




014


ANNUAL AND
SUSTAINABILITY REPORT





*We want to make it easier to feel well.
We offer our customers a wide range of
medicinal products, carefully selected health
products and health services.*

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





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ABOUT THIS REPORT

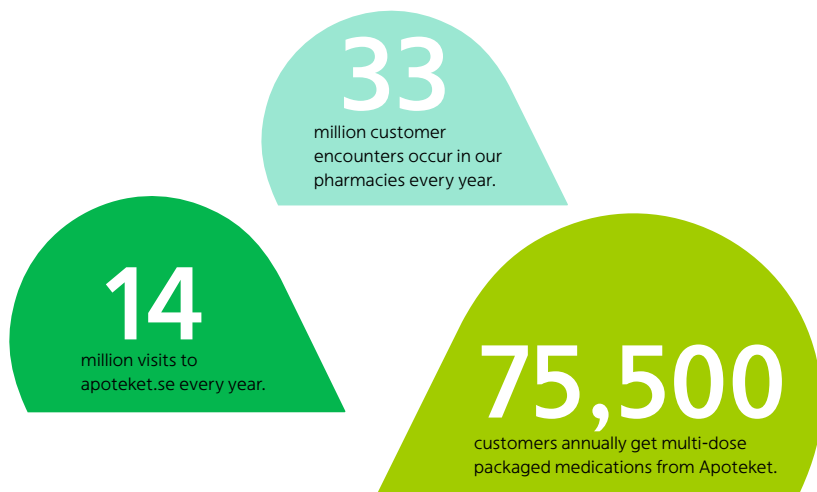
Apoteket's 2014 Annual and Sustainability Report presents the past year based on our business model of a life in health and good long-term profitability. Apoteket aspires to be a value creating company that takes human rights, working conditions, environmental and ethical issues into account throughout the value chain.

This Report includes financial and sustainability information that is significant for Apoteket's business and stakeholders.

Apoteket applies the Global Reporting Initiative (GRI) Sustainability Reporting Guidelines, G4. The report also describes how we support the UN Global Compact's ten principles concerning human rights, labour rights, the environment and anti-corruption.

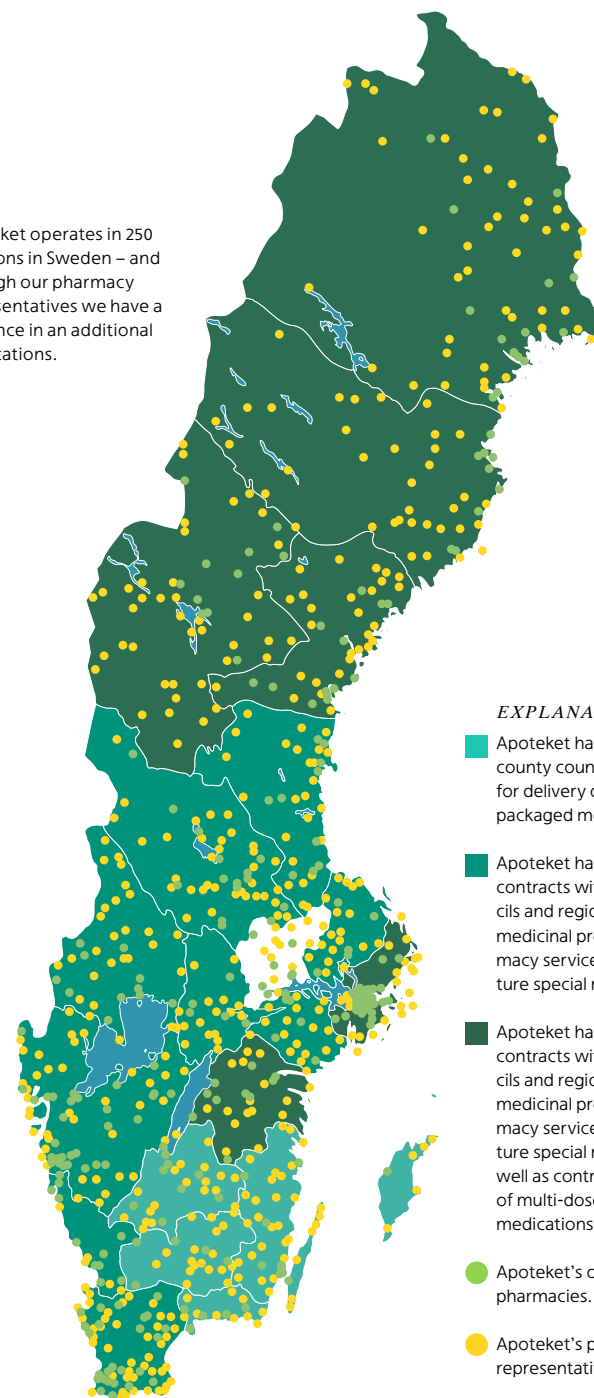
Apoteket in two minutes

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.



- Apoteket provides medicinal products, carefully selected health products and services for consumers, the healthcare system, businesses and organisations.
- Apoteket is a state-owned company that was founded in 1971, has its headquarters in Solna and customers throughout Sweden.
- We have an average of about 3,470 employees from 83 countries who speak a total of 57 languages. They help our customers get their medications and provide information as to their proper use.
- We run 370 pharmacies all over Sweden and online shopping at apoteket.se. The customer meets us at more than 60 hospitals, in 700 wards and through 671 pharmacy representatives.
- We have completed 22,800 Health Check-ups on individuals and employees at companies since the service was launched in 2010.
- The ApoPlus customer club has 1.4 million members.
- Apoteket has been certified in compliance with ISO 14001 since 2007.

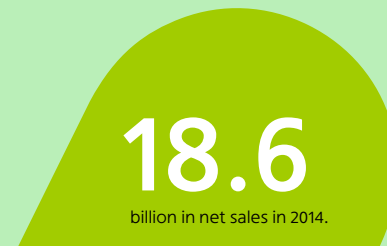
Apoteket operates in 250 locations in Sweden – and through our pharmacy representatives we have a presence in an additional 671 locations.



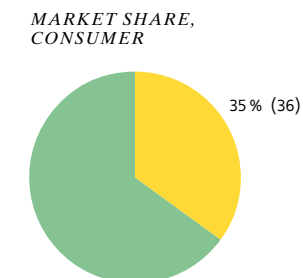
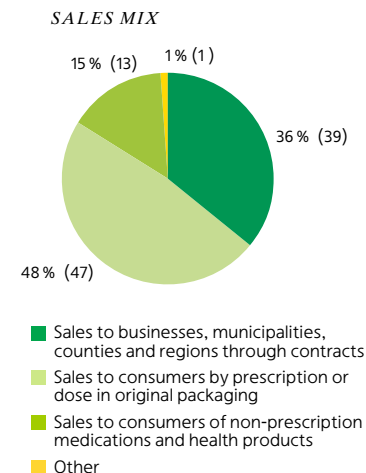
2014 in brief

SIGNIFICANT EVENTS DURING THE YEAR

- Apoteket initiates cooperation with Bris at the start of the year.
- Apoteket launches a subscription service for medicines.
- Restriction on opening new outpatient pharmacies is lifted for Apoteket.
- The 2014 Annual General Meeting resolves to pay a dividend of SEK 150 (31) million.
- Apoteket launches a campaign on how we make it easier to feel well through a high level of accessibility to medicinal products.
- In cooperation with the pharmaceutical industry, Apoteket carries out in-depth advisory sessions at pharmacies and starts home delivery of medicines to patients with haemophilia.
- For the sixth consecutive year, Apoteket is named “Sweden's most honest company” and receives awards such as “Best service company in the industry” and “Pharmacy Students' ideal employer”.
- To demonstrate that customers can trust that products from Apoteket are carefully selected and monitored, we launch a campaign about our quality control.
- Apoteket initiates collaboration with pharmaceutical distributor Tamro to streamline deliveries to the pharmacies.
- Together with the customers, Apoteket collects SEK 6.4 million for Cancerfonden.
- To reduce our negative environmental impact, we introduce an environmental bonus for loyalty club members who return leftover drugs.
- Apoteket wins a contract to provide multi-dose packaged medicines to 40,000 patients in Region Västra Götaland and Region Halland beginning in September 2015.
- 149 of our 370 pharmacies increase their opening hours during the year by a total of 1,100 hours per week, which is the equivalent of about 20 new pharmacies.



KEY FIGURES	2014	2013
Net sales, SEK million	18,567	18,847
Operating profit, SEK million	343	354
Operating margin, %	1.8	1.9
Net earnings, SEK million	371	364
Earnings per share, SEK	2,123	2,080
Operating cash flow, SEK million	-60	860
Capital employed, SEK million	2,009	2,182
Interest-bearing net debt, SEK million	56	285
Debt/equity ratio	3.1	18.3
Return on equity, %	7.8	10.2
Return on capital employed, %	17.1	16.3
Average number of employees	3,474	3,899



CUSTOMER SATISFACTION INDEX

85

This year's customer survey at our 75 largest pharmacies shows that many customers are satisfied with their experience of Apoteket. Employees and the perceived availability get high marks.

Ann Carlsson,
CEO, Apoteket

Apoteket is gearing up to meet the needs of our customers

An increased interest in health and stable demand for medicines and advisory services characterised the pharmacy market in 2014. During the year, Apoteket carried out bold initiatives to increase availability and quality, while reducing our costs. As a result we are well-equipped for the future. Now we want to do more for more people, and strive to meet a variety of needs by offering products and solutions that make it easier to stay healthy.

Apoteket's operating profit for 2014 fell slightly to SEK 343 million, which also meant that the operating margin dropped to 1.8 per cent. Net sales declined by 2 per cent to SEK 18,567 million as a result of less extensive and fewer agreements with county councils and regions.

We focused on lowering our costs during the year, which has required demanding but necessary measures in all business areas. The measures included reduced IT costs and capacity adjustment in the dispensing operation. Additional measures, such as an integrated sales organisation and fewer positions in key functions were implemented to ensure continued lower overhead costs.

A LIFE IN HEALTH

Apoteket's vision of a life in health applies to private individuals, patients in the healthcare system, and our employees. We work



every day to promote improved medication use and a sustainable society.

Economic, environmental and social perspectives serve as the basis for how we develop our customer offerings. This means that we are responsible for meeting customer needs while taking sustainable development into account. We focus on increasing the percentage of satisfied customers, motivated employees, accountable suppliers, customers who return leftover medicines and on good profitability.

ONE MARKET – MANY CUSTOMERS

Apoteket has two large customer groups. One is private individuals who want their medicines quickly, conveniently and with customised advisory services. Our other large customer group comprises care providers within county councils and regions. They face the challenge of treating more patients, while keeping down costs. To cope with these challenges they need to find new solutions for their pharmaceutical logistics to hospitals and care facilities.

EFFECTIVE HEALTHCARE SOLUTIONS

Apoteket wants to be a close partner to the healthcare system and create patient-safe solutions customised for care providers. We strive to make it easy to order and receive reliable delivery of medicinal products for patients.

Apoteket has agreements to deliver medicinal products to 15 counties and regions and manufactures special medicines for 13 counties and regions. During the year, we delivered under existing contracts and developed new delivery models to provide more effective solutions.

APODOS FOR HIGH PATIENT SAFETY

Apoteket has contracts in eleven county councils and regions to deliver Apodos to people who need assistance taking their medications the right way. Our efforts in 2014 to streamline production of multi-dose packaged medications helped us win the contract for 40,000 patients in Region Västra Götaland and Region Halland. Our goal in 2015 is to win more contracts to care providers, thereby contributing to cost effectiveness and high patient safety.

“It feels good to work every day to make it easier for people to feel well.”

HIGH LEVEL OF AVAILABILITY FOR MEDICINAL PRODUCTS AND ADVISORY SERVICES

I am pleased to report that more and more customers over the course of the year have chosen to buy their prescription medications at Apoteket. Sales of our non-prescription product line and health products in areas such as dental, skin and foot care have also performed well during the year. I am extremely proud of our line of private label products and am pleased that more and more customers are discovering and appreciating these affordable and carefully monitored products.

During the year we continued to develop the customer encounter and to free up more time for the customer at our 370 pharmacies. For us it is important that customers receive their medicines when they need

them and we want to support each of them in their medicine use by providing good advice. To improve our availability we increased our opening hours by about 1,100 hours per week at our pharmacies all over Sweden.

We also continued to develop our digital solutions. More and more people shopped at apoteket.se – using a computer, tablet or mobile device. Sales through online shopping increased eleven per cent. Many customers also chose to subscribe to their medications or receive reminders by text message.

GROWTH OF NON-PRESCRIPTION MEDICATIONS AND HEALTH PRODUCTS

In 2014 total sales of non-prescription medications and health products increased in Sweden. The increase was largest for pharmacy operators, who account for the majority of sales. The strong growth indicates that more and more people want to buy these products in pharmacies where they can receive advice.

Customers became more interested in our selection process in response to Apoteket's quality control campaign and we noted an increase in sales.

CLOSE TO THE CUSTOMER

We want to be close to our customers and ensure that we are present in the contexts and locations where the customers are found. Over the next few years we look forward to offering more stores in locations close to our customers. Together with property owners and other partners, we are adapting our stores' locations and product ranges to meet the requests and needs of our customers.



Apoteket's employees do an incredible job every day to make it easier for our customers to feel well.

Several surveys show that customers have strong trust in Apoteket. In 2014, we received the highest rating in the industry for service and we were named Sweden's most honest company for the sixth consecutive year. This encourages us to continue in our important work to support our customers in their quest for a healthy life. We have ambitious goals and our Customer Satisfaction Index score was 85 in the most recent survey – which we are very pleased to see. I would like to say a big thank you to all of our employees who do their best to exceed customer expectations every day.

DEDICATED EMPLOYEES

This year's customer surveys also confirm that our employees are one of our main strengths. In this year's employee survey, all areas moved in the right direction and I am particularly pleased to see increased dedication and motivation. This means a lot for our development. However, work attendance among our employees is not increasing at the pace we would like

to see. We are continuing to promote good health among our employees in 2015. Good working tools and dedicated leadership are important basics.

SUSTAINABLE BUSINESS PRACTICES

Sustainability issues are becoming increasingly important for our customers and for us at Apoteket. We want to offer products that customers can feel safe buying and are constantly working to reduce the negative environmental impact of medicines and other products. Part of this work involves constantly improving how our products are manufactured and distributed.

All new suppliers of non-prescription medications and health products have signed Apoteket's Code of Conduct during the year. We are now going one step further and in 2015 we will work to ensure that the majority of suppliers of other products and services do the same. We also strive to increase the percentage of customers who return leftover medicine to Apoteket. Apoteket signed the UN Global Compact in 2009.

We therefore support the principles of sustainable enterprises and formulate our sustainability efforts accordingly.

FUTURE PROSPECTS

Everything we do is designed to make it easier for people to feel well. In 2014 we took several steps in the right direction to achieve this objective. Now we want to gear up to achieve even better results. In 2015 we will primarily focus on getting more people to choose our products and services. Then we can continue to develop as the leading and most popular pharmacy operator and make it easier for more customers to feel well.

Solna March 2015

Ann Carlsson
CEO



MARKET OVERVIEW

The pharmacy market in Sweden is characterised by stable prices and stable demand for medicinal products. More people are living longer and interest in healthy living is growing. Easy access to medicinal products and good advice are important.

The county councils face the challenge of treating more patients with new and often expensive medicines, while keeping down the cost of medicines.

EMPLOYEES AND EXPERTISE

Apoteket's strength lies in its motivated and knowledgeable employees, who contribute to the growth of the Company with their extensive expertise about medicines, health and logistics.

Good leadership and efficient operational support create the best possible conditions for employees to meet customer needs.

CUSTOMER ENCOUNTER

We apply our collective expertise to the customer encounter, providing advice on the optimal use of their medicines and health products.

We are constantly improving our accessibility by expanding our hours and by providing customers with opportunities to order medicines and health products at the time and in the manner that best suits the customer.

Our deliveries to the healthcare system ensure that patients receive their medicines at the right time.

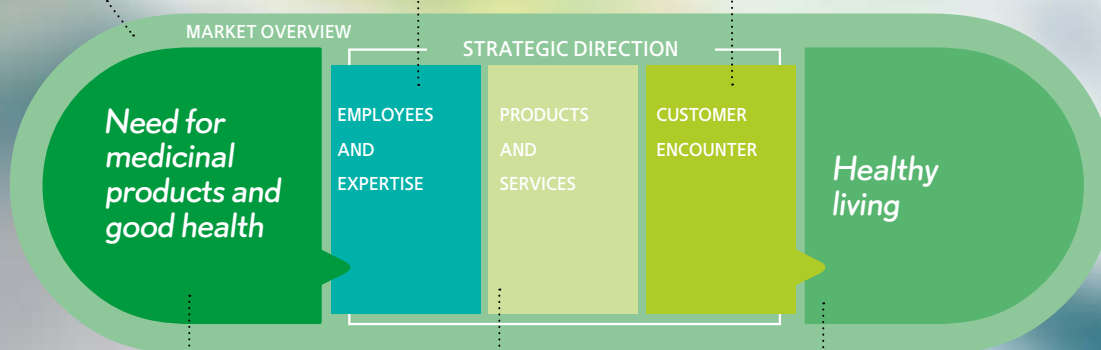
Business model for sustainable values

This is Apoteket's business model for how we enhance our offering of products and services based on the needs of our customers and with the help of our employees. Through attractive customer offerings and easy access, we reach more people and make it easier to feel well.

There is a need for medicinal products and a quest for perceived good health in society. Apoteket sells all of the medicines for which prescribers in the healthcare system write prescriptions. We provide counselling to customers to enable them to optimally use medicinal products. Our products and services support them in their quest for a healthy lifestyle.

We offer services related to pharmaceuticals and patient safety to our hospital and nursing home customers. By providing medicinal products cost-effectively and punctually, we want to provide healthcare staff with the best conditions possible so that they in turn can provide patients with the support and security they need. We produce special medicines or multi-dose packaged medications tailored to the individual for patients who need them.

