognised excluding operating expense.

The principal actuarial assumptions used were as follows:	2013	2012
Discount rate, % ¹	3.75	3.50
Future salary increases, %	3.30	3.30
Inflation%	2.00	2.00
Staff turnover, %	5.00	5.00

1) For a sensitivity analysis for the discount rate, please see page 43.

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

Average maturity of payments corresponding to the pension liability

The average maturity (duration) for undiscounted payments corresponding with the pension liability as of 31 December 2013 calculated under IAS 19R is 20 years. Taking discounting into account, duration is 15 years.

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

In 2014, the Group anticipates a net cash flow relating to defined benefit plans amounting to SEK 366 million. 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 45 (49) million. At year-end 2013, Alecta's surplus, in the form of the collective consolidation rate, was 148 (129) percent. 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 19R.

Cont'd note 15

Benefits using defined benefit plans

A defined benefit retirement pension is set at a specific percentage of pensionable salary when the individual retires, provided that the individual has been employed with ITP2 or equivalent occupational pension for 360 months from the age of 28. The benefit is based on final salary at age 65.

The percentage varies for different income ranges:

10%	in retirement pension	SEK 0–426,750
65%	in retirement pension	SEK 426,751–1,138,000
32.5%	in retirement pension	SEK 1,138,001–1,707,000

Pension foundation's management of assets

The size of Apoteket's pension liability varies based on factors such as interest rates, inflation and real wage developments in Sweden. Investments in Apoteket's pension foundation will therefore primarily 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 assets in terms of both nominal and real assets and thus reduce the risk, while achieving a favourable long-term return.

Note 16 INVENTORIES

	Group		Parent Company	
	2013	2012	2013	2012
Goods for resale at cost	1,201	1,357	1,201	1,192
Total	1,201	1,357	1,201	1,192

The expenditure for expensed inventories is included in Goods for resale and amounted to SEK 14,987 (17,175) million in the Group and SEK 14,595 (10,502) million in the Parent Company. Provision for obsolescence amounted to SEK 17 (18) million.

Note 17 OTHER RECEIVABLES

	Group		Parent Company	
	2013	2012	2013	2012
VAT receivables	261	282	261	187
Other receivables	21	7	19	4
Total	282	289	280	191

Note 18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Rents invoiced	64	73	64	71
Accrued income	25	52	25	52
Prepaid expenses	49	34	49	34
Accrued suppliers' bonus	11	7	11	7
Other items	0	6	0	0
Total	149	172	149	164

Note 19 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2013	2012	2013	2012
Accrued holiday pay	151	147	151	147
Bonus to employees	0	9	0	9
Accrued salaries	9	40	9	11
Accrued expenses	79	64	79	51
Total	239	260	239	218

Note 20 OTHER PROVISIONS

	Group		Parent Company	
	2013	2012	2013	2012
At the start of the year	62	101	49	96
<i>Expensed in profit or loss</i>				
Additional provisions ¹	48	42	55	29
Reversed unutilised amounts	-12	-5	-12	-5
Utilised during the year	-64	-76	-58	-71
At year-end	34	62	34	49
Of which, long-term provision ²	0	10	0	10
Of which, current provision	34	52	34	39

1) The Parent Company's additional provisions include provisions taken over from Apoteket Farmaci AB.

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

Cont'd note 20

Group	Rents	Severance pay	Onerous contracts	Total
At the start of the year	10	37	15	62
Additional provisions	16	8	24	48
Utilised during the year	-26	-22	-16	-64
Reversed unutilised amounts	0	-12	0	-12
At year-end	0	11	23	34

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

Additional provisions for onerous contracts refer to estimated losses for Apoteket's dispensing operation related to the E-Health Authority requirement to replace the system.

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 17 remaining guarantee commitments for an amount of about SEK 55 (56) million. 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 percent of the pension liability. In 2013, this amounted to SEK 37 (35) million.

Note 21 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 other financial risks. The Group's overall risk management policy aims at minimising potentially unfavourable effects on consolidated financial earnings and position. Financial management is centralised to a Group-wide function within the Parent Company, whose task is to capitalise on coordination gains, reduce earnings and cash-flow fluctuations and ensure favourable risk management. The subsidiaries and the Parent Company's operational units are responsible for identifying, reporting and following up the financial risks that arise in the operations.

Policy and principles for financial risk management

Financial risk management objectives and principles

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

- 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

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.

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, resides 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.

Cont'd note 21

Due dates for receivables

Group	2013	2012
<i>Overdue, but not impaired</i>		
< 30 days	72	264
30–90 days	21	42
<i>Overdue and impaired</i>		
91-180 days	5	19
> 180 days	12	0
Total	110	325

Provision for doubtful receivables

Provision for doubtful receivables amounted to SEK 22 (5) million. Provision for doubtful receivables has changed as follows:

Group	2013	2012	2011	2010
At the start of the year	5	3	3	3
Provision for anticipated losses	17	2	0	0
At year-end	22	5	3	3
Confirmed losses	5	4	4	6
Recovered bad debts	0	0	4	4

The year's cost for doubtful receivables amounted to SEK 9 (4) million. The percentage of doubtful receivables is calculated on the basis of an established model that has been tried and tested by Apoteket. Accordingly, the carrying amount provides a fair approximation of the fair value.

Fair value of financial instruments

The nominal amount less any assessed credit entries for accounts receivable and accounts payable is assumed to match the fair value.

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

Group	2013		2012	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>				
Accounts receivable ¹	1,975	1,975	2,773	2,773
Cash and cash equivalents	36	36	53	53
Total	2,011	2,011	2,826	2,826
<i>Financial liabilities</i>				
Accounts payable ²	1,802	1,802	1,992	1,992
Other long-term liabilities	0	0	23	23
Loan liabilities ³	321	321	1,838	1,838
Total	2,123	2,123	3,853	3,853

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

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

3) Liabilities to credit institutions, interest-bearing

Financial liabilities to credit institutions	Group		Parent Company		Granted
	2013	2012	2013	2012	
Nordea	–	338	–	338	–
Handelsbanken	171	–	171	–	300
Commercial paper	150	1,500	150	1,500	150
Total utilised credit	321	1,838	321	1,838	450

The granted overdraft facility amounts to SEK 300 million. Loan liabilities comprise a utilised overdraft facility of SEK 171 (338) million carrying an interest rate of 1.45 percent (2.09) and two commercial papers which together are worth SEK 150 (1,500) million and carry an interest rate of 1.02 percent (1.57). The maturity of the commercial papers is seven days. The carrying amount for the loan liabilities provides a fair approximation of the fair value.

Interest income and interest expense on financial instruments

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

	Group		Parent Company	
	2013	2012	2013	2012
Interest income on financial assets	1	3	3	3
Interest expense on financial liabilities	–7	–25	–6	–23
Exchange-rate gains/losses on liabilities	0	3	0	–3
Total	–6	–19	3	–23

Note 22 AVERAGE NUMBER OF EMPLOYEES

	2013		2012	
	Average number of employees	men, %	Average number of employees	men, %
<i>Parent Company</i>				
Sweden ¹	3,894	14.0	3,794	13.4
<i>Subsidiaries</i>				
Sweden and abroad ²	5	46.9	746	18.9
Total Group	3,899	14.0	4,540	14.2

1) Operations in the subsidiary Apoteket Farmaci AB were integrated into Apoteket AB on 1 February 2013. Employees of the subsidiary are included thereafter in Apoteket AB.

2) Operations in the subsidiary in Germany were phased out in 2013, and at year-end there were no longer any employees.

Board members and senior executives

	2013		2012	
	Number	men, %	Number	men, %
<i>Group</i>				
Board members	10	30.0	10	30.0
President and other senior executives	11	54.5	19	36.8
<i>Parent Company</i>				
Board members	10	30.0	10	30.0
President and other senior executives	10	50.0	10	40.0

Note 23 RELATED-PARTY TRANSACTIONS**Group companies**

For the Parent Company, Group companies accounted for 0.1 (0.4) percent of purchases and 0.4 (3.9) percent of sales transactions 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 net-asset transfer of Apoteket Farmaci AB's activities to Apoteket AB was carried out at book value.

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

The Parent Company's interest income includes SEK 0.0 (1.4) million pertaining to interest payments relating to Group companies. Interest expense includes SEK 0.0 (2.5) million pertaining to interest payments relating to Group companies.

Remuneration of senior executives

Remuneration of senior executives is presented in Note 8.

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. Apoteket AB received a payment of SEK 690 (267) million in 2013.

Note 24 PROFIT/LOSS FROM PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2013	2012
Group contributions	18	289
Dividends from subsidiaries	–	8
Results from the sale of participating interests in subsidiaries	–	–
Impairment losses on shares in the subsidiaries Farmacifamiljen Malmö AB (2013), Apoteket Norge AS and Apoteket Deutschland GmbH (2013 and 2012)	–1	–80
Total	17	217

Note 25 APPROPRIATIONS

	Parent Company	
	2013	2012
Difference between book and planned amortisation, equipment	4	21
Tax allocation reserve, provision for the year	–244	–72
Reversal of tax allocation reserve	152	68
Group contributions paid	–	–
Total	–88	17

Note 26 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2013	2012
Accumulated cost at the beginning of the year	257	257
Capital contribution to newly formed subsidiaries and new acquisitions	1	80
Impairment ¹	-1	-80
Accumulated cost at year-end	257	257

- 1) 2013: Impairment losses on shares in Farmacifamiljen Malmö AB are due to weak profitability.
2012: Impairment losses on shares in Apoteket Norge AS and Apoteket Deutschland GmbH are due to weak profitability.

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

Group companies/Corp. id. no. /Registered office	Number of participations	Proportion in %	Carrying amount	
			2013	2012
Apoteket Farmaci AB 556758-1789, Stockholm	25,000	100	250	250
Apoteksakademien i Sverige AB 556792-4005, Stockholm	1,000	100	0	0
Förvaltnings AB Tanken 556500-6953, Stockholm	1,000	100	0	0
Apoteket International AB 556606-4266, Stockholm	1,000	100	0	0
Apoteket Norge AS 993289396, Oslo	100	100	0	0
Apoteket Deutschland GmbH ¹ 264819621, Marschacht	250	100	0	0
Apoteket Svanen AB 556822-8430, Stockholm	1,000	100	0	0
Farmacifamiljen Malmö AB ² 556839-1170, Malmö	1,000	100	0	0
<i>Dormant companies</i>				
Apoteksinformation AB 556043-0984, Stockholm	50,000	100	6	6
Apoteksbolaget AB 556459-6723, Stockholm	500	100	1	1
Total			257	257

- 1) During the year a decision was taken to close Apoteket Deutschland GmbH.
2) During the year a franchise was returned to Apoteket's ownership.

Note 27 DIVIDEND PER SHARE

At the Annual General Meeting on 10 April 2014, a cash dividend for 2013 of SEK 857.14 (177.14) per share, for a total of SEK 150 (31) million, will be proposed. The dividend will be recognised as a distribution of earnings. A dividend of SEK 31 million was paid to the owner in 2013.

Note 28 UNTAXED RESERVES

	Parent Company	
	2013	2012
Accumulated excess straight-line depreciation	-	4
Tax allocation reserves	668	576
Total	668	580
Accumulated excess straight-line amortisation, equipment	-	4
Total	-	4

Tax allocation reserves were distributed as follows:

Tax allocation reserve, allocated at the assessment for 2008	-	115
Tax allocation reserve, allocated at the assessment for 2009	165	165
Tax allocation reserve, allocated at the assessment for 2010	157	157
Tax allocation reserve, allocated at the assessment for 2012	35	67
Tax allocation reserve, allocated at the assessment for 2013	66	72
Tax allocation reserve, allocated at the assessment for 2014	245	-
Total	668	576

Note 29 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's franchise companies are independent companies outside the Group and hold insurance policies for their own pension terms and conditions according to collective agreements.

Capital value of pension obligation	2013	2012
Capital value of pension obligation at start of year	7,162	6,528
Revenue/cost, excluding interest expense, charged to earnings	-37	772
Interest expense	165	203
Payment of pensions	-353	-341
Capital value of pension commitments at year-end	6,937	7,162

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

Specially detached assets	2013	2012
Fair value of assets at start of period	10,257	9,376
Return on specially detached assets including payment ¹	1,087	1,148
Payment from Apoteket's Pension Foundation	-690	-267
Fair value of assets at year-end	10,654	10,257

1) Return on specially detached assets for 2013 is recognised including operating expense.

Plan assets minus pension obligations	2013	2012
Fair value of assets at year-end	10,654	10,257
Capital value of pension obligation at year-end	-6,937	-7,162
Pension assets	3,717	3,095
Liability/receivable recognised in the balance sheet	-	-

Specification pertaining to the year's total costs and income for pensions:	2013	2012
-----------------------------------------------------------------------------	------	------

Pensions under own management

Revenue/cost, excluding interest expense, charged to earnings	37	-772
Interest expense	-165	-203
Return on specially detached assets including payment	1,087	1,148
Increase/decrease in surplus in specially detached assets	-622	-247
Cost of pensions under own management	337	-74

Pensions through insurance

Insurance premiums	-46	-49
Recognised pension cost	291	-123
Special employer's contribution on pension costs	-71	-30

The pension foundation's 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 2013	Percentage (%)
Shares and similar financial instruments	3,188	30
Interest-bearing securities	6,128	58
Other	1,338	12
Total	10,654	100

In 2014, the Parent Company anticipates a net cash flow relating to defined benefit plans amounting to SEK -366 million. 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, the Pension and Registration Institute's (PRI) interest rate assumption of 3.84 percent (gross) applies.

Cont'd note 29

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, which does not imply a pledge of future values or indexing at 2.6 percent (gross).

Note 30 CHANGED ACCOUNTING POLICY IAS 19R

Significant changes relating to accounting for defined benefit pension plans took 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 2012 actuarial gains, including the special employer's contribution for Apoteket, were SEK 282 million, which as a result of the adoption of IAS 19R increased equity by SEK 220, taking deferred tax into account. Opening actuarial loss for 2012 totalled SEK 434 million, taking deferred tax into account.

a) Specification of effect on opening balances as of 1 January 2012:

	Balance at 1 January 2012	Adjustment IAS 19R	Adjusted balance 1 January 2012
Financial fixed assets	2,278	-589	1,689
Other assets	5,971		5,971
Total assets	8,249	-589	7,660
Equity	2,656	-434	2,222
Deferred tax	738	-155	583
Other liabilities	4,855		4,855
Total liabilities and equity	8,249		7,660

b) Below are the initial carrying amounts for 2012, and restated values. Restated values are presented throughout as comparative figures for 2012 in the 2013 Annual Report.