The Swedish state and the county councils can achieve considerable cost savings in health care due to improper medication use. Proper medication use reduces the risk of releasing large quantities of medicinal products into nature with a negative environmental impact. Most important, however, is that more people feel better and we can avoid unnecessary human suffering.



NEED FOR MEDICINAL PRODUCTS AND GOOD HEALTH

Our aspiration is to generate sustainable values for our customers, as well as for our employees and society at large. When properly used, medications can cure and alleviate diseases. At the same time, increased medication use places higher demands on advisory services and patient safety, while entailing greater environmental impact.

PRODUCTS AND SERVICES

Apoteket provides all prescription medication and advises customers on how to use them. We carefully check and select our range of other health products and services.

We also offer services to promote development of the healthcare system and high patient safety.

LIFE IN HEALTH

To meet customer needs, we strive to be responsive, flexible and work closely with our customers.

Every day we work to make a difference, both for the individual and for healthcare providers to ensure good care for their patients. Quite simply, we want to be the customer's best partner for medicinal products and a healthy life.



New opportunities in the pharmacy market

Stable demand for medicinal products and advisory services, access to mobile technology and a strong interest in a healthy lifestyle create new opportunities for the pharmacy industry.

The pharmacy market in Sweden has been re-regulated in several steps, beginning in 2008. Both the consumer and the healthcare market are now fully subject to competition. Consolidation continued throughout the year on the consumer market. There are both large and small pharmacy chains and Apoteket is the market leader. There are also niche players that sell a limited product range within a specific product category, as well as players who solely engage in e-commerce. All pharmacies are required to provide all prescription medications. A selection of non-prescription medications are also permitted to be sold by other retail outlets.

There are fewer players in the healthcare market. They produce special medicines and provide services and medicinal products to county councils and regions, as well as to care facilities. Apoteket has a broad offering of products and services for customers in all market segments.

STABLE DEMAND FOR MEDICINAL PRODUCTS

Medicinal products are increasingly used to treat various diseases, while many people can care for themselves by treating simpler problems with non-prescription medications and health products. Customers meet pharmacy employees more often than they meet healthcare workers. Easy access to medicinal products and good advice are important to customers. Regulated prices on 85-90 per cent of all prescription drugs, which account for the majority of sales, contribute to price stability and equitable access to medicines.

GROWING INTEREST IN HEALTH AND FITNESS

The exercise trend continues with a growing market for fitness trackers and apps that keep track of steps, sleep and other values. At the same time people are becoming increasingly sedentary.

More and more people are living longer and chronic diseases are increasing, especially diabetes, neurological disorders and cardiovascular diseases. Many of these diseases require lifelong treatment with medications. Many older people are active at higher ages and request support to improve their health and their medication use.

INCREASED PRESCRIPTION MEDICINE COSTS FOR THE STATE

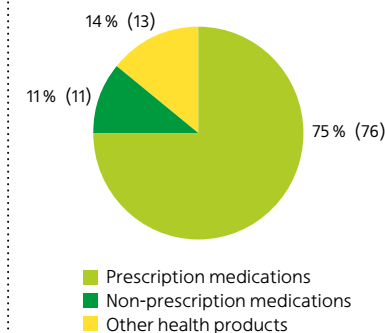
The amount of prescription medicines and the total value of sales increased by 4 per cent in 2014, to SEK 32.8 billion. The Swedish state and the county councils are responsible for the majority of the cost of prescription drugs through the high-cost threshold. These costs totalled SEK 17.9 billion in 2014. In addition to the costs of the pharmaceutical benefit, the county councils also have costs for medicines to treat infectious diseases. In the field of infectious disease control, a number of new and expensive medicines were launched in 2014 for the treatment of hepatitis C that may have caused the county councils' costs to increase even more.

This increase was offset somewhat by lower costs due to drug patent expirations and switching to equivalent but less expensive medicines in pharmacies. The Swedish Dental and Pharmaceutical Benefits Agency (TLV) makes decisions concerning which medi-

PHARMACY SALES IN THE CONSUMER MARKET IN 2014

SEK
35.7

billion, an increase of 4.5 per cent.





nal products should be included in the pharmaceutical benefit and sets purchase and sales prices for the pharmacies. The county councils may decide to subsidise additional medicines. As a result, different customers and patient groups may therefore pay different prices. This situation has raised the issue of equitable care during the year.

INCREASED SALES IN THE CONSUMER MARKET

Pharmacy sales in the consumer market totalled about SEK 35.7 billion in 2014, an increase of 4.5 per cent compared with 2013. The consumer market is defined as total sales from pharmacies, mail order, dose in original packaging and sales from veterinary pharmacies. Prescription drugs account for about 75 per cent of pharmacy sales.

The number of outpatient pharmacies increased from 1,302 to 1,325 during the year.

MANY PLAYERS IN THE PHARMACY MARKET OFFER E-COMMERCE

Apoteket has offered customers the option to purchase medicinal products and health products online at apoteket.se since 2006. More and more customers are choosing to shop online using their computer or mobile devices. Other players in the pharmacy market also launched online shopping sites during the year.

LESS EXTENSIVE HEALTHCARE CONTRACTS

The county councils face the challenge of treating more patients,

while lowering their pharmaceutical costs. Access to special medicines and efficient deliveries of medicinal products are important priorities. Agreements to provide pharmaceutical services to the healthcare system have declined in scope in recent years and one county council has chosen to take over this task and keep it in-house. Contracts with county councils continue to be subjected to strong pricing pressure.

MULTI-DOSE PACKAGED MEDICATIONS SIMPLIFY USE

People who need help taking their medicines at the right time can receive multi-dose packaged medications. More and more elderly individuals receive care in assisted living housing or at home, thereby increasing the need for safe and efficient handling of medicines at home. The alternative is for visiting nurses, a family member, or the customer to administer the correct medicine dose manually. Currently around 180,000 people receive multi-dose packaged medications. Apoteket is one of three participants in the market.

SUSTAINABILITY IS AN IMPORTANT ISSUE FOR CUSTOMERS

Customers want to know how companies address their environmental and social responsibilities. They also want to know how products are made, what they contain and what impact they have on the environment. Interest in collecting consumed materials and recycling is growing. Sustainability increasingly serves as the basis for business management in many companies.



30 MINUTES A DAY

Dr. Mai-Lis Hellenius, Professor at Karolinska Institutet and Senior Consultant at the Lifestyle Clinic, Karolinska University Hospital, Stockholm.

Why do you assert that sedentary behaviour is the new public health challenge?

I've worked with patients' lifestyle issues for over 30 years and see a clear trend. The result from the EU survey carried out during the year also confirms this trend. In Sweden and northern Europe we exercise most in the world, but we also sit still the most. Sleep deficit, stress and our eating habits are other health hazards. Diets have become more popular – we diet to lose weight when we should move more instead so we can eat more of the nutrients we need.

But isn't it popular, for example, to participate in marathons?

Yes, the number of individuals who work out is increasing, but more and more people do not exercise at all. The most important thing is to incorporate exercise into our daily lives. If we have a sedentary job, we can take the stairs, ride our bikes more often, or take walks during our lunch break. A short walk to stretch our legs has major health benefits.



Clear strategies and goals to meet customer needs

Apoteket's mission is to run its business in an economical, environmental and socially sustainable manner.

Apoteket's vision, customer promise, and business concept form the foundation of how we run our business. They show the direction and describe our quest to be of benefit to both our customers and society. The Company's core values — trustworthy, committed, creative and considerate — must permeate the behaviour of our employees in relation to both customers and co-workers. External changes and customer needs are the basis for strategies and prioritised activities that show the way to achieve the objectives.

VISION:
A Life in Health

The vision aims to inspire employees and management in our work to ensure that people are able to pursue a life in health. Our aspiration is to achieve improved public health and a sustainable society.

- To enable more people to live a healthy life, despite illness, Apoteket makes it easier to gain access to medicinal products while contributing to the safe use of medicines.
- By supporting people who want to develop healthier lifestyle habits, Apoteket inspires and supports customers in choosing products and services tailored to their needs and level of ambition.
- Since Apoteket wants to promote a sustainable society that conserves the earth's resources we strive to minimise our environmental impact – all the way from production to end customer.

CUSTOMER PROMISE:

We make it easier to feel well

With extensive knowledge about medications and health, Apoteket offers solutions that make it easier for people to feel well. That is Apoteket's promise to the customer.

FOR PRIVATE INDIVIDUALS: Apoteket stocks all medicinal products approved by the Swedish Medical Products Agency and provides advice on how to use them so the customer will feel well. We also develop a broad range of high-quality health products and services that are available in several different channels.

FOR HEALTH SERVICES: Apoteket is a customer-focused and responsive healthcare services partner that adds value to the initiative to increase patient safety. Apoteket's solutions simplify procedures for the healthcare system.



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.



PROMOTE SALES WITH A STRONG CUSTOMER FOCUS AND A CLEAR PROFILE

Customer needs are at the centre of Apoteket's customer offering. Customers want shopping to be convenient and leave them with a good conscience.

During the year we focused on a high level of availability for medicinal products, clearer information on our quality control for the product line and value-generating services for the healthcare system.

DEVELOP NEW CUSTOMER OFFERINGS, MARKETS AND COLLABORATIONS

Society's increased interest in good health has generated opportunities for Apoteket to engage in responsible sales and offer services that contribute to a healthy lifestyle and correct use of medicines.

During the year we initiated collaborations with several companies and organisations aimed at providing customers with good support.

ATTRACT, IMPROVE AND RETAIN THE RIGHT TALENT

The commitment, consideration and expertise of Apoteket's employees create value for both the customers and the community.

During the year we provided leadership training, improved our hiring procedures and focused on employee health.

Strategies and prioritised activities

REDUCE COSTS AND SIMPLIFY PROCEDURES

In order to be competitive and retain or strengthen our position in the pharmacy market while strengthening our operating margin, we need to reduce costs throughout Apoteket. One approach involves streamlining and coordinating similar activities within the Company. Another is to carry out benchmarking with other companies to stimulate higher cost efficiency.

Over the course of the year we invested in modern IT support to increase automation within the business.

REDUCE PURCHASING PRICES AND OPERATE AN EFFICIENT SUPPLY CHAIN

We strive to lower the purchasing prices of our line of products. Prices can be negotiated on 10-15 per cent of the total purchase value of prescription medicines. The TLV sets the rest of the purchase prices.

During the year we continued to develop supplier relationships and methods to reduce the purchasing costs of non-prescription medications, health products and the items we use in the business.

An efficient supply chain combines high availability of goods with low distribution costs.

In 2014 we initiated a new collaboration with pharmaceutical distributor Tamro.



Apoteket's long-term goals

APOTEKET'S LONG-TERM AMBITION is to conduct sustainable business using our vision of a life in health as the starting point. We will also ensure that our work not only addresses financial concerns, but also integrates environmental and social perspectives in our decisions. This means that we are responsible for meeting customer needs while taking sustainable development into account. We are convinced that by embracing sustainable business practices we can create added value for our customers, our employees and our partners. This approach also helps us to set high standards to promote the growth of our business.

We have chosen five strategic target areas to strengthen our customer promise with a focus on sustainable health, product range, environment, diversity and finances. Apoteket's executive management is responsible for ensuring that the affected portions of the business strive to achieve the goals for each respective area. Read more about the goals on pages 82–89.

HEALTH GOAL:

Apoteket will prevent ill health and promote proper medication use. The goal is to increase the percentage of satisfied customers.

PRODUCT RANGE GOAL:

We want to strengthen customers' trust in Apoteket by offering a line of products that has been subjected to quality assurance procedures. The goal is to increase the percentage of existing suppliers that have signed Apoteket's Code of Conduct.



80

in Customer Satisfaction Index

100%

of suppliers will sign the Code of Conduct

CURRENT STATUS

This year's Customer Satisfaction Index (CSI) was carried out at our 75 largest pharmacies. The CSI score was 85.

Beginning in 2015 the survey will include more pharmacies and customer groups. Changes may influence future results, for which reason long-term targets have been set.

Apoteket sees a strong link between customer satisfaction and health. Apoteket helps to create satisfied customers who feel better by providing them with their medicines, advice on how to take them, and related products.

CURRENT STATUS

At year-end 2014, 94 per cent of our suppliers of non-prescription medications and health products had signed our Code of Conduct.

During the year Apoteket initiated a dialogue with suppliers of prescription medications with the objective of them signing the Code as well; 18 per cent signed the Code in 2014.

Another goal is for our contractual suppliers of materials used within Apoteket to sign the Code of Conduct; 30 per cent had done so in 2014.



Apoteket was best in the pharmacy industry and came in tenth place overall in the category **Most sustainable brand** in the 2014 Sustainable Brand Index.

ENVIRONMENTAL GOAL:

Apoteket strives to reduce its negative environmental impact, from production to safe waste management. The goal is to increase the percentage of our customers who return their leftover drugs to Apoteket.



80%

will return their leftover drugs

CURRENT STATUS

According to an industry survey conducted in 2012, about 75 per cent of the public return their leftover drugs to pharmacies.

Using that survey as a point of departure, in 2015 Apoteket is initiating a campaign to convince more of our customers to return their pharmaceutical waste to our pharmacies.

The long-term aspiration is to reduce the total percentage of leftover medicinal products. Apoteket wants to help achieve this goal, mainly by providing advice to customers. When private customers and patients take their medicines properly, total scrapping declines – along with the negative impact on the environment.

DIVERSITY GOAL:

Employee diversity is paramount for our ability to meet the various needs of our customers and also helps to increase motivation. The goal is to increase the percentage of motivated employees.

80%

motivated employees

CURRENT STATUS

In this year's employee survey, employee motivation improved from 67 per cent to 72 per cent compared with the previous year.

Apoteket encourages diversity regarding age, gender and ethnic background. Mixed work groups with a variety of skills are important for increasing employee motivation.

Diversity, equal rights and opportunities also help make Apoteket a more attractive employer.

FINANCIAL GOAL:

To ensure a good return for the owner, Apoteket must have good long-term profitability. The profitability goal is expressed in terms of the operating margin.

3%

operating margin

CURRENT STATUS

In 2014, the operating margin declined from 1.9 to 1.8 per cent, mainly due to a reduction in services sold to caregivers and lower delivery volumes of multi-dose packaged medications.

The profitability goal is supplemented by two additional goals. The capital structure as expressed by the debt/equity ratio should be 40-80 per cent of pension-adjusted equity. The dividend should be 40-60 per cent of pension-adjusted net income.

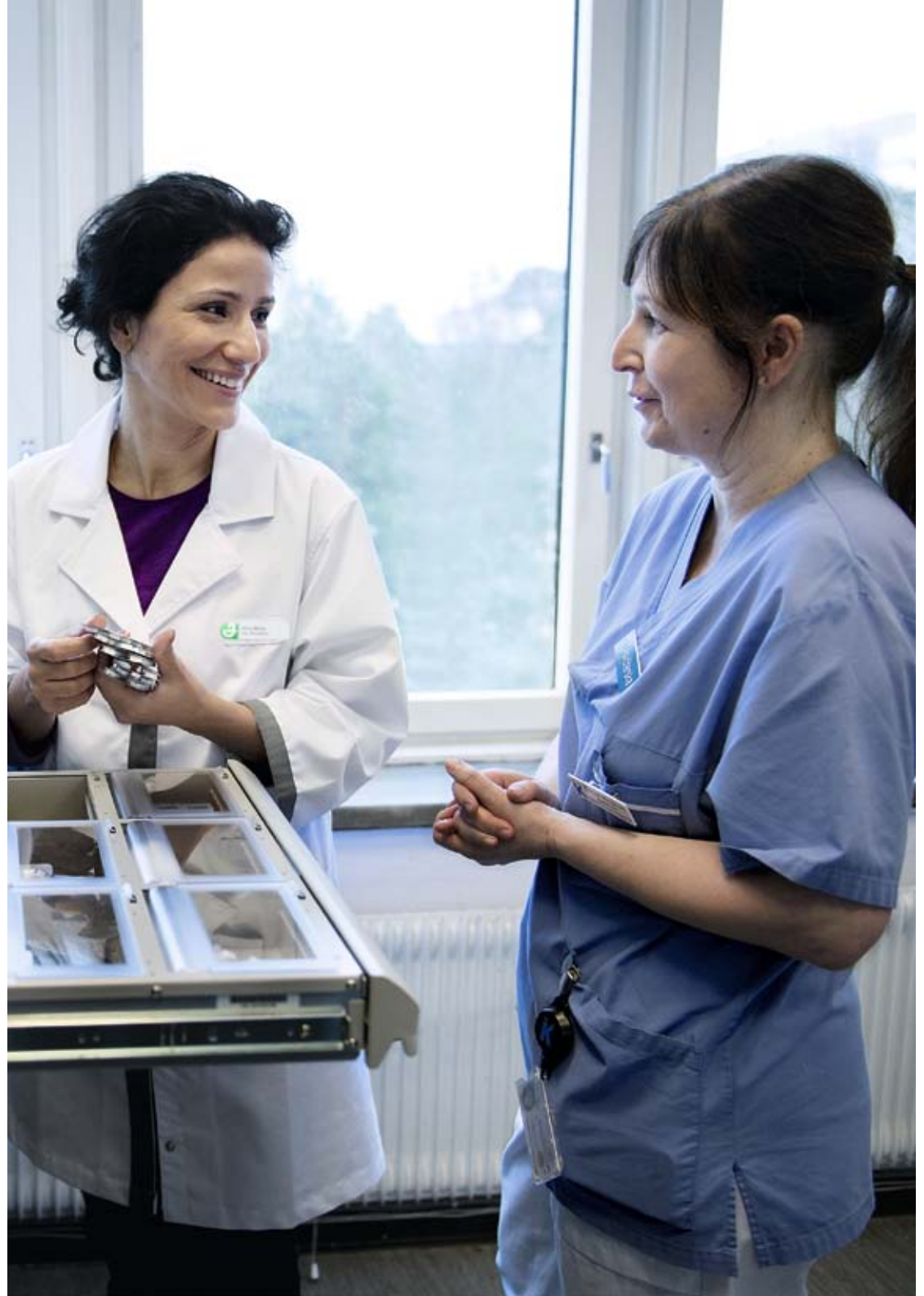


Satisfied customers require dedicated employees and an efficient process

The core of Apoteket's business is dedicated employees and the collective expertise regarding customer needs, products and logistics within the Company. Good leadership and efficient operational support provide employees with the best possible conditions for a customer encounter in which the focus is on the customer's health and safety.