Income statement	Reported in 2012	Adjustment IAS 19R	Restated 2012
Operating profit	141		141
Net financial items – pensions	234	-174	60
Other net financial items	-21		-21
Pre-tax earnings	354	-174	180
Taxes	13	39	52
Net earnings for the year	367	-135	232
<i>Other comprehensive income</i>			
Total actuarial items	0	1,044	1,044
Deferred tax	0	-255	-255
Change in translation reserve	-3		-3
Total other comprehensive income	-3	789	786
Other comprehensive income	364	654	1,018

Balance sheet	Reported 31 December 2012	Adjustment to balance according to table a) above	Adjustment of compre- hensive income 2012	Restated balance 31 December 2012
Financial fixed assets	2,511	-589	871	2,793
Other assets	5,279			5,279
Total assets	7,790	-589	871	8,072
Equity	2,820	-434	654	3,040
Deferred tax	641	-155	218	704
Other liabilities	4,329		-1	4,328
Total liabilities and equity	7,790	-589	871	8,072

Note 31 POST-BALANCE SHEET EVENTS

Apoteket has no significant events to report since the balance sheet date.

Proposed distribution of earnings

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

Retained earnings	SEK 135,712,559
Profit for the year	SEK 641,820,362
Total	SEK 777,532,921

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

Dividend to the shareholder of SEK 857.14 per share, total	SEK 150,000,000
To be carried forward	SEK 627,532,921
Total	SEK 777,532,921

The dividend approved by the Annual General Meeting will be paid by 31 May 2014.

The undersigned declare that the consolidated and annual financial statements have been prepared in accordance with IFRS, as adopted by the EU and generally accepted accounting policies in Sweden, and provide a true and fair view of the Group's and Parent Company's position and performance, and that the Administration Report provides an accurate overview of the development of the Group's and the Parent Company's operations, position and performance and describes significant risks and uncertainties faced by the companies included in the Group.

The statement of earnings and balance sheets will be adopted at the Annual General Meeting on 10 April 2014.

Stockholm 7 March 2014

Christian W. Jansson
CHAIRMAN

Maria Curman
BOARD MEMBER

Gert Karnberger
BOARD MEMBER

Kristina Schauman
BOARD MEMBER

Elisabet Wenzlaff
BOARD MEMBER

Leif Ljungqvist
BOARD MEMBER

Carin Sällström-Nilsson
EMPLOYEE REPRESENTATIVE

Anna Ekergren
EMPLOYEE REPRESENTATIVE

Ann Carlsson
PRESIDENT

Our Auditors' Report was submitted on 7 March 2014.

Ernst & Young AB

Åsa Lundvall
AUTHORISED PUBLIC ACCOUNTANT

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 2013. The annual accounts and consolidated accounts of the Company are included in the printed version of this document on pages 39–84.

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 at 31 December 2013 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 at 31 December 2013 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. A corporate governance report has been prepared in accordance with the Swedish state's "ownership policy and guidelines for state owned companies". The statutory administration report and the corporate governance report are 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 consolidated statement of comprehensive income and balance sheet for 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 2013.

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 on the Board of Directors' proposed appropriations of the Company's profit or loss, 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 7 March 2014

Ernst & Young AB

Åsa Lundvall

AUTHORISED PUBLIC ACCOUNTANT



GRI index

The Sustainability Report has been prepared based on the Global Reporting Initiative's international guidelines for sustainability reporting, G4, and meets the requirements for the GRI's Core application level. All aspects and indicators have been externally reviewed. Omissions are specified on pages 94–95.

Indicator	Description	Page	Comments	GC ¹
Strategy and analysis				
G4-1	Statement from President	4–5		
Organisational profile				
G4-3	Name of the organisation	39		
G4-4	Primary brands, products and/or services	26, 30–31		
G4-5	Location of organisation's headquarters	Back page		
G4-6	Number of countries where the organisation operates	2		
G4-7	Nature of ownership and legal form	46		
G4-8	Markets where the organisation operates	14–15		
G4-9	Scale of the reporting organisation	2–3, 14, 18		
G4-10	Total workforce by employment type, employment contract, region, and gender	2, 26, 95		6
G4-11	Percentage of employees covered by collective bargaining agreements	26		3
G4-12	Description of the organisation's supply chain	10–11, 31–33		
G4-13	Significant changes during the reporting period	16, 20, 39		
G4-14	Explanation of whether and how the organisation follows the Precautionary Principle	30–33	Apoteket follows the precautionary principle, which is implicit in the "seven-step model" for Quality Assurance of drug handling.	
G4-15	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organisation subscribes or endorses	2, 5, 88		
G4-16	Membership in associations and/or national/international advocacy organisations.	88	Almega, Confederation of Swedish Enterprise, Pharmacists without Borders, Swedish Pharmacy Association, Swedish Environmental Management Council, SIQ, SIS, SNS, Confederation of Swedish Enterprise Security Delegation, Swecare, Stockholm Chamber of Commerce.	

Indicator	Description	Page	Comments	GC ¹
Material aspects and boundaries				
G4-17	Entities included in the organisation's financial accounting	81	Note 26.	
G4-18	Description of process to define report content and aspect boundaries	90–92		
G4-19	List of all identified material aspects	89	See GRI index.	
G4-20	For each material aspect, report the aspect boundary within the organisation	89	See GRI index.	
G4-21	For each material aspect, report the aspect boundary outside the organisation	89	See GRI index.	
G4-22	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatements	93, 95	Adjustment of 2011 and 2012 outcomes, carbon emissions grams/package.	
G4-23	Significant changes from previous reporting periods.	95	EN23, LA6, LA12.	
Communication and stakeholders				
G4-24	Stakeholder groups engaged by the organisation.	38, 91		
G4-25	Basis for identification and selection of stakeholders.	90		
G4-26	Approaches to stakeholder engagement	90–91		
G4-27	Key topics and concerns that have been raised through stakeholder engagement.	38, 91		
Information on reporting and governance				
G4-28	Reporting period.	94		
G4-29	Publication date of most recent previous report	94		
G4-30	Reporting cycle	94		
G4-31	Contact point for questions regarding the report or its contents	105		
G4-32	Presentation of table of contents according to GRI Core reporting level and report for external assurance	88–89, 96–97		

Indicator	Description	Page	Comments	GC ¹
G4-33	Presentation of the organisation's policy and current practice for external assurance of the report	96–97		
G4-34	Governance structure of the organisation	46–50		
Ethics and integrity				
G4-56	The organisation's values, principles, standards and norms	27, 32, 37		10
Business performance				
DMA	Economic performance	12, 37, 46, 50–52	Includes Apoteket AB.	
EC1	Direct economic value and distribution	95		
Environment				
DMA	Emissions to air	34–37, 46, 93	Includes Apoteket AB.	
EN15	Direct greenhouse gas (GHG) emissions (scope 1)	36, 94 ²		7, 8
EN16	Energy indirect GHG emissions (scope 2)	36, 94		7, 8
EN17	Other GHG emissions (scope 3)	35–36, 94 ²		7, 8
EN18	GHG emissions intensity	35–36, 94	Refers to scopes 1-3 per package.	8
DMA	Emissions to water and waste	34–35, 37, 46, 93	Includes Apoteket AB, supply chain and customer chain.	
EN23	Total amount of waste	35, 95		8
DMA	Environmental impact of products and services	31–37, 46, 93	Includes Apoteket AB, supply chain and customer chain.	
EN27	Initiatives to mitigate environmental impacts of products and services	31–33, 95 ²		7, 8
DMA	Supplier follow-up regarding environment	31–33, 37, 46, 93	Includes supply chain.	
EN32	Percentage of new suppliers reviewed regarding environment	31–33		8
Working conditions				
DMA	Health and safety at work	26–27, 37, 46, 93	Includes Apoteket AB.	
LA6	Work-related injuries and illnesses	27, 95 ²		

Indicator	Description	Page	Comments	GC ¹
DMA	Education	26–27, 46, 93	Includes Apoteket AB.	
LA11	Career development reviews	26 ²		6
DMA	Gender equality and equal opportunity	28–29, 37, 46, 93	Includes Apoteket AB and customer chain.	
LA12	Diversity within the organisation	80, 95 ²	Note 22.	6
DMA	Supplier follow-up regarding working conditions	31–33, 37, 46, 93	Includes supply chain.	
LA14	Percentage of new suppliers reviewed regarding working conditions	31–33		
Human rights				
DMA	Supplier follow-up regarding human rights	31–33, 37, 46, 93	Includes supply chain.	
HR10	Percentage of new suppliers reviewed regarding human rights	31–33		2
Society				
DMA	Anti-corruption	27, 37, 46	Includes Apoteket AB and customer chain.	
SO5	Incidents of corruption and actions taken	27		10
DMA	Compliance	37, 46	Includes Apoteket AB.	
SO8	Violation of laws	37	No laws were violated in 2013.	
Product responsibility				
DMA	Customer health and safety	25–26, 31–33, 37, 46	Includes Apoteket AB and customer chain.	
PR1	Evaluation of products and services relating to health and safety for the customer	25–26, 31–33		
DMA	Labelling of products and services	31, 37, 46	Includes Apoteket AB.	
PR5	Customer satisfaction survey results	25		

1) Principle in Global Compact

2) Omissions are specified on pages 94–95.

Sustainability Reports

The sustainability reports summarise the processes and methods that serve as the foundation for the content in the integrated sustainability report. They include stakeholder dialogue, materiality analysis, goal overview, and information on the integrated report and certain calculations.

Stakeholder dialogue

Stakeholder dialogue is crucial for the development of Apoteket's business and brand. For example, it is used to develop existing and new products and services. Moreover, it is an important input value for Apoteket's materiality analysis as well as its goals and strategy.

Apoteket's main stakeholder groups were identified and prioritised by the steering committee for sustainable business practices – a group of key individuals representing various functions within the pharmacy.

Stakeholder dialogue includes sustainability issues and is integrated in daily operations where the natural interfaces to the stakeholders can be found. Since dialogue with stakeholders is conducted in many different channels, Apoteket can capture valuable opinions and also experience immediate feedback on how the Company views and works with various issues.

Every year the stakeholder dialogue is compiled for the purpose of identifying content for the integrated report. The compilation is based on interviews with Apoteket's contacts for each stakeholder group. The table on page 91 shows the summary, which includes the priority stakeholders, forms of dialogue, particularly important issues and examples of measures Apoteket has taken to meet stakeholder expectations. Read more about Apoteket's efforts with these issues in the different sections of the annual report and the sustainability report.

STAKEHOLDER GROUPS

Stakeholder group	Definition	Channel	Key sustainability issues 2013	Actions taken
Contract customers	County councils, municipal healthcare facilities, private care providers and companies, existing and potential	Meetings, specifications, deviations and opinions, customer audit of Apoteket, Apoteket's report on operations	Environmentally efficient transports, environmental impact of medications	Meet "shall" requirements for transports and environmental impact of medications, services that help customers with review of medication procedures, selection of the right drug from an environmental standpoint, monitoring of deviations/comments. The Medicine Support service is now included as standard in the agreements.
Consumers	Private customers, existing and potential	Customer encounter, surveys (Customer Satisfaction Index, customer panel, Nordic brands), Mystery shopping, case management system	Availability, sustainability, antibiotic resistance, product content, environmental impact of medications, local production	Expanded opening hours, e-commerce, subscription service, internal online training for Apoteket's Quality Assurance of Drug Handling, certain refill packages, less external packaging, mainly Swedish suppliers from other health products, collection of medical waste
Employees	Existing and potential employees	Leadership forums, employee meetings, employee survey, environmental management system, intranet, performance management, skills check, case management system, pharmacist survey, career days, national internship council	Stress, motivation	About thirty employee meetings with the President, simplified procedure and tools for occupational health and safety system, study of reasons for stress, Project 20 list to reduce short-term sick leave
Suppliers	Suppliers of medications, other health products and indirect materials	Meetings, email, phone, dialogue prior to acceptance of new products or supplier, collective bargaining, reviews	Code of conduct, compilation of substances approved by Apoteket, monitoring, innovation, requirements for pharmaceutical suppliers	Code of conduct as mandatory appendix in contracts with suppliers of indirect materials and other health products, compilation of substances approved by Apoteket, innovation/product development in cooperation with suppliers, contract database under development, new guideline for purchasing, sustainability checklist developed as an appendix to tender documents for suppliers
Stakeholder and professional organizations	The Swedish Cancer Society, SOS Children's Villages, Check Your Drugs, National Forum, Medical Expert Council, Friskis & Svetts, En Svensk Klassiker	Email, phone, meetings, seminars, forums	Health, preventive health, medication use, accessibility, suppliers' working conditions, environmental impact of medications	Elderly programme, mindfulness, visits to SOS Children's Villages in Ukraine, Pink ribbon and SOS Children's Villages campaigns, Check Your Drugs
Media	Channels used to learn about and share knowledge about stakeholders, as well as to influence the image of Apoteket.	All media. No blog panel from February 2013.	Pharmaceutical waste, availability, dose, dispensing errors	Apoteket at Medical Conference, two seminars at Almedalen Week, Health Pulse
Politicians and authorities	Departments and authorities that influence Apoteket's operations.	Personal encounters, seminars and panel debates, apoteket.se, the publication Apoteket	Sustainable medication use	Check Your Drugs – decision regarding concrete project goals. Availability for customers (discussions in National Forum), for example through subscription and mobile services.

Materiality analysis

Apoteket made the move to GRI's new framework, G4, in 2013. This new framework requires a more in-depth materiality analysis to ensure a relevant and complete sustainability report.

During the autumn Apoteket conducted a materiality analysis to serve as a foundation both for identifying priorities for its reporting and for developing new sustainability goals.

The materiality analysis included all GRI areas and indicators. The first step was to define how Apoteket affects the different areas, taking into account the entire corporate value chain. The next step was to prioritise the issues by ranking them based on two main criteria:

- Stakeholders' views and expectations; that is, to identify the stakeholders who have opinions about the issue and how the stakeholders' decisions or opinions relating to Apoteket are affected linked to the area. One important starting point for this initiative was the stakeholder dialogue, see pages 91-92.
- Apoteket's impact on the aspects; i.e., the probability, severity and impact on the effects on sustainable development. Consideration was given to Apoteket's capacity to achieve its vision and operational objectives. Some important inputs for this were Apoteket's environmental review, supplier audits, strategic priorities and vision.