Apoteket's employees meet customers with varying circumstances and health conditions on a daily basis. Employees must have the right skills to meet customer needs with the right advice, products and services. An efficient approach with clear procedures and responsibilities, including effective IT support and logistics, enables employees to apply their knowledge during customer encounters.

This year's employee survey shows that employees increasingly feel they are given the opportunity to develop their skills to meet the new aspects and changes at work. Time allocated for skills development has increased during the year and may be a contributing factor to the positive result. An educational portal provides employees with access to a large number of courses, including e-learning and online lectures. New introductory training courses for employees and managers were developed during the year, making it easier for new employees to prepare for their jobs and get an overview of the Company.





Apoteket received the award *Pharmacist students' ideal employer* according to the Pharmacist survey from Universum.

INCREASED INTERNAL MOBILITY AND CAREER OPPORTUNITIES

Attracting skilled employees is crucial for competitiveness and has a high priority. Recruitment is based on Apoteket's needs and goals, such as increasing the proportion of men and contributing to diversity among employees. The recruitment process evolved during the year; for example, we improved conditions for pharmacist students' traineeships. They receive higher compensation, a discount on Apoteket's self-care products and good job opportunities after the traineeship. We have also participated at student fairs and career days and highlighted combined positions in different parts of our business.

Current employees have been encouraged to take advantage of mobility within the Company, such as by applying for combined positions involving work in different parts of the business. In

“We believe in leadership that creates opportunities for employees to take care of our customers in the best way.”

this way, knowledge and good practices can be spread throughout the organisation and employees can create and take advantage of interesting career opportunities. By gaining in-depth knowledge in some area, the employee can also work in new roles, such as health tracking pharmacist or skin care specialist.

Skills and career development opportunities for each employee are monitored regularly by the immediate supervisor.

FOCUS ON LEADERSHIP

Clear leadership and good role models are important for creating and maintaining the commitment needed to achieve common goals.

During the year Apoteket

launched a leadership campaign and initially about 400 managers participated in a course on inspirational leadership. A new leadership model describing important skills was introduced. New leadership programmes based on



KEEP TRACK OF YOUR HEALTH

Elisabeth Elmerson is a specially trained Pharmacist who conducts Health Check-ups at Apoteket.

What do customers think about Apoteket's Health Check-up?

Most people think it's a terrific service. Many people want an overall picture of their health status, tracking information such as blood sugar, blood pressure and weight. But even more, they appreciate the opportunity to sit down and talk about their health. It often becomes a very personal meeting. Customers appreciate the lack of lectures, but that they themselves decide their goals based on their own needs.

How do you make it easier for people to feel well?

Being able to talk about their health motivates most people to change their habits. I can also recommend other services that make it easy to get started: Stop smoking service, Weight tracking or Form tracking. Many people need help with stress, sleep or eating habits and even there we have services and products to offer.

What do most people want to change?

Most common is that they want to exercise more and find the time to be

able to do it. For most people it isn't a matter of becoming a serious athlete, but about simple things like jogging or walking. The second most common issue is to reduce stress.

Several companies offer their employees Apoteket's Health Check-up - what are the benefits for them?

Companies can get an overall picture of the health status of their employees. This information enables them to offer various wellness programmes and activities based on any problems that exist. Those who let employees do Health Check-ups regularly can see whether their health status improves. It's a way for companies to show that they take their employees' health seriously. For employees, the ability to track their personal health status is a good job benefit.

What is the best part about being a Health Check-up Pharmacist?

When a customer lets you know that she is feeling better thanks to the Health Check-up. Medicines and the knowledge of how to use them is our core competency, but the services gives us the opportunity to take a preventive approach to health. It feels very meaningful because we can help people and we can save money for society.



these skills have been formulated to give managers tools to work with the employees in order to provide results for a sustainable company. To provide all managers with the opportunity to think about their leadership, what works well and what may need improvement, Apoteket offers a variety of support tools including training and mentors. Managers who want to improve their skills are also offered professional coaching.

IMPORTANT FOR EMPLOYEES TO FEEL WELL

In order to talk about good health with our customers, our employees have to feel well. Without motivated employees who experience job satisfaction, we can not meet our other goals. Feeling well at work requires a good work environment, both mentally and socially. Apoteket strives to be a health-promoting workplace where it is possible to maintain and develop good health and to prevent illness.

This year's employee survey shows that employees' perceived health status has increased over the previous year. The questions in this area address how satisfied employees are with their job and whether they are able to influence how they do their work. Even areas such as corporate commitment and motivation have improved.

Apoteket's goal is to increase work attendance, the percentage of employees who do not have more than seven sick days in one year. Work attendance increased compared with last year because certain units with high short-term absence were closed during the year, while the rest of the business showed some improvement.

Several initiatives were implemented to contribute to a better working environment and better health for all employees. The range of health promotion activities has been clarified, such as the

individual wellness allowance, offers for fitness activities and staff discounts on Apoteket's non-prescription product range. Several experts and representatives of partners were invited during the year to lecture on topics such as health, stress, mindfulness, sleep and daily exercise. The aim was to increase knowledge internally and to encourage a healthy lifestyle. All lectures are available to employees on the intranet.

SIMPLIFY WORK IN EVERYDAY LIFE

A number of measures were taken in 2014 to simplify daily life for employees and free up more time to devote to customers. Several measures originate from the innovative improvement suggestions collected from the 30 employee meetings carried out in 2013.

DEVELOPMENT OF SYSTEM SUPPORT TO FREE UP MORE TIME FOR CUSTOMERS

During the year, considerable efforts were dedicated to stabilising the employees' IT support to free up more time for customers. A new collaboration with pharmaceutical distributor Tamro was initiated to achieve a more stable and efficient product supply to pharmacies and other units within the Company.

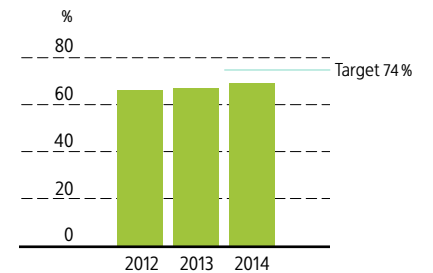
A new intranet was also developed during the year. More social functions and interfaces will facilitate collaboration and internal communication. The system was launched in March 2015.

Efficient and appropriate staffing is a challenge in many parts of the business. An analysis of how the most successful pharmacies work was carried out and their working methods have been introduced in more pharmacies.



Apoteket was named *Sweden's second most respected company* in the Reputation Survey by Nordic Brand Academy. In the same survey, Apoteket ranked highest as *Sweden's most honest company* for the sixth consecutive year.

WORK ATTENDANCE

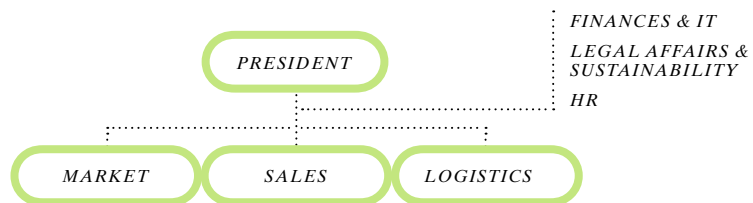


Work attendance increased during the year because of the closure of certain units with high short-term absenteeism as well as improved health in other parts of the organisation.

WORK IN GOOD CONSCIENCE

It is important for Apoteket's employees to act responsibly at work. This applies in relation to colleagues as well as to customers, suppliers and other stakeholders. It is especially important that those employees who are involved in procurement or supplier contacts do not allow themselves either to be influenced or to improperly exercise influence. This responsibility concerns all employees because it basically involves putting the customer's interest in better health ahead of their own interests or the interests of others. All employees must contribute to a responsible corporate culture that builds on Apoteket's core values: that we are trustworthy, committed, creative and considerate.

A new employee training programme clarifies the ethical attitudes that apply within Apoteket. Apoteket's policies and other governing documents serve as an aid to act appropriately in everyday life.



ORGANISATION

In 2014 Apoteket announced changes in the organisational structure to be even better equipped to meet customer expectations and the new circumstances in the market. The new organisation has been in effect since 1 February 2015 and will result in lower costs while improving competitiveness and profitability. It allows us to be more flexible in our local markets.





57

languages are represented among Apoteket's employees. The language bank on the intranet allows employees to contact colleagues with other language skills to assist in the customer encounter.





Employees should reflect the diversity in society

APOTEKET IS THE pharmacy for all of Sweden. Employees with different skills, backgrounds, perspectives and experiences are important for encouraging innovation and competitiveness. Diversity in work groups contributes to higher motivation. One of Apoteket's goals is to increase the percentage of motivated employees. Diversity also facilitates communication in the customer encounter and helps employees to better understand what the customer needs. Being associated with diversity and gender equality also helps to make Apoteket more attractive as an employer. Working for a company that takes advantage of differences to promote growth among both employees and the company at large is stimulating and instils pride.

MANY COUNTRIES AND LANGUAGES IN THE PHARMACY

Apoteket's employees were born in 87 different countries and speak a total of 57 languages. In the pharmacies, the employee name badge shows which languages the employee speaks. In all, about 26 per cent of employees are foreign-born or have at least one parent who is foreign-born. The goal is to increase this share to 32 per cent, which corresponds to the proportion of Sweden as a whole. The greatest variation of countries of birth is found in the pharmacies, while employees at headquarters mainly have a Nordic background.

A number of activities have been implemented to take advantage of the ethnic diversity within the Company. For example, Apoteket worked during the year to increase employee awareness of the major world religions. The purpose was to facilitate an inclusive attitude at work internally, as well as to offer customers relevant products associated with important holidays in these

religions. The option that employees have to replace traditional Swedish holidays with holidays from other cultures is appreciated and also facilitates staffing during the year.

Apoteket also offers internships to foreign pharmacists to help them get into the Swedish labour market.

MORE MEN WANTED

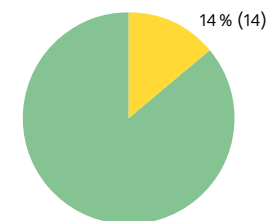
The majority of Apoteket's employees are women, and the aim is to increase the proportion of men. Both male and female employees participate in recruitment activities that reach young people. The aim is to increase the number of applicants of both sexes to pharmaceutical education programmes. Both male and female employees are represented in Apoteket's ads and brochures, and during recruitment the underrepresented gender is prioritised among equally qualified candidates.

Many projects at Apoteket result in new business concepts and practices that have a major impact on the Company. The aim is for work groups and project groups to be of mixed gender. This approach allows the groups to see the different conditions present for men and women.

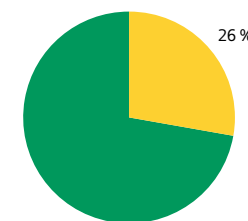
Gender equality also involves working deliberately for equal rights and opportunities regardless of gender. It contributes to a good work environment free from discrimination, with beneficial effects for the entire business. In addition, it provides more perspectives, more creative solutions, better personalisation and a stronger brand.

Half of the elected members of Apoteket's Board of Directors are men and four out of seven members of the Executive Management team are men.

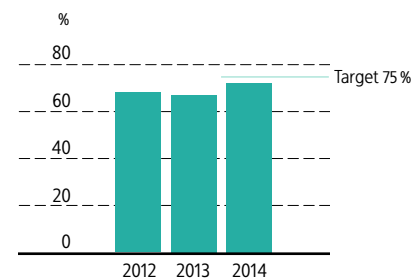
PROPORTION OF MEN OF AVERAGE NUMBER OF EMPLOYEES



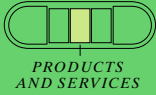
PERCENTAGE OF EMPLOYEES BORN IN ANOTHER COUNTRY OR WITH AT LEAST ONE FOREIGN-BORN PARENT



MOTIVATED EMPLOYEES



Motivation has increased compared with the previous year, which suggests that employee efforts have had the intended effect.



Medicines and carefully selected health products

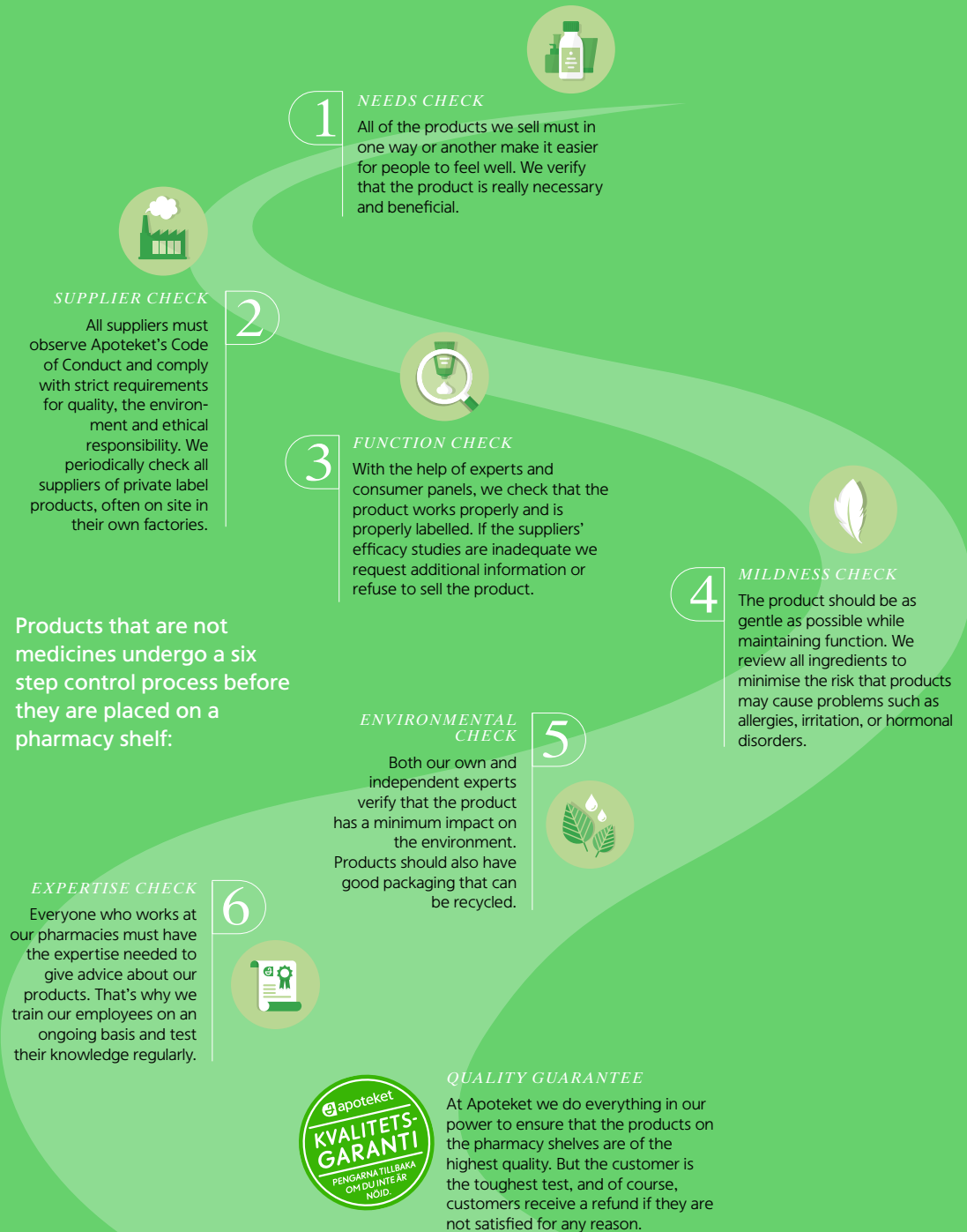
To meet customer requests and needs, Apoteket offers a wide range of medicinal products, health products and services. Interest in a healthy lifestyle and gentle, responsibly made products continues to increase. Apoteket's range of health products is carefully checked and selected for the health of our customers.

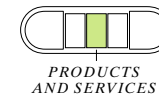
Prescription drugs, which are products that Apoteket is required to provide, are examined for health and safety by the Swedish Medical Products Agency, which also reviews non-prescription medications. Products that are not medicines are examined as part of Apoteket's quality control. Our services are quality-assured through employee training, calibration of equipment and by external expert review of our services.

During the year Apoteket has focused on informing customers about the Company's comprehensive quality control procedures. Products that are not medicines undergo a six-step control process before they are added to the product range. Moreover, our quality guarantee applies to all of these products. If customers are not satisfied, we give them back their money.

AUDIT OF SUPPLIERS

Apoteket audits suppliers already in the second step of the quality control process. All new health product suppliers are audited to ensure that products are made responsibly already at the factory. Products in the non-prescription Apofri series, originally developed specifically for Apoteket, are also subjected to the





SPOTLIGHT ON APOTEKET'S QUALITY CONTROL

The spotlight was on Apoteket's quality assurance process in a campaign during the year. It described the control process and the expectations we place on suppliers and products. We wanted this campaign to show that Apoteket is on the cutting edge and offers a range of health products that are carefully controlled – from factory to pharmacy shelf.



CONTROL ALREADY IN THE FACTORY

Bo Zetterlund at Apoteket is responsible for approving products and suppliers. In 2014, 14 on-site visits were carried out.

How does Apoteket know that suppliers act responsibly?

Our Code of Conduct sets requirements for quality, the environment and ethics that all suppliers of health products and non-prescription medications must meet. We also visit suppliers regularly, both planned and unplanned.

How does a supplier audit work?

For example, we check the documentation on the manufacturing process and the employees' working conditions. If necessary, we will visit the production facility to ensure compliance.

What happens if a supplier doesn't meet the requirements?

First we try to get them to work more sustainably - it's better for all parties. They may need to improve their environmental initiatives or working conditions. It's all a long term effort. If it still doesn't work, we can choose not to accept a certain product in the range or terminate the entire contract with the supplier.

supplier control process. It is important for suppliers to meet Apoteket's high demands for customers to be able to shop with a clear conscience. The audit is divided into three parts: quality, environmental, and social and ethical requirements. The requirements are summarised in Apoteket's Code of Conduct, which all suppliers must approve and follow. First, the supplier must answer questions. If necessary, an on-site inspection is carried out at the production facility.

During the year we have taken an extra step in our work with suppliers. We have initiated a dialogue with suppliers of prescription drugs to ensure that they act responsibly with regard to people and the environment.

GENTLE FOR HUMANS AND THE ENVIRONMENT

The fourth and fifth step in the quality control process addresses the requirement that our products must be gentle for both people and the environment. All ingredients are checked to minimise the risk that the product causes problems such as allergies, irritation or hormonal disorder. Apoteket's experts also check that the product has as little impact on the environment as possible. The substances must be readily biodegradable and not accumulate in nature. They should not be toxic to aquatic organisms, either. Products should have a package that can be

recycled. In one of the year's campaigns "Here is your bathroom cabinet" Apoteket's experts determined whether the products in the bathroom cabinets of four known bloggers would be approved in the steps function, gentleness and environment in Apoteket's quality control process. The purpose was to provide information on items such as dyes, cleaning agents, perfumes and preservatives. We also invited consumers to ask questions about product ingredients that were answered by our experts. Many of the approximately 500 questions that we received addressed hair and skin care products, sunscreen and toothpaste.

MORE STRINGENT REQUIREMENTS FOR INGREDIENTS

Apoteket's guide for product approval is sent to our suppliers and is also available on apoteket.se. The guide clarifies what information we need to validate the manufacturing process and the product, as well as which ingredients are not approved. To further tighten the requirements we are phasing out several products with inappropriate substances between 2014 and 2015. Our guide shows that cyclic silicones have a negative impact on reproduction, while the preservative Kathon has negative effects on the environment and can cause lifelong allergies. Micro plastics are also being phased out because of their negative impact on aquatic organisms.



PRODUCTS
AND SERVICES



APOTEKET'S PRIVATE LABEL PRODUCTS

In addition to the external brands, Apoteket also sells private label products. The product range of these carefully selected and affordable alternatives is constantly evolving to meet customer needs.

APOTEKET

Practical every day

Apoteket's basic range of effective and gentle products includes items such as soap, toothpaste, self-tests, plasters and dietary supplements. The product range consists of practical products that make it easier for customers to feel well.



APOLIVA

Beauty products with carefully controlled ingredients

Apoteket's range of feminine beauty products are gentle and effective. The range includes several series to meet various beauty needs, from face creams and makeup to moisturisers and unscented hair products.



"FÖRSVARETS HUDSALVA"

Skin care for an active lifestyle
Apoteket once developed Försvarets Hudsalva in cooperation with the Swedish Armed Forces. The purpose was to develop a practical and multifunctional ointment that could prevent chafing and protect skin against the cold. Today, the series includes several different products for dry skin.



APOTEKET FORMULA

Extra high demands for function
Apoteket's cutting-edge brand includes products for dental and oral health, dry and sensitive skin, and a variety of need-based dietary supplements. The products are often developed in close cooperation with leading experts.



C/O RECIPE FOR MEN

Skin care for active and aware men

Apoteket's line of men's skin care products was developed in collaboration with Swedish skincare company Recipe for Men. The range includes products such as shaving gel and aftershave, as well as cleansing and facial creams.

Constantly renewed product range

BY OFFERING A constantly expanding and renewed range of prescription drugs and other health products, Apoteket can help more customers to care for themselves and prevent illness. When customers buy non-prescription medications at pharmacies, we give advice on how the products should be used.

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

Apoteket works with strong, established brands in combination with its own private label products. New in the product range during the year were items such as healthy foods, sports nutrition, assistive equipment, new skin care ranges and spa series.

Apofri is an affordable and appreciated option in the non-prescription product range. The series includes basic products such as painkillers, allergy medicine and nasal spray. Several new smoking cessation products were launched in this series during the year. The product line was designed for Apoteket but is now also sold by another pharmacy operator.

Many of our customers use vitamins and other dietary supplements. Our own "Apoteket" brand was the market leader in this category in 2014.



Apoteket was awarded a prize as **Sweden's Greenest Brand in the Pharmacy Industry** and ranked fifth among 86 brands in a survey by Differ.



94

per cent of suppliers of non-prescription medications and health products have signed Apoteket's Code of Conduct. In addition, 18 per cent of suppliers of prescription drugs and 30 per cent of contractual suppliers of indirect materials have also signed the Code.

MEDICINAL PRODUCTS CONTRIBUTE TO BETTER HEALTH

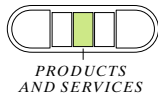
The core of Apoteket's business is the sale of medicinal products. They contribute to better health and in many cases to increased longevity. The prescriber in the healthcare system has an important role in making the correct diagnosis and prescribing medications. The pharmacies are responsible for ensuring that the right person gets the right medicine at the right dose. It is also important that certain drugs are correctly handled with respect to temperature. Pharmacies play an important role to ensure that customers take their medicines properly and thus achieve the best treatment effect. All pharmacies are required in many cases to replace the prescribed drug with an alternative medicine that has equivalent ingredients and is less expensive for the customer. This is done to reduce drug costs for both the individual and society.

PERSONALISED MEDICINES AND VETERINARY MEDICINES

Apoteket sells licensed medicinal products and prepares personalised medicines that customers cannot get through the pharmaceutical industry. Cancer drugs and drugs with a very short shelf life are some examples.

Apoteket also offers veterinary pharmaceuticals and specialty feed for contract customers such as veterinarians and professional pet owners.





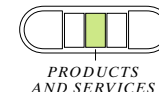
Services for a Life in Health

APOTEKET OFFERS SERVICES to the healthcare system, companies and individuals. The purpose of the services is to make it easier for customers to feel well and to increase patient safety. Pharmaceutical Review and Apoteket Hälsokoll are two of the advisory services provided to private individuals. The healthcare system is offered services such as drug deliveries to hospitals and assisted living facilities, multi-dose packaged medications, pre-filled syringes, clinical trials and quality audits. The healthcare system's challenge to provide care with high patient safety at a lower cost requires Apoteket as a supplier to constantly improve and streamline its services.

SAFE DOSING WITH APODOS

The number of people receiving multi-dose packaged medications is decreasing in Sweden, even though the need is growing as an aging population takes multiple drugs. This is a trend that Apoteket would like to reverse. Apodos is Apoteket's service for multi-dose packaged medications. The service is aimed at all patients who take multiple drugs daily and need help with their medication management. These patients can be found in hospitals and assisted living facilities, as well as living at home. Apodos is more than just pouches of medicines. The service increases patient safety by ensuring that the right person gets the right medicine at the right dose. Apodos also makes medication management easier, frees up time and saves money for the healthcare system, while contributing to reduced waste of medicines. The prescribing doctor decides whether a patient should receive Apodos. Apoteket had





22,800

Health Check-ups have been carried out by Apoteket's specially trained pharmacists since the service began in 2010.

agreements at the end of 2014 to supply multi-dose packaged medications to 11 county councils and regions.

RELIABLE MEDICINAL PRODUCT SUPPLY SYSTEM

Apoteket is responsible for delivering drugs to several county councils and health facilities. The service includes distribution of medicinal products and medicine-related products. Apoteket ensures that lifesaving medicines are in place when needed, with a focus on high safety for both patients and healthcare personnel.

PREFILLED SYRINGES

Pre-filled syringes are a safe alternative to manual preparation of syringes by nursing staff. Patients receive the right dose and the nursing staff does not have to worry about dosing errors or exposing themselves to dangerous substances. Apoteket syringes are traceable and undergo pharmaceutical control.

APOTEKET'S HEALTH CHECK-UP GIVES AN OVERALL HEALTH SNAPSHOT

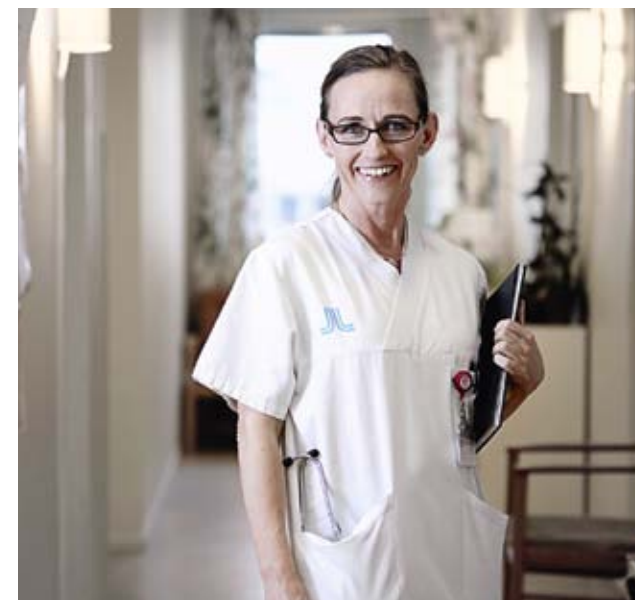
Apoteket's Health Check-up has been developed in collaboration with Apoteket's medical

expert advisory committee and with the support of the European Society of Cardiologists. The Health Check-up is offered to individuals, businesses and organisations who want to be proactive regarding the health of their employees.

The service focuses on the individual's ability to influence their habits to feel well and ultimately reduce the risk of cardiovascular disease. It includes a health questionnaire, measurement of blood pressure, blood sugar, cholesterol and waist circumference, as well as a science-based risk assessment. The customer has a counselling session with a specially trained pharmacist about values, habits, motivation and recommendations for a continued healthy lifestyle.

MOTIVATIONAL COUNSELLING AT PHARMACIES

In 2014 Apoteket held around 1,500 counselling sessions with users of selected diabetes and lipid-lowering drugs on behalf of the pharmaceutical industry. The counselling sessions with pharmacists are aimed at motivating customers to take their prescribed medicines and comply with their drug treatment. This approach gives customers greater potential to receive the benefits of their medications and feel better.



APODOS FOR SAFER MEDICINE USE

Sandra af Winklerfelt is a doctor specialising in family medicine at Academic Primary Care Centre in Stockholm.

Why do you recommend Apodos to your patients?

Because it's much easier to handle dose pouches than dose dispensers, especially for patients who take many medicines. It can feel reassuring for patients and their family members.

What does it mean for healthcare workers?

It's safer for them, too, and involves less work than dosing manually in tablet organisers. At a previous

workplace, we did a risk analysis in which we compared Apodos with tablet organisers. When the nurse dispense manually there is a large risk of confusion, or the tablet organiser might be opened and some of the medicines may fall out. The risks are dramatically reduced with Apodos so I see it as a patient safety issue.

Multi-dose packaged medications provide an overview of the patient's medications that all care providers can access. The care provider can see the Patient ID, the name of the medicine and when it should be taken on the pouch itself, making it traceable. It is also easier to discover any missed doses.



The needs of the customer are the focus of the customer encounter

The right goods available, generous opening hours, multiple shopping channels and reliable advice build a value-creating encounter with the customer. Knowledgeable employees, a good product range, efficient procurement planning and punctual transports are all essential.

Flexibility in the customer encounter is essential for being able to meet the different needs of the customer. Apoteket's customer offerings need to meet both the growing interest in health in society and the increasing ill health among certain groups of individuals. We want to ensure that our customers are satisfied with our offers and our service and will therefore monitor the proportion of satisfied customers more deliberately, starting in 2015.

EASY ACCESS TO MEDICINES

Easy access to medicinal products is an important issue for Apoteket. We have 370 pharmacies throughout Sweden and during the year we continued to improve them through renovations and new additions to the store concept. Some pharmacies have moved to better locations. Opening hours have been extended by a total of 1,100 hours per week, which is the equivalent of about 20 new medium-sized pharmacies.

We also have 671 pharmacy representatives who play an important role for accessibility to medicinal products in the countryside and rural areas.

During the year Apoteket has promoted opportunities to shop for medications and other health products through a variety of channels, such as mobile devices or at apoteket.se. In addition to deliveries to private homes or assisted living facilities, customers

can choose to pick up the package at any of our pharmacies or from a representative. Medicines and health products can also be ordered by phone or email. We also offer customers the option to subscribe to their medicines. The focus on increased availability has been well received by customers, as demonstrated by the number of e-commerce orders at apoteket.se, which increased by eleven per cent during the year.

ACCESS TO MEDICINAL PRODUCTS IN HEALTH CARE

Access in health care involves cost-effective and punctual delivery to ensure that patients receive their medications at the right time. Apoteket had agreements at the end of 2014 to supply medicinal products to 15 of Sweden's 21 county councils and regions. Apoteket also had agreements with 13 county councils and regions to produce special medicines and to provide pharmaceutical services. We also provide our Medicinal Products Service to hospital ward storage areas. The service involves maintaining the storage areas to ensure that the right medicines are available in the right quantity on the ward.

The warehouse operation at Apoteket's hospital pharmacies in Malmö and Lund moved during the year to a supply unit with a larger storage capacity. As a result, health services have access to a broader product range and a higher level of service.

Award

Apoteket shared second place in the **Omni-channel Retail 2014** survey carried out by Avensia.

IMPROVES CHILDREN'S HEALTH TOGETHER WITH BRIS



Apoteket want to support efforts to ensure that young people in Sweden feel better.

During the year a percentage of sales of selected products has gone to a new partner, Bris – Children's Rights in Society. Bris provides support and assistance to vulnerable children and young people in Sweden. For example, customers could buy butterfly charms to support Bris' important work. All proceeds from sales of the charms went to Bris. Apoteket also chose to donate part of the year's employee Christmas present, SEK 50 per employee, to Bris.



By making it easy to gain access to medications, we want to help more people get the full benefits of their medicines. Customers choose the most appropriate order and delivery method.

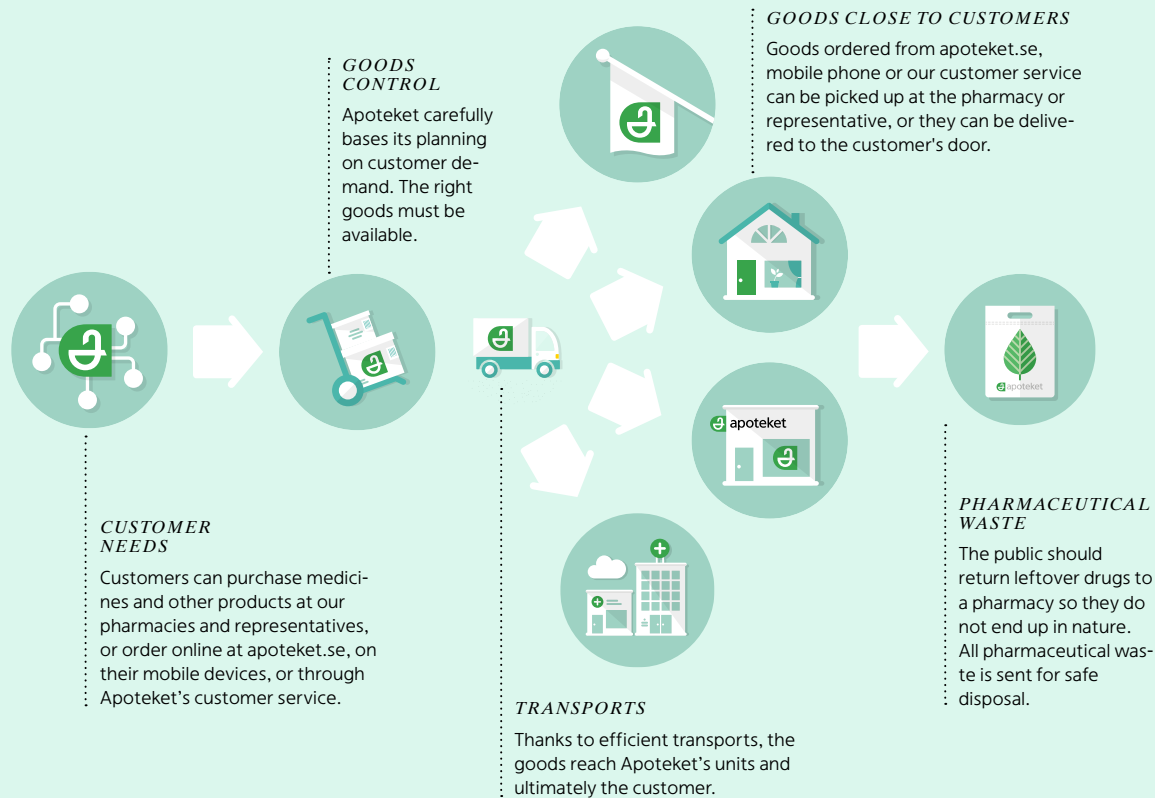
APOTEKET CONTRIBUTES TO CANCER RESEARCH

Apoteket has worked with the Swedish Cancer Society since 2006. For us it is natural to help in the fight against cancer, as our employees meet cancer patients in their daily work. We also produce cancer medicine at hospitals all over Sweden. Our contribution to cancer research may result in new and better drugs. During the year, we collected SEK 6.4 million together with our customers in connection with the Pink Ribbon campaign.

QUALITY IN THE CUSTOMER ENCOUNTER

The most important aspect of the customer encounter is for customers to get the service, product or advice that they need. During the year we worked in various ways to free up more time for the employee in connection with dispensing. This time can be spent advising customers on how to take their medicines. The employee engages in dialogue with the customer to ask about symptoms to assess whether the customer can use non-prescription drugs or other self-care products. Customers are always referred to the healthcare system for serious problems.