The materiality analysis results showed that the highest priority areas are those on which Apoteket has long focused its work and reporting: health and safety for the customer, financial performance, environmental impacts of products and services, supplier monitoring, pharmaceutical waste and emissions to air. Other material areas include diversity, equality, education, anti-corruption and accessibility. Evaluation of suppliers regarding environmental, labour and human rights concerns received more focus in the report, because the entire value chain has been considered in the materiality analysis. Some issues have been assigned lower priority, such as union membership, collective bargaining, waste and energy use.

Aspects and GRI indicators were selected in consultation with the steering committee for sustainable business practices and decided by both executive management and the Board of Directors. The materiality analysis was also validated by the steering committee to ensure consensus on the application of GRI's new G4 framework.

Goal overview

Metrics	Goal 2014	Goal 2013	Out-come 2013	Out-come 2012	Out-come 2011	Comments
GOAL AREA HEALTH						
Employees actively identify prescription customer needs, %	60	50	71	37	33	
Employees actively identify self-care customer needs, %	80	80	87	74	75	
Results Mystery calling, %	80	80	–	69	72	Replaced by new measurement method.
Work attendance, %	74	71	67	66	68	
Sickness absence, %	3.1	3.5	4.1	3.7	3.6	
Number of services carried out for consumer and corporate customers	70,000	50,000	30,254	27,840	39,452	
Motivated employees, %	75	72	67	68	72	
Attractive employer, %	65	62	50	–	–	
Number of drug utilisation reviews carried out	17,980	14,500	12,262	11,632	22,300	
GOAL AREA DIVERSITY						
Percentage men in executive management	50	50	50	40	33	
GOAL AREA PRODUCT RANGE						
Employees who completed online training course on sustainable development, %	–	–	18	–	–	No target set.
New self-care suppliers of indirect material who signed Apoteket's Code of Conduct, %	–	100	100	–	–	Goal set beginning in 2012.
New self-care suppliers of non-prescription medications and other health products who signed Apoteket's Code of Conduct, %	100	100	100	100	90	
Percentage of fragrance-free options within self-care, %	–	–	13	–	–	No target set. Began to be measured in 2013.

Metrics	Goal 2014	Goal 2013	Out-come 2013	Out-come 2012	Out-come 2011	Comments
High-risk suppliers reviewed, %	–	–	0	100	100	No target set. Classification of suppliers based on developed model.
Employees who completed online training course on Apoteket's Quality Assurance of Drug Handling, %	100	75	15	–	–	Goal set beginning in 2013.
Percentage contractual Medicine Support	70	–	99	88	87	
GOAL AREA ENVIRONMENT						
Travel more climate smart (reduced carbon dioxide emissions, grams per travelled kilometre)	194	205	206	205	228	
Carbon dioxide emission from business travel, kg per person	–	–	405	440	460	No target set.
Collection of medical waste from the public, tonnes	–	–	378	356	287	No target set. Relates to collected and Apoteket's waste. Collected waste will be measured beginning in 2014.
Carbon dioxide emissions from own goods transports, grams per package ¹	–	43	59	41	29	2011 and 2012 outcomes adjusted to correct number of packages.
Number of waste containers sold	313	261	183	1,919	181	
Scrap from own production – multi-dose-dispensing pharmacies, kg/100 patients receiving individually packaged drugs in daily doses	1.2	1.6	1.4	1.6	1.2	
Scrap from own production – hospital pharmacies, kg/preparation	–	–	0.18	0.18	0.17	No target set.

¹) Emissions from Apoteket's own goods transports comprise a subset of scope 3.

About this report

Apoteket's annual report including its sustainability report for financial year 2013 is a cohesive product. Unlike last year's clearly defined sustainability chapters, the sustainability perspective is integrated throughout the report, except for the financial statements and notes. Each year, Apoteket publishes a combined annual and sustainability report. The last one was released on 13 March 2013. The report covers all of Apoteket's business. Moreover, the report covers how Apoteket works to reduce negative indirect impact while promoting positive environmental, social and economic impacts arising at the customer and supplier level. The goal is to demonstrate the Company's commitment to sustainable development and how it handles external demands and expectations.

The sustainability perspectives in the report are based on the Global Reporting Initiative's (GRI) international guidelines for Sustainability Reporting, G4, and meet the requirements for GRI's Core application level. The transition to G4 is a change compared with Apoteket's sustainability report of 2012, which was based on G3.1. The content of the report, in terms of key areas, aspects and GRI indicators, is the result of the materiality analysis that was completed in the autumn of 2013 and approved by executive management and the Board of Directors in December 2013 (read more on page 92).

CARBON DIOXIDE CALCULATIONS

Apoteket gathers emissions data from suppliers of goods transport, cash transports and business travel by rental car. Calculations are carried out based on Apoteket's own data or data provided by suppliers for emissions from electricity use, heating of premises, and business travel by train, plane, taxi and car. Emissions

from these sources are reported according to the different scopes of the Greenhouse Gas Protocol. Emissions will be divided into renewable and non-renewable sources beginning in 2014.

Scope 1 includes emissions from Apoteket's company cars. The report on fuel volume was obtained from the Volvo Finance Auto Disc online service. Emission factors are taken from Network traffic and environment: gasoline 2.53 kg/l, diesel 2.67 kg/l, ethanol 0.59 kg/l, CNG 2.21 kg/m³. Half of the emissions are calculated, based on a flat rate, to be generated from private driving and are therefore deducted from the total. Emissions within the frame of scope 1 during the year were 120 (199) tonnes. The decrease can mainly be attributed to a reduction in the number of company cars.

Scope 2 includes emissions from electricity and heating of Apoteket's premises. Apoteket's own electricity agreements have the Swedish Society for Nature Conservation Good Environmental Choice eco-label, which means that no carbon emissions are generated. Electricity consumption for other units is included in rent or billed separately by the landlord and is therefore reported using a flat rate of 4.4 kg carbon dioxide/MWh (average electricity mix in Sweden according to Vattenfall). Apoteket's heating is calculated using the flat rate of 70 kg/MWh which is based on data from the Swedish District Heating Association. The assumed value for Apoteket's heating and hot water per square metre is 104 kWh/m² according to the Energy Agency's standard values. Emissions for the year within the frame of scope 2 were 971 (1,071) tonnes. The decrease is probably due to a reduction in the number of units during the year.

Scope 3 includes emissions from Apoteket's goods transports, security transports and business travel excluding company cars. Emissions from goods transports and security transports are calculated for each supplier. Because of the uncertainty about some data, certain assumptions have been made to generate a transparent and reasonable picture of how emissions have changed over time. Recent major changes in the pharmacy market and restructuring within Apoteket have entailed changes in transport solutions. Consequently, data from suppliers have changed somewhat over the years. To gain a better overview and control over the calculations, the process of collecting and compiling emissions from goods transports will be reviewed in 2014. Emissions from business travel (excluding company cars) are calculated based on the number of kilometres travelled as reported by an external travel agency, rental car companies, taxi companies and Apoteket's documented travel expenses. The following emission factors have been used: Aeronautical Research Institute (flight 427 g/km), Network Traffic and Environment (trains 0.0024 g/km, rental car – individually per car according to NTM's fuel data), Taxi Stockholm (standard car 213 g/km, green car 49 g/km), National Road Administration (own car in service 200 g/km). Emissions within the frame of scope 3 during the year were 7,992 (9,836) tonnes.