The aim for the customer encounter is that it must always be carried out with high demands for the customer's health and safety. If despite everything a mistake should occur, we take all necessary measures to ensure that the error does not happen again. Particularly serious errors are reported to the Health and Social Care Inspectorate. During the year, errors in the number of prescriptions dispensed occurred at a rate of 0.07 per thousand. In all, six errors were classified as serious.



The right product to the right customer at the right time

THE MOST IMPORTANT principle for Apoteket is that our customers have access to the right products and services at the right place and time. This requires careful co-ordination – from customer and ordering channels to purchase planning, quality control, transports and placement on the pharmacy shelf. We continue to be responsible even after the customer has finished taking the medication. We ensure all leftover medicinal products that are returned to our pharmacies are sent for safe disposal for the sake of the environment.

TRANSPORT SERVICES THAT TAKE THE CUSTOMER AND THE ENVIRONMENT INTO ACCOUNT

Every day Apoteket's products are transported from wholesale warehouses around Sweden to our supply units where they are sorted and packed together before delivery to the final destination. The products are then transported to our pharmacies and representatives. Many products are delivered directly to customers who ordered through apoteket.se; others are delivered to the hospitals and medical facilities that ordered medicinal products for their patients.

Transports are a source of carbon emissions. Our aim is to collaborate with customers and delivery service providers to develop and streamline transport solutions to reduce emissions. Total carbon dioxide emissions from transporting goods during the year was 4,443 tonnes. The decrease compared with the previous year is mainly due to the annual review of calculation methods. Other significant emission sources are business travel, electricity and heating. Read more on pages 86–87.



THE CUSTOMER ENCOUNTER

Award

Apoteket was designated *Best service company in the pharmacy industry* according to the ServiceScore 2014.

CLOSE PARTNERSHIPS WITH DELIVERY SERVICE PROVIDERS

We have the greatest opportunity to influence transport flows from Apoteket to the customers. Here we intentionally choose to cooperate only with delivery service providers that contribute to cost-effective and environmentally sound solutions. The ongoing dialogue with existing delivery service providers is important for collaboration to develop in a positive direction. In 2014, discussions have begun with all the delivery service providers about Apoteket's aspiration to increase the proportion of vehicles that qualify as Euro 5 or higher. The aim is to reduce the negative environmental impact, which is in the common interest of both healthcare and delivery service providers.

MORE STABLE DELIVERIES CLOSER TO THE CUSTOMER

During the year Apoteket completed a project to streamline and raise the quality of deliveries to the pharmacies. The new collaboration with pharmaceutical distributor Tamro is expected to provide more efficient and more stable deliveries. The change also means that there will be an increase in the number of wholesale warehouses for Apoteket's products from one to three. As a result we will be closer to customers and can offer faster deliveries. The impact of the new collaboration will be evaluated in early 2015.

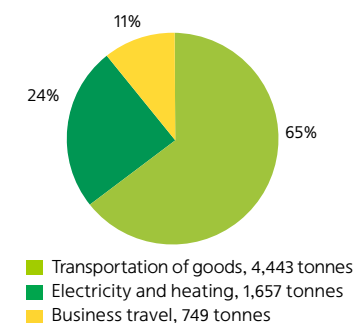
WE SHARE THE CUSTOMERS' INTEREST IN MEDICINAL PRODUCTS AND THE ENVIRONMENT

Customers are increasingly demanding products that are environmentally sound choices. Medicinal products contribute to a

life in health, but at the same time they have a negative impact on the environment. Emissions of pharmaceutical residues during production can lead to environmental and health problems. In low-cost countries like China and India, high concentrations of medicines have been measured in wastewater from pharmaceutical factories. This increases risks, including for antibiotic resistance. To reduce the environmental impact of production, Apoteket has initiated a dialogue with pharmaceutical producers during the year. The goal is to increase the percentage of existing suppliers that signed Apoteket's Code of Conduct, which includes environmental concerns.

When people take medicine, active ingredients pass through the body and the sewage treatment plant without changing. They therefore affect living organisms when they are released into the environment. By providing advice during the customer encounter, we can help our customers to use their medicines correctly and thereby help to reduce the amount of drug residues in nature.

If leftover medicines are disposed of in household waste or flushed down the drain, they may end up in nature. It is therefore important to return them to pharmacies. We collect pharmaceutical waste from the public as well as from healthcare and business customers with whom we have contracts. All pharmaceutical waste is sent for safe disposal in special incinerators. During the year, the amount of waste pharmaceuticals increased from 378 to 426 tonnes. The amount of hazardous waste was 18 tonnes, which is around the same level as the previous year. Read more on page 86.

CARBON EMISSIONS

426

tonnes of pharmaceutical waste were sent for safe disposal during the year.



Apoteket wants to help people achieve a healthier life

Apoteket's aspiration is to make it easier to feel good so that more people can live a healthy life.

People are more interested in health and taking care of themselves than ever before. Many want assistance in changing their lifestyle habits and feeling good. Customers want affordable and quality assured products and services that should be easy to purchase using the method that best suits the customer.

Our employees' knowledge about medicines and health contribute to a better use of medicines. They also assist customers who want to feel better, or who want advice on how to take good care of family members. Apoteket's strength is based on a strong commitment to customer needs and caring advice. To meet customer needs, we strive to be responsive, flexible and work closely with our customers. We want to make it easy for them to buy their medications and health products from us. We also take responsibility for how our products affect humans and the environment.

Every day we work to make a difference, both for the individual and for healthcare providers to ensure good care for their patients. Quite simply, we want to be the customer's best partner for medicinal products and a healthy life.





LIFESAVING MEDICINE FOR HARRY

Harry Olsson is just over 12 months old and lives with his father, Jonas, his mother Therese and his sister Esther in Uppsala. Since he was born, Harry has received a special diet known as total parenteral nutrition from Apoteket's hospital pharmacy in Uppsala.

Why did Harry need a special diet?

Harry developed ileus when he was twelve days old. Large parts of his small intestine had to be surgically removed. He has a condition called short bowel syndrome. His intestines can't absorb enough nutrients for him to grow and develop properly.

What was his special diet and how did it help him?

He received personally customised intravenous nutrition to compensate for the inability of his intestines to absorb nutrients. The intravenous nutrition solution contained all the nutrients he needed, such as glucose, salts, proteins, fats, minerals and vitamins in carefully balanced quantities and concentration. Initially this was of vital importance for him before his intestine began to adapt to absorb nutrients.

What does parenteral mean?

Parenteral delivery means that the nutrients are not permitted to pass through the gastrointestinal tract. In Harry's case, he received a large part of his nutrition intravenously through a thin tube called a central venous catheter.

The shelf-life of these pouches with intravenous nutrients is short and they are produced as needed. How did you get them?

Since we live in Uppsala we picked up the IV pouches at Apoteket's hospital pharmacy once or twice a week. During the summer we had the pouches delivered to the different places we visited. Then Posten arranged for delivery using coolers.

Has Harry started eating normal food now?

Harry has made very good progress and after a few months some of his intravenous nutrition could be discontinued and replaced with ordinary infant formula. As time passed, IV feeding could gradually be phased out and replaced with food. Today, Harry no longer needs IV nutrition and only eats regular food.

You visited Apoteket's production facility in Uppsala at the end of last year. How did that happen?

We were asked if we wanted to talk about what it was like to have a child who is dependent on parenteral nutrition and what our daily lives were like. We were happy to visit, since we have been extremely satisfied with their service and flexibility.

Ingegerd Granberg, Team Manager for Apoteket's production unit at the University Hospital in Uppsala, explains that the visit from Harry and his family was appreciated. She noted that employees have frequent contact with health services and often directly with the customers or family members by phone, but they rarely meet them in person.

"Sometimes we've read about some customer in a magazine or newspaper and then we're happy to see that they are doing well under the circumstances."

Many different kinds of personalised medicines are produced at the hospital pharmacy. A patient may not tolerate a substance in the coating of a capsule, or someone may need medicine with a very short shelf-life so it needs to be freshly made on a regular basis. When it comes to medicines or food for growing children, sometimes the recipe or formula (the composition of the ingredients) is changed several times a week.

These medicines are not produced in the pharmaceutical industry for various reasons, but they are still needed and Apoteket produces them based on the needs of the individual customer. The production environment is sterile and the employees wear special protective clothing to prevent dust and dirt particles from coming into contact with the medicines. Some drugs, such as preparations for chemotherapy and nuclear medicine, require special equipment and safe handling since they are hazardous to health upon contact. Many customers are completely dependent on what Ingegerd and her colleagues do.

"I think I have a fantastic, important job," says Ingegerd Granberg. "It feels really great to be able to help."

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 2014. The Company has its registered office in Solna.

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

SIGNIFICANT EVENTS IN 2014

- Apoteket's remit to retain the existing pharmacy representatives is extended through 30 June 2015.
- Apoteket initiates collaboration with pharmaceutical distributor Tamro to streamline deliveries to the pharmacies.
- Apoteket wins the contract to deliver multi-dose packaged medications to Region Västra Götaland and Region Halland.
- Apoteket decides in November 2014 to modify the organisational structure to become even better positioned to meet the competition.
- Apoteket reduces the average number of employees from 3,899 at the beginning of 2014 to 3,474 at year-end.

Market

THE CONSUMER MARKET is defined as total sales from pharmacies, mail order, dose in original packaging and sales from veterinary pharmacies. Total sales in the consumer market in 2014 amounted to SEK 35.7 billion. In all, sales increased by 4.5 per cent in 2014.

23 NEW PHARMACIES IN THE CONSUMER MARKET

At year-end Apoteket had 370 pharmacies, just as many as at the beginning of the year. Apoteket also had operations through representatives in 671 locations throughout Sweden. The number of employees in retail pharmacies increased from 1,302 to 1,325 during the year.

Pharmacy density is 7,400 residents per pharmacy. Before reregulation of the pharmacy market, pharmacy density was about 10,100 residents per pharmacy.

FEW NEW AGREEMENTS IN THE HEALTHCARE MARKET

In 2014, there were relatively few large contracts in the healthcare market. However, several county councils chose to extend existing agreements, such as the County Council in Östergötland, which extended its current agreement with Apoteket for supply services and production of special medicines. In 2014 Apoteket also won the contract to deliver multi-dose packaged medications to 40,000 patients in Region Västra Götaland and Region Halland. The agreement is valid starting in September 2015.

In general, procurement processes in the healthcare market are characterised by price pressure and are less extensive than previously.

SEK

343

million – operating earnings
for the year

3%

debt to equity ratio at year-
end.

3,474

was the average number of
employees at the end of 2014.

Net sales and performance

APOTEKET'S NET SALES declined 1.5 per cent in 2014, SEK 280 million less compared with the previous year, totalling SEK 18,567 (18,847) million. This decline was due to lower delivery volumes in the multi-dose market since Apoteket had fewer agreements in 2014 than in previous years.

REVENUE ANALYSIS

For self-operated shops aimed at private individuals, sales of prescription medications, non-prescription medications and other health products all rose. Net sales rose 5.3 per cent compared with the previous year to SEK 11,737 (11,141) million. This increase can mainly be attributed to increased sales of expensive prescription medications, and also because during the year sales from franchise pharmacies were included in the Group.

Net sales to operators in the healthcare market fell 10.5 per cent from the preceding year to SEK 6,687 (7,468) million. The decrease relates to sales from multi-dose dispensed drugs, since other operators took over this business in several regions and county councils.

PERFORMANCE

Operating profit for 2014 amounted to SEK 343 (354) million, which was a decline of SEK 11 million compared with the corresponding period the previous year. A higher proportion of sales of expensive drugs with low margins and reduced parallel imports led to a lower gross profit margin. Restructuring expenses of SEK 0 (44) million were charged against earnings.

Depreciation amounted to SEK 165 (192) million.

NET EARNINGS

Net earnings amounted to SEK 371 (364) million, which was higher than the previous year. Net financial items improved, mainly relating to net financial items for pensions which amounted to SEK 139 (87) million. The improvement is due to the increase in the net asset value of Apoteket's Pension Fund.

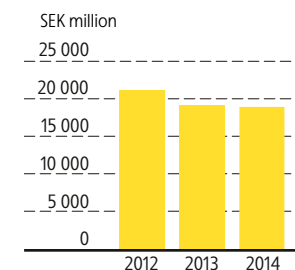
Net interest income improved due to lower debt and cheaper financing. The tax liability was SEK 110 (72) million, which corresponds to a tax rate of 22,9 per cent.

CASH FLOW

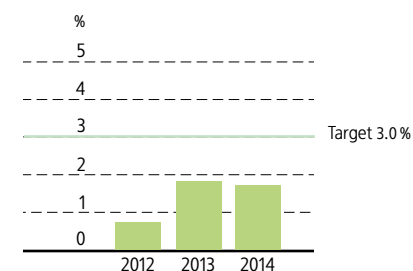
Operating cash flow was SEK -60 (860) million for the period. The negative operating cash flow can partly be explained by the high tax payments during the year. A reduction of accounts receivable in 2013 had a positive impact on last year's operating cash flow. Cash flow from financing activities amounted to SEK 68 (-877) million. The negative cash flow last year was due to the repayment of bank debt.

Payment received from Apoteket's Pension Foundation was SEK 439 (690) million. Paid dividend was SEK 150 (31) million.

NET SALES



OPERATING MARGIN



SALES SUMMARY

Amount in SEK million	2014 Full-year	2013 Full-year	Change, %
Consumer ²	11,737	11,141	5.3
Healthcare & Enterprise ²	6,687	7,468	-10.5
Other ¹	143	238	-40.0
Total net sales	18,567	18,847	-1.5

1) Other mainly relates to sales to franchisees

2) According to the 2014 organisational structure

Cash flow for the period was SEK 8 (–17) million, while cash and cash equivalents on 31 December 2014 amounted to SEK 44 (36) million.

INVESTMENTS

Investments in intangible assets and property, plant and equipment amounted to SEK 70 (135) million and consisted primarily of investments in new construction and renovation of pharmacies. The rate of investment in 2014 was low. Divestment of non-current assets amounted to SEK 6 (23) million.

FINANCIAL POSITION, LIQUIDITY AND RETURN

Equity on 31 December 2014 amounted to SEK 4,686 million, which was SEK 297 million higher than at the beginning of the year. Net pension assets increased by SEK 68 million kronor. Apoteket's debt/equity ratio was 3 (18) per cent. The low debt/equity ratio is mainly a timing effect arising from the payment to Apoteket at the end of December. The equity ratio was 58.4 (56.3) per cent. Return on capital employed was 17.1 per cent (16.3), and return on equity was 7.8 per cent (10.2) for the most recent 12-month period.

Net debt amounted to SEK 56 million at 31 December 2014,

compared with SEK 285 million at 31 December 2013. The reduction is due to a payment from Apoteket's Pension Foundation.

Parent Company

NET SALES FOR Apoteket in 2014 amounted to SEK 18,567 (18,400) million. This increase mainly relates to increased sales of prescription medications. Operating profit was SEK 511 (861) million. The lower operating profit is largely due to the lower payment from Apoteket's Pension Foundation, which fell to SEK 439 (690) million. Net earnings amounted to SEK 437 (642) million.

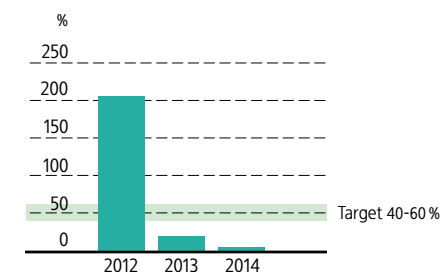
Cash flow from operating activities amounted to SEK –8 (979) million. Cash flow from investing activities amounted to SEK –64 (–122) million.

Cash flow from financing activities amounted to SEK 68 (–876) million. Cash flow for the period amounted to SEK 12 (–19) million. Apoteket's holdings of shares in subsidiaries decreased during the year by SEK 230 million, mainly attributable to a reduction of share capital in the subsidiary Apoteket Farmaci AB. In connection with this reduction, Apoteket also received an intercompany dividend of SEK 255 million.

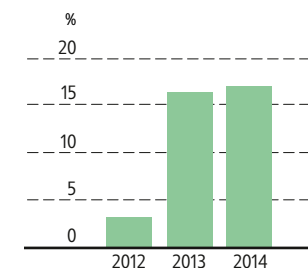
ANALYSIS OF CHANGE, INTEREST-BEARING NET DEBT

SEK million	2014	2013
Balance at 1 Jan.	285	1,785
Operating cash flow	60	–860
Dividend	150	31
Payment	–439	–690
Other	–	19
Balance at 31 Dec.	56	285

DEBT/EQUITY RATIO



RETURN ON CAPITAL EMPLOYED



KEY FIGURES, QUARTERLY

	2014:4	2014:3	2014:2	2014:1	2013:4	2013:3	2013:2	2013:1	2012:4
Net sales, SEK million	4,956	4,522	4,680	4,409	4,623	4,461	4,838	4,925	5,342
Operating profit, SEK million	31	125	106	81	55	86	115	99	37
Operating margin, %	0.6	2.8	2.3	1.8	1.2	1.9	2.4	2.0	0.7

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.

BUSINESS AND MARKET RISKS

Business and market risks relate to external events and changes that are linked to Apoteket's business environment and the market in which the company operates.

For Apoteket these risks primarily include market regulations, increased competition and brand 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. In 2014, the government in Sweden changed, which is associated with some political risk that conditions for Apoteket and the industry could be affected.

Competition is increasing in the pharmacy market. The industry is changing through mergers and new niche players. New customer offerings are also being developed, with new content and a new price structure. This places increasing demands on Apoteket's ability to adapt.

Apoteket works proactively to ensure that the social conditions of producers of goods for resale are acceptable. When deficiencies are identified in the quality audit there is a risk of recalls and product liability, which may affect adversely the brand.

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 the cost structure.

Apoteket continues to maintain a high rate of change of

SENSITIVITY ANALYSIS

	Estimated impact on profits, SEK million
1% change in net sales, prescription drug sales	85
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	275
5% Change in cost of the fair value of managed assets	550

IT support, which increases the risk that expected business benefits will be lower than expected. In the contract and multi-dose business, Apoteket clearly notices that the cost situation is critical in order to win contracts. In order to meet customer expectations and new opportunities in the market, Apoteket is adjusting the organization since changes require new and more efficient processes. If not fully implemented, there is an increased risk that the change will not have the desired effect.

FINANCIAL RISKS

Financial risks refer to fluctuations in the Company's profits and cash flow as a result of changes in, for example, interest levels, exchange rates, refinancing and credit risks.

Apoteket has a substantial pension commitment that is secured through Apoteket's Pension Foundation. The task of the foundation is to secure the employer's pension commitment by investing the foundation's assets in a prudent manner. If the value of the assets in the pension foundation trends negatively, this could result in Apoteket having to inject capital to secure the pension commitment. To ensure adequate risk control, the foundation has a clearly defined risk mandate. The foundation provides monthly feedback. Apoteket also has financial risk related to the pension obligation and changes in actuarial assumptions.

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.

Sustainability initiatives in five target areas

APOTEKET WANTS TO conduct business so that conditions for long-term value are created. In addition to the financial targets, Apoteket focuses on sustainability initiatives in four strategic areas: health, diversity, product range and the environment. They address health and diversity among both customers and employees, a carefully selected product range and responsible supplier relationships, as well as a reduced carbon footprint from transports and reduced environmental impact from medicinal products. In 2014, the Board set new long-term goals in the target areas to achieve even greater effect and promote commitment throughout the Company. Sustainability initiatives are under constant development. More information on how we continue to develop Apoteket into a sustainable company is available on pages 14–31.

An overview of Apoteket's sustainability goals can be seen on pages 12–13. More information about specific targets and outcomes is available on pages 82–89.

Employees

THE AVERAGE NUMBER of employees for 2014 was 3,474, which is a decrease of 425 from the previous year. The decrease is due to Apoteket's efforts to adapt to the smaller healthcare and corporate business.

In 2014, several initiatives were carried out to help achieve a better working environment. Apoteket also began a leadership initiative during the year.

The results of this year's employee survey improved in all areas compared with the previous year.

Significant post-balance sheet events

THE NEW ORGANISATION came into force on 1 February 2015. With the new structure, Apoteket will be better positioned to meet competition. The change entails a consolidated sales organisation and fewer full-time positions within key functions.

On 1 February Stockholm County Council and Gotland Municipality extended their multi-dose agree-

ements with Apoteket for two years, through January 2018. The agreement is for multi-dose packaged medications for over 28,000 people.

Guidelines regarding remuneration of senior executives

THE 2014 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 higher than salaries offered in 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 with 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 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 2015 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 2014.

For further information on the State Ownership Policy, please refer to the Swedish Government's website.

Distribution of earnings

The Board's proposal for the distribution of earnings is presented on page 75.

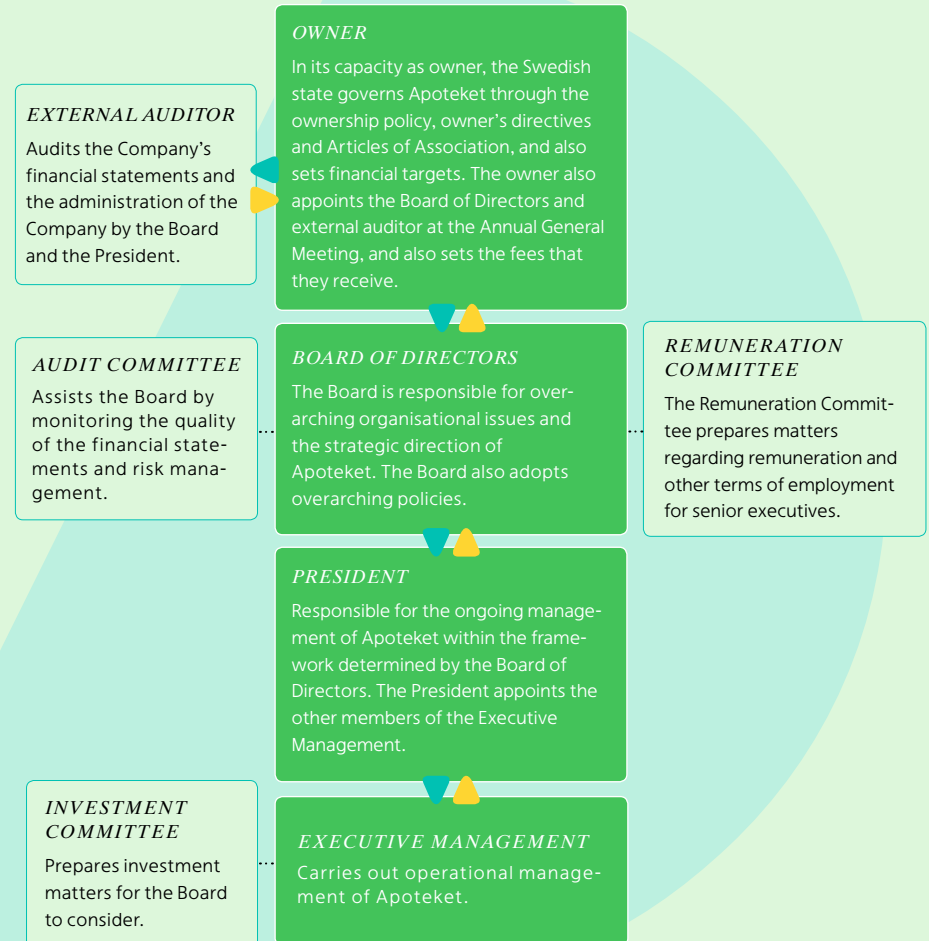
Corporate Governance Report

Apoteket AB is a Swedish public limited liability company with its registered office in Solna. The Swedish state owns all shares in Apoteket.

The owner exercises its influence over the company at the AGM by adopting the income statement and the balance sheet, as well as resolving on discharging the Board of Directors from liability, dividends to the owner, fees to the Board and auditors, and guidelines for remuneration to senior executives. The AGM also appoints the Board of Directors, the Chairman of the Board and the auditor, and also determines the fees to be paid to them. The Board of Directors is responsible for overarching organisational issues and the strategic direction of Apoteket. The Board also appoints the President of the Company, who is responsible for day-to-day management within the framework set by the Board. The President appoints the other members of the Executive Management.

OWNER

Ownership is exercised in practice by the Ministry of Enterprise and Innovation through the company management organisation. The State's Ownership Policy serves as the basis for governance of Apoteket, along with the Articles of Association, financial targets and owner instructions. The ownership policy includes special guidelines for external financial reporting and for terms 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,



anticorruption, 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 on the right. The Chairman arranges progress meetings during the year between the owner and Company. The President also participates at these meetings.

ANNUAL GENERAL MEETING

At Apoteket’s Annual General Meeting on 10 April 2014, Christian W. Jansson (Chairman), Gert Karnberger, Kristina Schauman, Elisabet Wenzlaff, Maria Curman and Leif Ljungqvist were re-elected. Ernst & Young was re-elected to serve as auditor, with Åsa Lundvall as auditor in charge. The Meeting resolved to pay a dividend of SEK 150 million to the owner. New owner instructions were adopted according to which Apoteket’s remit to retain the existing pharmacy representatives was extended through 30 June 2015.

The AGM was open to the public, which had the opportunity to ask questions in conjunction with the Meeting. Only a few people were present; no members of the Riksdag attended the Meeting, though according to the Articles of Association, Riksdag members are entitled to attend the Meeting.

AUDITORS

Auditors are appointed by the AGM with the task of auditing the Company’s financial statements and the administration of the Company by the Board and the President. The auditors’ position of independence is ensured by law as well as by internal and external professional rules of ethics.

BOARD OF DIRECTORS.

The nomination process for members of the Board is coordinated by the owner. Requirements for expertise are analysed based

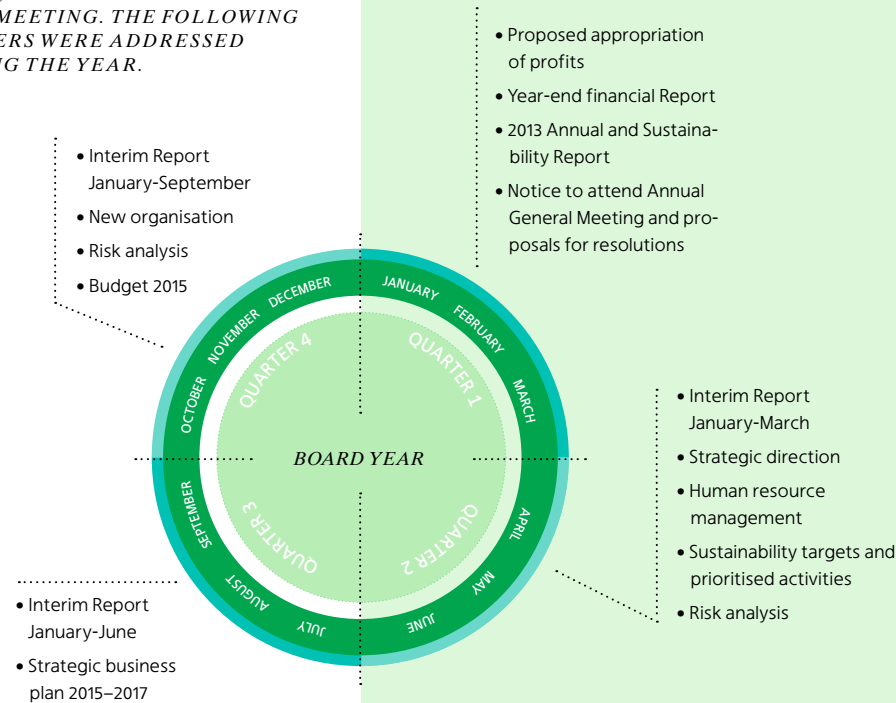
DEVIATION TABLE

Code rule	Deviation	Explanation
2.1–2.7: The Company shall have a Nomination Committee.	A Nomination Committee has not been established.	The company management organisation within the Ministry of Enterprise and Innovation 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 rule is primarily intended to protect minority shareholders in companies with dispersed ownership. For state-owned companies there is no reason to report independence in this regard.

	Elected year	Meetings Board	Meetings Audit Committee	Meetings Remuneration Committee	Regular fee, SEK k	Fee for committee work, SEK k
Christian W. Jansson ¹	2009	10/10			300	
Gert Karnberger ²	2009	10/10	6/6		150	25
Kristina Schauman ³	2009	10/10	6/6		150	50
Elisabet Wenzlaff ⁴	2009	9/10		2/2	150	
Maria Curman ⁵	2012	10/10		2/2	150	
Leif Ljungqvist ⁶	2012	10/10	5/6			
Carin Sällström-Nilsson ⁷	2009	10/10			24	
Marie Redeborn ⁸	2012	9/10			24	
Anna Ekergren ⁹	2013	2/2			2	
Gunilla Larsson ¹⁰	2009	10/10			24	
Lena Rhodin ¹¹	2014	3/8			16	

- 1) Chair, Board of Directors
- 2) Member of the Audit Committee
- 3) Chairperson of the 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 Pharmacists Association
- 8) Employee representative (deputy), appointed by Swedish Pharmacists Association
- 9) Employee representative, appointed by Unionen, beginning December 2013 through March 2014
- 10) Employee representative, appointed by Unionen; regular member beginning March 2014
- 11) Employee representative (deputy), appointed by Unionen beginning April 2014

IN 2014 THE BOARD MET TEN TIMES, INCLUDING THE STATUTORY MEETING. THE FOLLOWING MATTERS WERE ADDRESSED DURING THE YEAR.



on the Company's business, situation and challenges, as well as the Board's current composition and the results from the year's evaluation of the Board. Trade unions are entitled to appoint two members and two deputies. Fifty per cent of the Board members elected by the AGM are men. All trade union representatives are women. The President is not a member of the Board, but attends all meetings together with the CFO and the Company's Chief Legal Officer, who is the secretary of the Board of Directors. Each year the Board of Directors adopts rules of procedure for its own work to clarify the allocation of responsibilities between the Board of Directors and its committees. The instructions to the President, which are adopted annually and include reporting instructions, regulate the allocation of responsibilities between the Board and the President. Board meetings follow an established annual schedule and the Board usually meets five times a year,

twice in the spring and three times in the fall. These meetings are supplemented by shorter decision-making meetings by phone. Regular meetings always include a review of the minutes and unresolved issues, as well as reports from the committees and the President. The Board has not established a special audit function (internal audit), but during the year the Company continued to work on strengthening internal controls. The Board sets the Company's overarching policies.

COMMITTEES

The Board has established an Audit Committee and a Remuneration Committee from among its members. The Audit Committee assists the Board by monitoring the quality of the financial statements for the Company and the Group. The Audit Committee consists of Kristina Schauman (Chair), Gert Karnberger and Leif Ljungqvist. The Remuneration Committee prepares matters regarding remuneration and other terms of employment for senior executives. The Remuneration Committee consists of Elisabet Wenzlaff (Chair) and Maria Curman.

The auditor participated at Audit Committee meetings on several occasions throughout the year in connection with a review of the interim Reports, internal control and other auditing efforts. The auditor participated at Board meetings in conjunction with the adoption of the Annual Report and the Sustainability Report. More information about the Board and the auditor can be found on pages 96-97.

PRESIDENT AND DECISION-MAKING BODIES

The President is responsible for the ongoing management in accordance with the Companies Act. The Board adopts additional instructions. The President is responsible for keeping the Chairman of the Board continuously informed of significant events and for otherwise organising the Company to ensure that appropriate governance and operational control are attained. The President takes decisions independently or with the support of two decision-making bodies, the Executive Management and the Investment Committee.

EXECUTIVE MANAGEMENT COMMITTEE

The President heads up the Executive Management, which meets once a month. Operations are monitored through monthly reports to the President and quarterly follow-up meetings coordinated by the CFO and run by the President. More information about the executive management can be found on page 98.

INVESTMENT COMMITTEE

Investment issues are addressed by the Investment Committee, which comprises the CFO (Chair), President and the Company's Chief Legal Officer. The Investment Committee also recommends investments for the Board to consider.

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 assessment, control activities, dissemination of information and monitoring.

An internal control function strengthens the Company's internal control work. The function is organisationally part of the Finance Department 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 function 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.

Documentation regarding reporting forms and policies, internal governance, control and monitoring is gathered in internal policies, guidelines and instructions. These documents are made available to concerned 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 business department that handles



accounting for the Company. In order to identify, analyse and decide on the handling of any errors in financial reporting, it is crucial for the Business Unit to 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 procedures. Crucial for determining whether an activity carries high risk are the volume, complexity, valuation and accrual periods.

A large percentage of Apoteket's operations depend on efficient IT support. This also applies to internal control in respect of the financial reporting, since the transactions are created and handled in the business system. During the year Apoteket improved both processes and IT support within the contractual and consumer businesses.

CONTROL ACTIVITIES

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

There is a well-defined division of responsibilities regarding control activities in the Company. Responsibility and roles regarding financial reporting have been defined and communicated to Apoteket employees. 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 inter-

nal policies, guidelines, manuals and codes pertaining to financial reporting. Apoteket monitors compliance with these governing documents.

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

Financial results and operational key figures are analysed monthly for all units within the Company. Management meets on a quarterly basis with operations managers to review results, key figures 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.

Multi-year summary

KEY FIGURES

	2014	2013	2012 ¹⁾	2011	2010	2009	2008	2007	2006	2005
Net sales, SEK million	18,567	18,847	21,392	22,960	26,275	43,073	41,710	39,493	37,269	35,444
Operating profit, SEK million	343	354	141	189	-233	804	950	588	600	292
Financial items, SEK million ²⁾	-1	-6	-19	14	31	3	19	14	21	-2
Pre-tax earnings, SEK million	481	436	180	586	4,524	806	969	602	621	290
Net earnings for the year, SEK million	371	364	232	391	4,520	532	711	433	447	201
Dividend (approved and paid the following year), SEK million	158 ³⁾	150	31	200	5,400	372	237	145	150	70
Balance sheet total, SEK million	8,028	7,866	8,072	8,249	13,537	11,686	11,700	10,596	10,309	9,815
Equity, SEK million	4,686	4,389	3,040	2,656	7,665	4,026	3,838	3,293	3,010	2,632
Change in net sales, %	-1.5	-11.9	-6.8	-12.6	-39.0	3.3	5.6	6.0	5.1	4.0
Operating margin, %	1.8	1.9	0.7	0.8	0.2	1.9	2.3	1.5	1.6	0.8
Equity/assets ratio, %	58.4	56.3	37.7	32.1	56.6	34.5	32.8	31.1	29.2	26.8
Return on capital employed, % ⁴⁾	17.1	16.3	5.0	4.6	46.8	14.6	18.2	11.1	12.0	6.2
Return on equity, %	7.8	10.2	8.8	7.6	77.3 ⁵⁾	13.5	19.9	13.7	15.8	7.8
Average number of employees	3,474	3,899	4,540	4,633	5,655	10,319	10,666	10,689	10,632	10,914

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

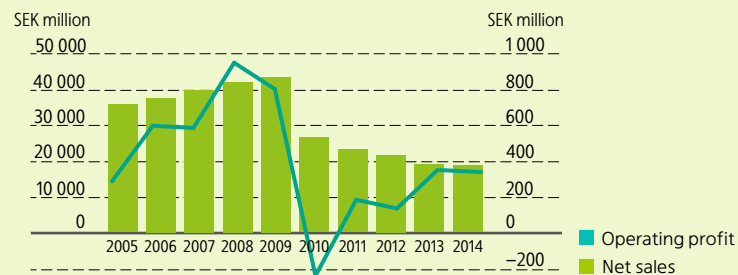
2) Financial items do not include return on plan assets or interest expense on the pension obligation.

3) Dividend for 2014 relates to a proposed, but not yet approved dividend of SEK 158 million.