Indicator EN18 is based on total emissions within scopes 1–3 divided by number of produced packages during the year. The indicator began to be measured in 2013. The outcome of the indicator for 2013 was 150 grams of carbon dioxide per package. The number of packages during the year was 60,360,850.

ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES

Currently, Apoteket measures the amount of pharmaceutical waste that is sent for secure combustion. In addition, regular reviews are conducted in relation to the compilation of substances approved by Apoteket in dialogue with suppliers. Consequently, in certain cases Apoteket refuses to bring in products whose content does not live up to its requirements. In other cases, the dialogue with the supplier results in replacement of unsuitable ingredients with others that are more environmentally acceptable. The method of measurement for this indicator will be studied in 2014.

DIRECT ECONOMIC VALUE

The table below shows direct economic value that has benefited Apoteket stakeholders during the year. The indicator EC1 is based on the Group's report of net income and is presented on an accrual basis. The table has been adapted to clarify GRI requirements for distinguishing among created, distributed and retained economic value.

Amount in SEK million	2013	2012	2011
<i>Direct economic value generated</i>			
Income ¹	18,974	21,525	23,073
<i>Distributed economic value</i>			
Operating expenses ²	-16,406	-18,821	-20,421
Salaries and remuneration to employees	-2,012	-2,359	-2,299
Net financial items – pensions	87	60	386
Interest expense	-7	-22	-21
Taxes paid ³	4	16	27
Investments in community	-7.6	-5.5	0
Retained economic value	632	394	745
Income tax according to income statement	-72	52	-195
Taxes paid ³	-4	-16	-27
Depreciation, amortisation and impairment	-192	-198	-132
Net earnings for the year	364	232	391

1) Relates to total income, share of profit of associated companies and other financial income.

2) Relates to goods for resale, other external costs excluding investments in community (contribution to Swedish Cancer Society and SOS Children's Villages – data unavailable for 2011).

3) Relates to taxes paid according to cash flow.

STAFF CALCULATIONS

Over the course of the year 49 occupational injuries were reported, including 17 that resulted in sick leave.

	2013	2012	2011
IR (Injury rate)	1.7	1.1	0.9
ODR (occupational disease rate)	0.58	0.26	0.25
Deaths	0	0	0

All occupational injuries were reported to Apoteket's personnel unit, where they were manually documented. The documents are compiled annually. ODR and IR are not broken down by gender at this time. LDR and AR are not reported due to missing input data. Over the next few years measurement methods must be reviewed to be able to completely report LA6.

At year-end 89 (79) percent of employees were indefinite-term staff and 11 (21) percent were fixed-term employees.

Number	Indefinite-term employees				Fixed-term employees			
	Men	Women	Total	%	Men	Women	Total	%
-29 years	45	254	299	9	88	171	259	58
30–50 years	267	1,501	1,768	51	16	64	80	18
51+ years	126	1,257	1,383	40	4	102	106	24
Total	437	3,012	3,449	100	108	337	445	100
Percentage (%)	13	87	100		24	76	100	

Number	Board of Directors				Executive management			
	2013	%	2012	%	2013	%	2012	%
-29 years	0	0	0	0	0	0	0	0
30–50 years	2	33	3	30	7	70	8	80
51+ years	4	67	3	70	3	30	2	20
Total	6	100	6	100	10	100	10	100

The calculations regarding LA6 (IR, ODR) and LA12 (breakdown of employees by gender, age and employment category) are based on the average number of employees (please see note 22). Actual number of employees at year-end was 4,518.

WASTE CALCULATIONS

This year's report includes indicator EN23, only pharmaceutical waste and hazardous waste, since they have a major impact on the impact on the environment. Household waste and confidentiality waste, which were previously reported, have thus been excluded. All medical waste is incinerated, while hazardous waste is managed in different ways depending on the waste code involved.

The Board of Directors on the Sustainability Report

The sustainability report, which covers all sustainability data in Apoteket's 2013 integrated annual and sustainability report with GRI details (see table of contents for GRI on pages 88–89), has been approved for publication by the Board of Directors on 7 March 2014.

Stockholm 7 March 2014

Christian W. Jansson
CHAIRMAN

Maria Curman
BOARD MEMBER

Gert Karnberger
BOARD MEMBER

Kristina Schauman
BOARD MEMBER

Elisabet Wenzlaff
BOARD MEMBER

Leif Ljungqvist
BOARD MEMBER

Carin Sällström-Nilsson
EMPLOYEE REPRESENTATIVE

Anna Ekergren
EMPLOYEE REPRESENTATIVE

Ann Carlsson
PRESIDENT

Auditor's Limited Assurance Report on Apoteket's Sustainability Report

To the readers of Apoteket AB's Sustainability Report

We have been engaged by the Board of Directors of Apoteket AB to review Apoteket AB's sustainability report for 2013. Apoteket AB has defined the scope of the sustainability report to encompass the areas referred to in the GRI index on pages 88–89.

THE RESPONSIBILITY OF THE BOARD AND EXECUTIVE MANAGEMENT FOR THE SUSTAINABILITY REPORT

The Board of Directors and executive management are responsible for ongoing activities regarding the environment, health and safety, quality, social responsibility and sustainable development, and for the preparation and presentation of the Sustainability Report in accordance with the applicable criteria, which are set forth on pages 94-95 of the Sustainability Report and comprise the portions of the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines G4 that are applicable to sustainability reporting as well as the Company's own accounting and calculation principles.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express a conclusion on the Sustainability Report based on our review.

We have performed our review in accordance with RevR 6 Assurance of Sustainability Reports issued by FAR (the institute for the accountancy profession in Sweden). A review consists of making inquiries, primarily of persons responsible for preparing the Sustainability Report, and applying analytical and other review procedures. A review has a different focus and is substantially less in scope than an audit conducted in accordance with

IAASB's Standards on Auditing and Quality Control and other generally accepted auditing standards. The procedures performed in a review do not enable us to obtain a level of assurance that would make us aware of all significant matters that might be identified in an audit. The conclusion based on a review therefore does not provide the same assurance as a conclusion expressed based on an audit.

The criteria on which our review is based are the parts of the Sustainability Reporting Guidelines G4, published by the Global Reporting Initiative (GRI), which are applicable to the Sustainability Report, as well as the specific measurement and reporting principles that the Company developed and disclosed. They are presented on pages 94–95. We consider these criteria to be suitable for the preparation of the Sustainability Report.

We consider that the evidence we obtained during our review is sufficient and appropriate as a basis for our conclusion below.

CONCLUSIONS

Based on our review, nothing has come to our attention that causes us to believe that the Sustainability Report has not, in all material respects, been prepared in accordance with the above stated criteria.

Stockholm 7 March 2014

Ernst & Young AB

Åsa Lundvall

AUTHORISED PUBLIC
ACCOUNTANT

Charlotte Söderlund

AUTHORISED PUBLIC
ACCOUNTANT

Board of Directors and Auditor



CHRISTIAN W. JANSSON

Chairman
Board member since 2009.
Born 1949.