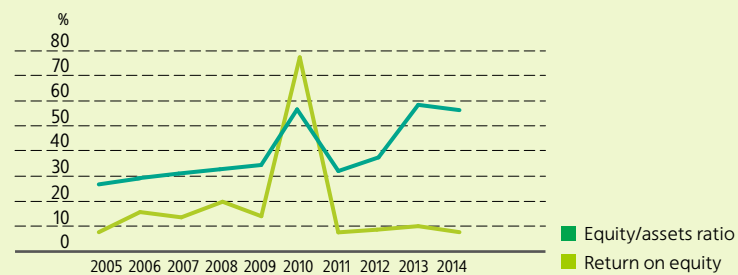
4) In 2010 and earlier, capital employed was calculated on total assets, including pension claim.

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

NET SALES AND OPERATING PROFIT



RETURN ON EQUITY AND EQUITY RATIO



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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Note	2014	2013
Net sales		18,567	18,847
Other operating income		101	125
Total revenues	5	18,668	18,972
Goods for resale	16	-14,927	-14,987
Other external costs	6, 7	-1,310	-1,427
Personnel costs	8, 15, 29	-1,923	-2,012
Depreciation, amortisation and impairment	12, 13	-165	-192
Operating profit		343	354
Share of earnings of associated companies	14	0	1
Net financial items – pensions	15	139	87
Other financial income	21	2	1
Other financial expenses	21	-3	-7
Pre-tax earnings		481	436
Income tax	9	-110	-72
Net earnings for the year		371	364
Other comprehensive income			
Items that cannot be reclassified to profit and loss			
Actuarial gains	15	97	1,303
Deferred tax	15	-21	-287
Other comprehensive income		76	1,016
Comprehensive income during the year		447	1,380
Net earnings for the year attributable to Parent Company's shareholders		371	364
Comprehensive income during the year attributable to Parent Company's shareholders		447	1,380
Earnings per share, SEK	11	2,123	2,080
Number of shares		175,000	175,000

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in SEK million	Note	2014	2013
<i>Operating activities</i>			
Pre-tax earnings		481	436
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		165	192
Change in pension claim		-420	-252
Other		13	-43
Taxes paid		-201	4
Cash flow from operating activities before changes in working capital		38	337
<i>Cash flow from changes in working capital</i>			
Changes in inventories		-49	156
Changes in receivables		-127	827
Changes in liabilities		142	-348
Cash flow from operating activities		4	972
<i>Investing activities</i>			
Investments in intangible assets	12	-28	-59
Investments in property, plant and equipment	13	-42	-76
Divestment of non-current assets		6	23
Cash flow from investing activities		-64	-112
<i>Financing activities</i>			
Change in current financial liabilities		-221	-1,517
Payment received from Apoteket's Pension Foundation		439	690
Amortisation of debt		-	-19
Dividends paid	27	-150	-31
Cash flow from financing activities		68	-877

Amounts in SEK million	2014	2013
Cash flow for the year	8	-17
Cash and cash equivalents at the beginning of the year	36	53
Cash and cash equivalents at the end of the year	44	36

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	2014	2013
Cash flow from operating activities	4	972
Investments in intangible assets	-28	-59
Investments in property, plant and equipment	-42	-76
Divestment of non-current assets	6	23
Operating cash flow	-60	860

CONSOLIDATED BALANCE SHEET

Amounts in SEK million at 31 December	Note	2014	2013
ASSETS			
Fixed assets			
<i>Intangible assets</i>	12	88	83
<i>Property, plant and equipment</i>	13		
Buildings, land and land improvements		24	25
Equipment		301	404
Total property, plant and equipment		325	429
<i>Financial fixed assets</i>			
Holdings in associated companies	14	8	8
Pension claim	15	3,703	3,635
Other non-current receivables ¹		77	68
Total financial fixed assets		3,788	3,711
Total fixed assets		4,201	4,223
Current assets			
Inventories	16	1,250	1,201
Accounts receivable	21	2,066	1,959
Other receivables	17	337	298
Prepaid expenses and accrued income	18	130	149
Cash and cash equivalents	21	44	36
Total current assets		3,827	3,643
TOTAL ASSETS		8,028	7,866

1) The 2013 comparative figures include a reclassification of SEK 68 million related to long-term receivable – from other current liabilities to financial fixed asset.

CONSOLIDATED BALANCE SHEET

Amounts in SEK million at 31 December	Note	2014	2013
EQUITY			
<i>Share capital</i>		175	175
<i>Retained earnings</i>		4,511	4,214
Total equity		4,686	4,389
LIABILITIES			
Long-term liabilities			
Deferred tax	10	969	941
Other provisions	20	–	–
Other long-term liabilities	21	–	–
Total long-term liabilities		969	941
Current liabilities			
Liabilities to credit institutions, interest-bearing	21	100	321
Accounts payable	21	1,977	1,802
Current tax assets		10	68
Other liabilities ¹		70	72
Accrued expenses and prepaid income	19	207	239
Other provisions	20	9	34
Total current liabilities		2,373	2,536
Total liabilities		3,342	3,477
TOTAL EQUITY AND LIABILITIES		8,028	7,866
<i>Contingent liabilities</i>			
Sureties, PRI Pension Guarantee		41	37
Guarantee commitments, other		46	55
Pledged assets		None	None

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK million	Share capital	Translation reserve	Retained earnings	Total equity
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
Opening balance at 1 January 2014	175	-5	4,219	4,389
Comprehensive income during the year			447	447
Dividend			-150	-150
Closing balance at 31 December 2014	175	-5	4,516	4,686

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

PARENT COMPANY - INCOME STATEMENT

Amounts in SEK million	Note	2014	2013
Net sales	5, 23	18,567	18,400
Other operating income		101	124
Total revenues		18,668	18,524
Goods for resale	16, 23	-14,927	-14,595
Other external costs	6, 7	-1,312	-1,424
Personnel costs	8, 22, 29	-1,755	-1,457
Depreciation, amortisation and impairment	12, 13	-163	-187
Operating profit		511	861
Share of earnings of Group companies	24	28	17
Other interest income and similar profit/loss items	21, 23	2	3
Interest expense and similar profit/loss items	21, 23	-1	-6
Earnings before appropriations and tax		540	875
Appropriations	25	16	-88
Pre-tax earnings		556	787
Income tax	9	-119	-145
Net earnings for the year		437	642

PARENT COMPANY STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	2014	2013
Net earnings for the year	437	642
Total comprehensive income for the year	437	642

STATEMENT OF CASH FLOW, PARENT COMPANY

Amounts in SEK million	Note	2014	2013
<i>Operating activities</i>			
Earnings before appropriations and tax		540	875
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		393	187
Share of earnings of Group companies		0	-17
Other		6	5
Payment received from Apoteket's Pension Foundation		-439	-690
Taxes paid		-201	-28
Cash flow from operating activities before changes in working capital		299	332
<i>Cash flow from changes in working capital</i>			
Changes in inventories		-49	-10
Changes in receivables		-166	214
Changes in liabilities		-76	443
Cash flow from operating activities		8	979
<i>Investing activities</i>			
Investments in intangible assets	12	-28	-59
Investments in property, plant and equipment	13	-42	-77
Divestment of non-current assets		6	14
Cash flow from investing activities		-64	-122

Amounts in SEK million	Note	2014	2013
<i>Financing activities</i>			
Change in current financial liabilities		-221	-1,535
Payment received from Apoteket's Pension Foundation		439	690
Group contributions received/distributed		-	-
Dividends paid	27	-150	-31
Cash flow from financing activities		68	-876
Cash flow for the year		12	-19
Cash and cash equivalents at the beginning of the year		32	51
Cash and cash equivalents at the end of the year		44	32

Cash flow from receipt of interest income amounted to SEK 2 (3) million.

Cash flow from receipt of interest income amounted to SEK 1 (6) million.

PARENT COMPANY BALANCE SHEET

Amounts in SEK million at 31 December	Note	2014	2013
ASSETS			
Fixed assets			
<i>Intangible assets</i>	12	88	83
<i>Property, plant and equipment</i>	13		
Buildings, land and land improvements		–	–
Equipment		301	403
<i>Total property, plant and equipment</i>		301	403
<i>Financial fixed assets</i>			
Participations in Group companies	26	27	257
Receivables from Group companies		7	7
Holdings in associated companies	14	9	9
Deferred tax asset	10	–	8
Other long-term receivable ¹		78	68
<i>Total financial fixed assets</i>		121	349
Total fixed assets		510	835
Current assets			
Inventories	16	1,250	1,201
Accounts receivable		2,066	1,956
Receivables from Group companies		5	39
Other receivables	17	337	296
Prepaid expenses and accrued income	18	130	149
Cash and cash equivalents		44	32
Total current assets		3,832	3,673
TOTAL ASSETS		4,342	4,508

1) The 2013 comparative figures include a reclassification of SEK 68 million related to long-term receivable – from other current liabilities to financial fixed asset.

PARENT COMPANY BALANCE SHEET

Amounts in SEK million at 31 December	Note	2014	2013
EQUITY			
<i>Restricted equity</i>			
Share capital (175,000 shares with quota value SEK 1,000)		175	175
Reserves		35	35
Total restricted equity		210	210
<i>Non-restricted equity</i>			
Retained earnings		627	135
Net earnings for the year		437	642
Total non-restricted equity		1,064	777
Total equity		1,274	987
Untaxed reserves	28	652	668
Provisions			
Deferred tax liability	10	10	–
Other provisions	20	9	34
Total provisions		19	34
LIABILITIES			
Long-term liabilities			
Liabilities to Group companies		2	7
Total long-term liabilities		2	7

Amounts in SEK million at 31 December	Note	2014	2013
Current liabilities			
Liabilities to credit institutions, interest-bearing	21	100	321
Accounts payable		1,977	1,802
Liabilities to Group companies		26	308
Current tax assets		10	68
Other liabilities ¹		75	74
Accrued expenses and prepaid income	19	207	239
Total current liabilities		2,395	2,812
Total liabilities		3,068	3,521
TOTAL EQUITY AND LIABILITIES		4,342	4,508
<i>Contingent liabilities</i>			
Sureties, PRI Pension Guarantee		41	37
Guarantee commitments, other		46	55
Pledged assets		None	None

1) The 2013 comparative figures include a reclassification of SEK 68 million related to a long-term receivable from other current liability to financial fixed asset.

CHANGES IN PARENT COMPANY'S EQUITY

Amounts in SEK million	Share capital	Reserves	Retained earnings	Net earnings for the year	Total equity
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
Opening balance at 1 January 2014	175	35	135	642	987
Dividend paid	–	–	–150	–	–150
Distribution of earnings	–	–	642	–642	–
Net earnings for the year	–	–	–	437	437
Closing balance at 31 December 2014	175	35	627	437	1,274

Notes

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58	4. Parent Company accounting policies	69	19. Accrued expenses and prepaid income
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59	7. Fees for auditors and audit companies	71	22. Average number of employees
59	8. Salaries, other remuneration and costs	71	23. Related-party transactions
63	9. Income tax	72	24. Share of earnings of Group companies
63	10. Deferred tax	72	25. Appropriations
64	11. Earnings per share	72	26. Participations in Group companies
64	12. Intangible assets	73	27. Dividend per share
65	13. Property, plant and equipment	73	28. Untaxed reserves
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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. Health products and services refer to both Apoteket's own brands and external brands. 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 6 March 2015 the Board of Directors and the President approved the consolidated financial statements and the Annual Report for financial year 2014, which will be presented to the Annual General Meeting on 13 April 2015.

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. 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 2013 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.

IFRSs that came into force in 2014 and are approved by the EU

Note 2 cont'd

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. Apoteket's assessment of which companies should be consolidated has not changed since the standard came into force.

Information concerning forthcoming standards, amendments and interpretations

IFRSs that have not yet entered into force and/or been approved by the EU that have not been early adopted by the Group

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 2018.

Apoteket has not evaluated the effects of the new standard.

IFRS 15 Revenue from contracts with Customers (expected to be adopted by the EU Q2 2015)

The standard comes into force for financial years beginning on or after 1 January 2017. This standard supersedes all previously issued standards and interpretations that address revenue. IFRS 15 is a comprehensive model for the recognition of customer contracts.

Apoteket has not evaluated the effects of the new standard.

Consolidated financial statements

Subsidiaries are consolidated if a controlling interest is present. A controlling interest exists when the investor:

- has power over the investee, which is described as having rights to control activities that significantly affect the potential for return (described as relevant activities)
- exposed, or has rights to, variable returns from the investee
- can use its power to affect the size of the return.

Subsidiaries 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.

Acquired subsidiaries and other acquired businesses are recognised using the purchase method. Under this method, an acquisition of a subsidiary is treated as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities. Intragroup transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group companies, are eliminated.

Translation of foreign subsidiaries

Assets and liabilities in foreign subsidiaries are translated at the exchange rate prevailing on the balance-sheet date and profit or loss is translated at the average exchange rate during the financial year. The translation difference resulting from this, and from the net investment being translated at an exchange rate at the end of the financial year that differs from that at the beginning of the financial year, is recognised via other comprehensive income in shareholders' equity as a translation reserve. In 2014 Apoteket had two foreign subsidiaries: Apoteket Deutschland GmbH and Apoteket Norge AS were liquidated.

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 per cent 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.

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 the segment 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's operations are based largely on common resources such as a common operating organisation and other functions. Consequently segment reporting is not possible for Apoteket's different customer segments.

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 in other external costs, 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 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.

In the balance sheet, recognised capitalised development expenses are entered at cost less accumulated amortisation and impairment. 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. Costs that are closely associated with software production include personnel costs for programme development and a reasonable portion of assignable indirect costs.

Other development expenditure, where proven future rewards are considered low, are recognised in profit or loss as an expense as incurred.

Other intangible assets and rental contracts

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

Note 2 cont'd

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. The useful life is estimated at five years.

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. Apoteket has no leases classified as financial leases.

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

Financial instruments

Financial instruments are any type of agreement that gives rise to a financial asset, financial liability or an equity instrument in another company. Financial instruments recognised in the balance sheet include, on the asset side, cash and cash equivalents, short-term investments, accounts receivable and loan receivables.

Liabilities include accounts payable, issued instruments of debt and loan liabilities. Cash and cash equivalents comprise cash and bank deposits and short-term investments with a maturity of less than 90 days.

Recognition of financial assets and liabilities

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

A financial asset or liability is recognised in the balance sheet when the company becomes a party to the contractual terms of the instrument. Accounts receivable are recognised in the balance sheet when an invoice has been sent. Liabilities are recognised when the counterparty has performed and has a contractual

obligation to pay, even if an invoice has not been received.

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

The fair value of unlisted financial assets is determined using established valuation techniques. On every reporting occasion, the company assesses whether there are objective reasons to impair a financial asset.

Classification of financial instruments

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

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

This category comprises two subgroups:

- a) Financial assets and liabilities held for sale.
 - b) Financial assets and liabilities that, from the very beginning, were designated as belonging to this category.
- Apoteket has no financial instruments in this category.

2) Loan receivables and accounts receivable

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

3) Investments intended to 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.

Note 2 cont'd

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 per cent 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.

Inventory obsolescence is assessed and calculated based on parameters such as time remaining in stock, given current stock levels, recent withdrawals and inventory turnover.

Revenue recognition

Revenue 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 revenue when a Group company sells a product to a customer. Sales to Apoteket's franchisees are recognised as revenue. 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. As a result, recognised revenue may exceed/be 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, see note 21.

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 through 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 carryforwards and their carrying amounts in the consolidated financial statements.

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

Deferred tax 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.

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 benefit and defined contribution pension plans.

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

In a defined contribution plan, the company pays fixed contributions to a separate legal entity. It has no legal or informal obligation to pay additional contributions if the legal entity does not have assets sufficient to pay all of the benefits to the employees,

Note 2 cont'd

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 profit. 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 when the amount can be reliably estimated, see note 20.

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. Contingent liabilities, when they arise, are recognised at their discounted value.

Note 3 SIGNIFICANT ESTIMATES AND ASSESSMENTS FOR ACCOUNTING PURPOSES

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates. Estimates and assumptions are reviewed on a regular basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of IFRSs that have a significant effect on the financial statements mainly relate to the following areas: financial assets review 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 do 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 Swedish Financial Supervisory Authority's FFFS 2007:24 provision.

Group contributions

Group contributions are recognised under the general rule in accordance with RFR 2, which means that Group contributions received are recognised as financial income and Group contributions paid are treated as an increase in participations in subsidiaries.

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

	Group		Parent Company	
	2014	2013	2014	2013
Sales of goods	18,031	18,113	18,031	17,701
Sales of services	503	681	503	646
Invoiced costs	9	18	9	18
Notification charges, statutory charges	24	35	24	35
Rental income	0	0	0	0
Other income	0	0	0	0
Total	18,567	18,847	18,567	18,400

Other operating income includes income from:

	Group		Parent Company	
	2014	2013	2014	2013
Franchise fee	84	122	84	122
Recovered bad debts	1	0	1	0
Gains, sales of equipment	6	2	6	1
Government grants received	4	0	4	0
Other income	6	1	6	1
Total	101	125	101	124

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

	Group		Parent Company	
	2014	2013	2014	2013
Within 1 year	225	200	225	200
Between 1 and 5 years	467	411	467	411
After more than 5 years	81	56	81	56
Total	773	667	773	667

Leasing costs relating to operational leases during the year amounted to SEK 271 (293) million in the Group and to SEK 274 (291) million in the Parent Company.