Other significant assignments:
Chairman of the board of Enzymatica AB, Swedish Trade Federation and Vivoline Medical AB. Board member of Bong AB, Europris AS, KappAhl AB, and the Confederation of Swedish Enterprise.



LEIF LJUNGVIST

Board member since 2012.
Born 1971.

Other significant assignments:
Company administrator at the unit for state-owned enterprises, Ministry of Finance. Board member of Akademiska Hus AB and AB Svensk Bilprovning.

Previous positions:
Board member of Vasallen AB and AB Bostadsgaranti. Equity analyst Kaupthing Bank and Hagströmer & Qviberg.



KRISTINA SCHAUMAN

Board member since 2009.
Born 1965.

Other significant assignments:
Board member and Chairman of the Audit Committee at ÅF AB and Orexo AB. Board member of Livförsäkringsbolaget Skandia ömsesidigt and member of Save the Children's Advisory Board.

Previous positions:
CFO Carnegie Investment Bank AB, CFO OMX AB and CFO Investor AB.



ELISABET WENZLAFF

Board member since 2009.
Born 1955.

Other significant assignments:
Board member of Euromaint AB, Briggen Tre Kronor AB and Nacka Energi AB.

Previous positions:
Chief Legal Officer, Volvo Cars. CEO and Chief Legal Officer Akzo Nobel AB as well as company lawyer ABB AB.



GERT KARNBERGER

Board member since 2009.
Born 1943.

Other significant assignments:
Chairman of Board of Swedish Industry and Commerce for Better Regulation, NNR. Board member of and Chairman of the Audit Committee of Swedol AB (publ). Member of Örebro University innovation council at the Department of Health Sciences and Medicine.

Previous positions:
President, CEO and Board member of Clas Ohlson AB and vice president of Systembolaget AB.



MARIA CURMAN

Board member since 2012.
Born 1950.

Other significant assignments:

Board member of Bonnier AB, Bonnierförlagen AB, Bonnier Media Deutschland, Cappelen Damm A/S, and Teracom AB.

Previous positions:

CEO Bonnier Books and CEO Sveriges Television.



GUNILLA LARSSON

Employee representative (deputy), appointed by Unionen. Served on Apoteket's Board of Directors since 2009. Born 1951.



CARIN SÄLLSTRÖM-NILSSON

Employee representative (ordinary member) appointed by the Swedish Pharmacists Association. Served on Apoteket's Board of Directors since 2009. Born 1954.



MARIE REDEBÖRN

Employee representative (deputy), appointed by Swedish Pharmacists Association. Served on Apoteket's Board of Directors since 2012. Born 1964.

Unionen will appoint an additional employee representative to Apoteket's Board of Directors in the spring of 2014.

Auditor

ÅSA LUNDVALL

Authorised public accountant, Ernst & Young AB, elected 2011. Born 1970.

Other significant assignments:

Elected auditor of AB Trav och Galopp, DGC One AB, H&M Hennes & Mauritz AB, Lidl KB, Systemair AB and Systembolaget AB.

Executive management



ANN CARLSSON

CEO and President
HR specialist. Employed and member of executive management since 2010. Born 1966.

Other significant assignments:
Board member of Martin & Servera and Ruter Dam. Member of Centre for Business and Policy Studies Board of Trustees and council member of Stockholm Chamber of Commerce.

Previous positions:
Assignments within the ICA Group, most recently as head of the ICA Business areas.



JAN JOHANSSON

CFO
MSc in Business Administration and Economics. Employed and member of executive management 2011. Born 1962.

Other significant assignments:
Board member (deputy) of Apoteket AB's pension foundation.

Previous positions:
Chief financial officer Eniro and CFO Nobia.



ULRIKA ERIKSSON

Vice President and Director of the Consumer business area. MSc in Business Administration and Economics. Employed and member of executive management 2005-2007 and since 2009. Born 1969.

Other significant assignments:
Board member of Bong AB.

Previous positions:
Head of purchasing for Small Shops Sverige AB, Vice President of Svenska Pressbyrå AB and Vice President of Reitan Servicehandel i Sverige AB.



EVA FERNVALL

Director of Corporate Communications
Biomedical technician. Employed and member of executive management since 2005. Born 1953.

Other significant assignments:
Chair of e-Hälsainstitutet.
Board member of Karolinska Institutet's Board of Directors and IQ.

Previous positions:
President Swedish Association of Health Professionals, Vice-President Swedish Confederation of Professional Employees, vice president Swedish Association of Health Professionals, biomedical technician Danderyd Hospital.



CARINA FÄLT

Director of Business Development
Employed and member of executive management since 2012. Born 1972.

Previous positions:
Assignments within the ICA Group, most recently as head of the Retail Development ICA.



LARS SKUTHOLM

Director Healthcare & Enterprise
MSc in Business Administration and Economics.
Employed 2009 and member of executive management since 2011.
Born 1968.

Previous positions:
Assignments at Pharmacia, Nycomed, Novartis and Nestlé.



ANNA ROGMARK

Chief Legal Officer and Director of Business Support LLB. Employed 2005 and member of executive management since 2010.
Born 1965.

Other significant assignments:
Board member (deputy) of Apoteket AB's pension foundation.

Previous positions:
In-house counsel Biovitrum and Pharmacia.



OLLE CARLS

Director of Logistics
Master of Business Administration.
Employed and member of executive management since 2012.
Born 1960.

Previous positions:
Director of Logistics Dahl Sverige AB, CEO UPS Logistics Group Nordic AB, Head of Marketing and It Schenker CLC AB, Logistics Manager Computer 2000 AB.



PONTUS ROSÉN

Director of Product Range & Marketing
Employed 2010 and member of executive management since 2012.
Born 1975.

Previous positions:
Assignments at Johnson & Johnson Consumer Nordic, Absolut Spirits/Vin & Sprit, Differ, Procter & Gamble and within Purchasing & Product Range at Apoteket.



KENNETH HAGSTEN

Director of Human Resources
Master of Business Administration.
Employed and member of executive management since April 2013.
Born 1970.

Previous positions:
Assignments within ICA, most recently Director HR Development.

Multi-year summary

KEY FIGURES

	2013	2012 ¹	2011	2010	2009	2008	2007	2006	2005	2004
Net sales, SEK million	18,847	21,392	22,960	26,275	43,073	41,710	39,493	37,269	35,444	34,092
Operating earnings, SEK million	354	141	189	-233	804	950	588	600	292	285
Financial items, SEK million ²	-6	-19	14	31	3	19	14	21	-2	-3
Pre-tax earnings, SEK million	436	180	586	4,524	806	969	602	621	290	282
Net earnings for the year, SEK million	364	232	391	4,520	532	711	433	447	201	205
Dividend (approved and paid the following year), SEK million	150 ³	31	200	5,400	372	237	145	150	70	100
Balance sheet total, SEK million	7,798	8,072	8,249	13,537	11,686	11,700	10,596	10,309	9,815	8,943
Equity, SEK million	4,390	3,040	2,656	7,665	4,026	3,838	3,293	3,010	2,632	2,518
Change in net sales, %	-11.9	-6.8	-12.6	-39.0	3.3	5.6	6.0	5.1	4.0	3.0
Operating margin in %	1.9	0.7	0.8	0.2	1.9	2.3	1.5	1.6	0.8	0.8
Equity/assets ratio, %	56.3	37.7	32.1	56.6	34.5	32.8	31.1	29.2	26.8	28.2
Return on capital employed, % ⁴	16.3	5.0	4.6	46.8	14.6	18.2	11.1	12.0	6.2	7.5
Return on equity, %	10.2	8.8	7.6	77.3 ⁵	13.5	19.9	13.7	15.8	7.8	9.4
Average number of employees	3,899	4,540	4,633	5,655	10,319	10,666	10,689	10,632	10,914	10,856

1) 2012 figures were restated in accordance with the new accounting policy for pension calculation under IAS 19R, please see note 30.

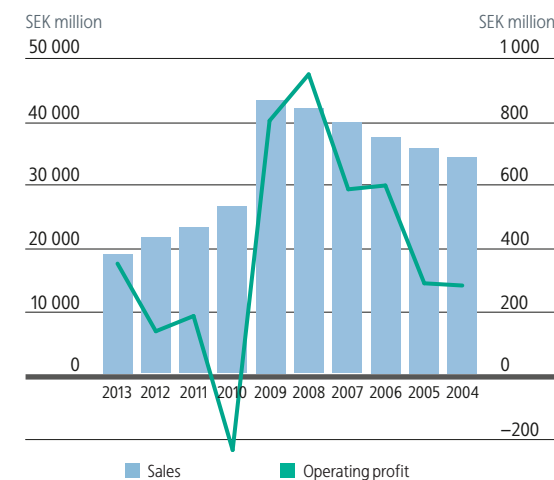
2) Financial items do not include return on plan assets or interest expense on the pension obligation.

3) Dividend for 2013 relates to a proposed, but not yet approved dividend of SEK 150 million.

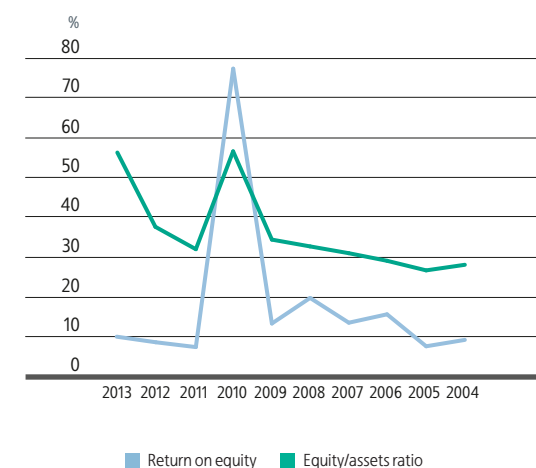
4) In 2010 and earlier, capital employed was calculated on total assets, including pension claim.

5) Return on equity 2010, adjusted for capital gains of SEK 4,427 million, amounted to 2.5 percent.

Sales and operating earnings



Return on equity and equity ratio



Definitions

AVERAGE NUMBER OF EMPLOYEES

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

CAPITAL EMPLOYED

Balance sheet total (excluding pension assets) less non-interest-bearing liabilities including deferred tax liabilities.

COSO

In 1992 the Committee of Sponsoring Organisations 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.

DEBT/EQUITY RATIO

Interest-bearing net debt divided by pension-adjusted equity.

EARNINGS PER SHARE

Earnings after tax divided by the number of shares.

EMPLOYEES

Number of indefinite-term staff, temporary staff and hourly employees, regardless of time worked and absence.

EQUITY/ASSETS RATIO

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

GOODS FOR RESALE

Includes Apoteket's product costs for the sale of pharmaceuticals 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 DEBT

Interest-bearing liabilities less interest-bearing assets, excluding 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 net sales.

PENSION-ADJUSTED EQUITY

Equity adjusted for returns and deferred tax relating to pension assets in Apoteket's pension foundation.

PENSION-ADJUSTED NET INCOME

Net income adjusted for net financial pensions and related deferred tax.

RETURN ON EQUITY

Profit after tax as a percentage of average shareholders' equity for the last 12 months.

RETURN ON CAPITAL EMPLOYED

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

SICKNESS ABSENCE

Total number of hours of sick leave for all employees in relation to scheduled time.

WORK ATTENDANCE

Percentage of indefinite-term staff with fewer than eight sick days during the year.

Glossary

CYTOTOXIC MEDICATIONS

A class of drugs primarily used to treat various oncological diseases.

DAILY DOSE

A daily dose contains the medications that the customer needs for one day. It may mean one or several pouches.

DENTAL AND PHARMACEUTICAL BENEFITS AGENCY (TLV)

Government agency that reviews and makes decisions about which medications and dental treatments to include in the high-cost database.

DRUG REVIEW

A service offered by Apoteket in which Apoteket's staff, along with physicians, nurses, and in some cases, patients and families, carry out drug utilisation reviews of the patient's medications. The purpose of the service is to improve the patient's medication use.

GRI G4 CORE

Base level of the new sustainability guidelines from the Global Reporting Initiative (GRI).

HEALTH PRODUCTS

Products sold in pharmacies, but that are not medications, such as skin and hair care products, dental care products, personal care products and nutritional supplements.

GENERIC INTERCHANGEABLE DRUG

Medicinal products containing the same active substance in the same amount but may have a different appearance. They can be used interchangeably, but have the same effect.

LICENSED MEDICINAL PRODUCT

Medicine that has not been approved for sale the Swedish market, but where the Swedish Medical Products Agency has granted special permission for sale, usually for an individual patient.

LGBTQ

Acronym for people who identify as lesbian, gay, bisexual, transgender and queer/questioning.

MEDICATIONS THAT REQUIRE A PRESCRIPTION

Medicinal products for which a prescription must be ordered by a healthcare professional.

MULTI-DOSE DISPENSED DRUGS

Each pouch contains the medications the patient must take at one time, such as morning, noon and night. ApoDos is Apoteket's service for individual packaging of medications.

MYSTERY SHOPPING

Method used to monitor the quality of the customer encounter in outpatient pharmacies.

NON-PRESCRIPTION MEDICATIONS

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

OUTPATIENT CARE

Collective term for healthcare services provided for ambulatory patients.

PERSONALISED MEDICINES

Medicinal products that are not produced in the pharmaceutical industry for various reasons, but that are still needed. They are manufactured based on individual customer needs. They are also called extemporaneous medicines or custom-made medicines.

PHARMACIST

Healthcare professional with an undergraduate or graduate degree in pharmacy.

PHARMACY REPRESENTATIVES

Pharmacy representatives are Apoteket distribution points for medications and other health products. They are usually found in locations that lack ordinary pharmacies.

PRESCRIPTION MEDICATIONS

Medicinal products ordered by prescription. Such medications can be non-prescription drugs or require a prescription.

SWEDISH MEDICAL PRODUCTS AGENCY

The MPA is responsible for oversight of medical devices and cosmetics, as well as authorising and monitoring medications and herbal products.

For additional information regarding Apoteket's annual report, please contact Ann Carlsson, CEO or Jan Johansson, CFO. For additional information regarding Apoteket's sustainability programmes, please contact Eva Fernvall, Director of Corporate Communications, or Erik Thorsell, Director of Quality Management. They can all be reached at +46 (0)10-447 50 00.

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Financial reporting calendar 2014

Interim report January–March: 24 April

Interim report January–June: 18 July

Interim report January–September: 23 October

Annual General Meeting in Apoteket AB:

10 April, 2014 in Solna



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