Apoteket's leasing charges relate mainly to the rental of premises for pharmacies and headquarters. Most 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	
	2014	2013	2014	2013
<i>Audit activities</i>				
Ernst & Young AB ¹	1.5	1.5	1.5	1.5
<i>Other assignments</i>				
Ernst & Young AB, tax consultancy services	0.5	0.4	0.5	0.4
Ernst & Young AB, other services	0.0	0.0	0.0	0.0
Total	2.0	1.9	2.0	1.9

1) The charge for audit activities besides audit engagements, relating to verification of the Sustainability Report, was SEK 0.2 (0.1) million in 2014 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	
	2014	2013	2014	2013
Salaries and remuneration	1,352	1,409	1,352	1,387
Social security fees	541	574	373	42
(of which pension costs) ¹	(141)	(219)	(-28)	(-307)
Total	1,893	1,983	1,725	1,429

1) Of the Group's pension costs, calculated according to IAS 19R, SEK 7.5 (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 54.6 (59.7) 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, decreased to SEK 50.1 (57.4) million. Pension costs for the concerned category amounted to SEK 6.1 (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 439 (690) million from Apoteket's pension foundation had a positive impact on pension costs in the Parent Company. For more information about pensions, see note 15 and note 29.

Note 8 cont'd

Incentive programme

A results-based programme for employees and first-line managers with direct or indirect contact with customers can give a premium of SEK 6,000 per year to employees and an additional SEK 6,000 per year to first-line managers. The premium 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	
	2014	2013	2014	2013
Board members, President and other senior executives ¹⁾	22	23	21	21
(of which bonuses, etc.)	(-)	(-)	(-)	(-)
Other employees	1,331	1,386	1,331	1,366
Total	1,353	1,409	1,352	1,387

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

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

	Elected	Meetings board	Meetings		Regular committee fee, SEK k work, SEK k	Fee for committee
			Audit Committee	Remuneration Committee		
Christian W. Jansson ¹⁾	2009	10/10			300	
Gert Karnberger ²⁾	2009	10/10	6/6		150	25
Kristina Schauman ³⁾	2009	10/10	6/6		150	50
Elisabet Wenzlaff ⁴⁾	2009	9/10		2/2	150	
Maria Curman ⁵⁾	2012	10/10		2/2	150	
Leif Ljungqvist ⁶⁾	2012	10/10	5/6			
Carin Sällström-Nilsson ⁷⁾	2009	10/10			24	
Marie Redeborn ⁸⁾	2012	9/10			24	
Anna Ekergren ⁹⁾	2013	2/2			2	
Gunilla Larsson ¹⁰⁾	2009	10/10			24	
Lena Rhodin ¹¹⁾	2014	3/8			16	

1) Chair, Board of Directors

2) Member of the Audit Committee

3) Chairperson of the 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 Pharmacists Association

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

9) Employee representative, appointed by Unionen, beginning December 2013 through March 2014

10) Employee representative, appointed by Unionen; regular member beginning March 2014

11) Employee representative (deputy), appointed by Unionen beginning April 2014

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 2014 AGM, Christian W. Jansson (Chairman), Gert Karnberger, Kristina Schauman, Elisabet Wenzlaff, Maria Curman and Leif Ljungqvist were re-elected.

Unionen appointed Anna Ekergren to serve as a member until March 2014 and Gunilla Larsson beginning in April 2014, as well as Lena Rhodin as deputy beginning in April 2014. The Swedish Pharmaceutical Association appointed Carin Sällström-Nilsson as Board member and Marie Redeborn as deputy member.

From among its members, the Board established 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 96–97.

Work of the Board of Directors

The Board of Directors held ten meetings in 2014, including one which was the statutory meeting. The Board addressed the following matters during the year:

- year-end financial report, including proposed dividend
- Annual and Sustainability Report
- notice to attend Annual General Meeting and proposals for resolutions
- interim reports
- strategic direction
- human resource management
- sustainability targets and prioritised activities
- risk analysis
- strategic business plan and budget
- new organisation.

Note 8 cont'd

Remuneration and benefits paid to senior executives in 2014

Member of executive management since	Salary, SEK k	Other benefits, SEK k ¹	Total, SEK k	Pension age	Pension expenses, SEK k ²	Period of notice (employee/company)	Severance pay	
Ann Carlsson, President ³	2010	3,997	65	4,062	65	1,149	6 months/ 6 months	18 months
Ulrika Eriksson, Vice President and Director of the Consumer business area	2009	2,253	59	2,312	65	739	6 months/ 6 months	18 months
Eva Fernvall, Director of Corporate Communications	2005	1,618	64	1,682	65	562	6 months/ 6 months	18 months
Kenneth Hagsten, Director of Human Resources	2013	1,695	62	1,757	65	452	6 months/ 6 months	6 months
Anna Rogmark, Chief Legal Officer and Director of Business Support	2010	1,714	85	1,799	65	498	6 months/ 6 months	18 months
Carina Fält, Director of Business Development	2012	1,378	184	1,562	65	399	6 months/ 6 months	12 months
Pontus Rosén, Director of Product Range & Marketing	2012	1,545	64	1,609	65	371	6 months/ 6 months	6 months
Jan Johansson, CFO	2011	2,421	60	2,481	65	741	6 months/ 6 months	18 months
Lars Skutholm, Director Healthcare & Enterprise	2011	1,925	57	1,982	65	567	6 months/ 6 months	12 months
Olle Carls, Director of Logistics	2012	1,942	57	1,999	65	572	6 months/ 6 months	12 months
Total		20,488	757	21,245		6,050		

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 per cent of her basic salary.

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 per cent of her basic salary, with retirement age at 65. Four senior executives have defined benefit pensions in accordance with ITP2 with retirement age beginning at age 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.

Note 8 cont'd

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 expenses, 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 per cent 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	
	2014	2013	2014	2013
Current tax for the year	-99	-118	-99	-118
Current tax for earlier years	-2	0	-2	0
Deferred tax	-29	46	-18	-27
Total	-130	-72	-119	-145
Deferred tax recognised in other comprehensive income attributable to pensions	-21	-287	-	-

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	
	2014	2013	2014	2013
Pre-tax earnings	481	436	556	787
Tax at the existing tax rate	-106	-96	-122	-173
Tax effect of other tax-exempt income	0	1	56	1
Adjustment of tax attributable to earlier period	-2	6	-2	6
Tax effect of previously unrecognised loss carryforwards	-5	-3	-54	-4
Reporting of previously unrecognised loss carryforwards	3	25	3	25
Other tax effects	0	-5	0	-
Total	-110	-72	-119	-145

The income tax rate for 2014 is 22.0 (22.0) per cent. Deferred tax has been taken into account at a rate of 22.0 (22.0) per cent.

Note 10 DEFERRED TAX

	Group		Parent Company	
	2014	2013	2014	2013
<i>Deferred tax expense/revenue pertaining to:</i>				
non-current assets	7	-52	7	-52
loss carryforwards ¹	-25	25	-25	25
untaxed reserves	4	-19	-	-
pension claims	-15	-190	-	-
other	-	-5	-	-
Deferred tax in comprehensive income	-29	-241	-18	27

Deferred tax assets pertaining to:

loss carryforwards ¹	-	25	-	25
non-current assets	-	-	-	-
Total deferred tax assets	-	25	-	25

Deferred tax liabilities pertain to:

pension claims	-815	-802	-	-
non-current assets	-10	-17	-10	-17
untaxed reserves	-144	-147	-	-
Total deferred tax liabilities	-969	-966	-10	-17
Net liabilities/assets	-969	-941	-10	8

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

Note 11 EARNINGS PER SHARE

	Group	
	2014	2013
Net earnings for the year, SEK million	371	364
Number of shares	175,000	175,000
Earnings per share, SEK	2,123	2,080

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 2014, 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 28 million and mainly comprised a new operating solution for the ERP 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 need for impairment 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 no impairment charge is necessary.

Group	Development work		Leases		Other intangible assets		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
Accumulated cost at the beginning of the year	263	216	30	31	19	19	312	266
New acquisitions	28	59	–	–	–	–	28	59
Divestments/disposals	–3	–12	–1	–1	–	–	–4	–13
Accumulated cost at year-end	288	263	29	30	19	19	336	312
Accumulated depreciation at the beginning of the year	–59	–55	–25	–23	–19	–19	–103	–97
Depreciation for the year according to plan	–20	–16	–3	–3	–	0	–23	–19
Divestments/disposals	3	12	1	1	–	0	4	13
Accumulated depreciation at year-end	–76	–59	–27	–25	–19	–19	–122	–103
Accumulated impairment losses at the beginning of the year	–126	–104	–	–	–	–	–126	–104
Impairment losses for the year	–	–22	–	–	–	–	–	–22
Accumulated impairment losses at year-end	–126	–126	–	–	–	–	–126	–126
Residual value at year-end according to plan	86	78	2	5	–	0	88	83
Parent Company	Development work		Leases		Total			
	2014	2013	2014	2013	2014	2013	2014	2013
Accumulated cost at the beginning of the year	282	206	30	31	312	237		
New acquisitions	28	59	–	–	28	59		
Accumulated cost on assets from Group companies	–	29	–	–	–	29		
Divestments/disposals	–3	–12	–1	–1	–4	–13		
Accumulated cost at year-end	307	282	29	30	336	312		
Accumulated depreciation at the beginning of the year	–83	–51	–25	–23	–108	–74		
Depreciation for the year according to plan	–20	–15	–3	–3	–23	–18		
Accumulated depreciation on assets from Group companies	–	–18	–	–	–	–18		
Divestments/disposals	3	1	1	1	4	2		
Accumulated depreciation at year-end	–100	–83	–27	–25	–127	–108		
Accumulated impairment losses at the beginning of the year	–121	–99	–	–	–121	–99		
Impairment losses for the year	–	–22	–	–	–	–22		
Accumulated impairment losses at year-end	–121	–121	–	–	–121	–121		
Residual value at year-end according to plan	86	78	2	5	88	83		

Note 13 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, land, land improve- ments		Equipment		Total	
	2014	2013	2014	2013	2014	2013
Accumulated cost at the beginning of the year	42	53	1,905	1,848	1,947	1,901
Acquisitions	1	-	42	77	43	77
Divestments/disposals	-1	-11	-121	-20	-122	-31
Accumulated cost at year-end	42	42	1,826	1,905	1,868	1,947
Accumulated depreciation at the beginning of the year	-17	-16	-1,394	-1,264	-1,411	-1,280
Divestments/disposals	0	0	117	11	117	11
Depreciation for the year according to plan	-1	-1	-127	-141	-128	-142
Accumulated depreciation at year-end	-18	-17	-1,404	-1,394	-1,422	-1,411
Accumulated impairment losses at the beginning of the year	-	-7	-107	-96	-107	-103
Reversal of impairment losses	-	7	-	-	-	7
Impairment losses for the year	-	-	-14	-11	-14	-11
Accumulated impairment losses at year-end	-	-	-121	-107	-121	-107
Residual value at year-end according to plan	24	25	301	404	325	429
Carrying amount, buildings	22	25				
Carrying amount, land, land improvements	2	3				
Tax assessment, buildings	14	11				
Tax assessment, land	2	1				

Parent Company	Buildings, land, land improve- ments		Equipment		Total	
	2014	2013	2014	2013	2014	2013
Accumulated cost at the beginning of the year	-	-	1,877	1,723	1,877	1,723
Acquisitions	-	-	42	77	42	77
Accumulated cost taken over from Group companies	-	-	-	97	-	97
Divestments/disposals	-	-	-93	-20	-93	-20
Accumulated cost at year-end	-	-	1,826	1,877	1,826	1,877
Accumulated depreciation at the beginning of the year	-	-	-1,381	-1,176	-1,381	-1,176
Accumulated cost taken over from Group companies	-	-	-	-78	-	-78
Divestments/disposals	-	-	89	11	89	11
Depreciation for the year according to plan	-	-	-126	-138	-126	-138
Accumulated depreciation at year-end	-	-	-1,418	-1,381	-1,418	-1,381
Accumulated impairment losses at the beginning of the year	-	-	-93	-84	-93	-84
Impairment losses for the year	-	-	-14	-9	-14	-9
Accumulated impairment losses at year-end	-	-	-107	-93	-107	-93
Residual value at year-end according to plan	-	-	301	403	301	403

Note 14 HOLDINGS IN ASSOCIATED COMPANIES

	Group		Parent Company	
	2014	2013	2014	2013
At the start of the year	8	22	9	18
Divestments for the year	–	–15	–	–9
Percentage of profit/loss ¹	0	1	–	–
At year-end	8	8	9	9

1) Percentage of loss stated after tax.

Group holdings in associated companies

2014	Assets	Liabilities	Income	Profit/loss
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	0
Total	7	2	0	0
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 per cent	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45	8

Specification of Parent Company holdings in associated companies

	Holdings	Proportion in per cent	Carrying amount
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45	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 in the Apoteket Group are secured through Apoteket's pension foundation. With regard to the insurance-secured ITP, Alecta has stated that it lacks sufficient information for defined benefit accounting and the ITP plan is therefore reported 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

	2014	2013
Pension obligation, balance at 1 January	7,728	8,027
Benefits earned during the period	64	79
Early retirement pensions	4	12
Interest expense	286	279
Pensions paid	–371	–359
Actuarial gains/losses on pension obligation	297	–310
Pension obligation, balance at year-end	8,008	7,728
Fair value of plan assets, balance at 1 January	10,654	10,257
Estimated interest income on managed assets	398	349
Payment	–439	–690
Actuarial gains/losses on managed assets	375	738
Fair value of plan assets, balance at year-end	10,988	10,654
Changes in net assets or (net liabilities)		
Pension assets at the beginning of the year	2,926	2,230
Unrecognised profit/loss	–	–
Pension cost	44	–21
Pensions paid	371	359
Payment	–439	–690
Actuarial gains/losses	78	1,048
Pension assets at year-end, excluding special employer's contribution	2,980	2,926
Special employer's contribution	723	709
Pension assets recognised on the balance sheet	3,703	3,635

Note 15 cont'd.

	2014	2013
<i>Breakdown of plan assets</i>		
Shares and similar financial instruments	3,866	3,188
Interest-bearing securities, etc.	6,162	6,128
Other	960	1,338
Total plan assets	10,988	10,654
<i>Income statement items</i>		
Interest expense	286	279
Estimated interest income on managed assets	-398	-349
Special employer's contribution	-27	-17
Net financial items – pensions	-139	-87
Benefits earned during the period	64	79
Early retirement pensions	4	12
Special employer's contribution	17	22
Total pension costs	-54	26
<i>The year's cost for pension insurance in Alecta</i>	-44	-45
Total pension costs	-98	-19
<i>Other comprehensive income items</i>		
Items that cannot be reclassified to comprehensive income for the period		
Actuarial gains/losses on pension obligation		
– experience-based adjustments	190	67
– effects of changes in demographic assumptions	22	0
– effects of changes in financial assumptions	-509	243
Return on plan assets excluding amounts included in interest income	375	738
Total other comprehensive income	78	1,048
<i>Distribution by plan for defined benefit pension obligations</i>		
Apoteket plan	4,815	4,911
ITP2 plan	3,193	2,817
Total pension obligations	8,008	7,728

Number of retirement benefits, divided among active, paid-up and pensioners	31 Dec. 2014	31 Dec. 2013
Active	2,480	2,609
Paid-up policyholders	17,693	18,383
Pensioners	14,154	13,914
Total commitments included in the obligation	34,327	34,906

The actual return on plan assets amounted to SEK 773 (1,087) million. Actual return for 2014 is recognised excluding operating expense.

The principal actuarial assumptions used were as follows:	2014	2013
Discount rate, % ¹	3.25	3.75
Future salary increases, %	3.00	3.30
Inflation, %	2.00	2.00
Staff turnover, %	6.50	5.00
	Women	Men
Remaining life span ITP 2 under own management	25	23
Remaining life span Apoteket's pension plan	24	20

1) For a sensitivity analysis regarding the discount rate, please see page 35.

- 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 2014 calculated under IAS 19 is 20 years. Taking discounting into account, duration is 15 years.

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

The Group anticipates fees in 2015 relating to defined benefit plans amounting to SEK 375 million. The expected return on plan assets is based on the existing composition of the investment portfolio.

Note 15 cont'd.

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 the majority of earned pension benefits, Alecta does not have information about the distribution of earnings between employers. The full earnings are instead registered to the last employer. Consequently, Alecta is unable to provide an exact distribution of assets and allocations to each employer. 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 44 (45) million. At year-end 2014, Alecta's surplus, in the form of the collective consolidation rate, was 144 (148) per cent. The collective consolidation rate comprises the market value of Alecta's assets expressed as a percentage of the insurance commitments, calculated according to Alecta's actuarial computation assumptions, which do not comply with IAS 19.

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; 2014:

ITP2 pension plan

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

Apoteket's pension plan

10 %	in retirement pensions	0 % in family pension	15 % in sickness pension	SEK 0–340,500
65 %	in retirement pensions	32.5 % in family pension	65 % in sickness pension	SEK 340,500–908,000
32.5 %	in retirement pensions	16.5 % in family pension	32.5 % in sickness pension	SEK 908,000–1,362,000
0 %	in retirement pensions	0 % in family pension	0 % in sickness pensions	SEK 1,362,000

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	
	2014	2013	2014	2013
Goods for resale at cost	1,250	1,201	1,250	1,201
Total	1,250	1,201	1,250	1,201

The expenditure for expensed inventories is included in Goods for resale and amounted to SEK 14,927 (14,987) million in the Group and SEK 14,927 (14,595) million in the Parent Company. Provision for obsolescence amounted to SEK 25 (27) million.

NOTE 17 OTHER RECEIVABLES

	Group		Parent Company	
	2014	2013	2014	2013
VAT receivables	316	261	316	261
Receivables, credit card	21	19	21	19
Other receivables	0	18	0	16
Total	337	298	337	296

Note 18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2014	2013	2014	2013
Rents invoiced	64	64	64	64
Accrued income	7	25	7	25
Prepaid expenses	47	49	47	49
Accrued suppliers' bonus	12	11	12	11
Other items	0	0	0	0
Total	130	149	130	149

Note 19 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2014	2013	2014	2013
Accrued holiday pay	158	151	158	151
Bonus to employees	12	0	12	0
Accrued salaries	4	9	4	9
Accrued expenses	33	79	33	79
Total	207	239	207	239

Note 20 OTHER PROVISIONS

	Group		Parent Company	
	2014	2013	2014	2013
At the start of the year	34	62	34	49
<i>Expensed in profit or loss</i>				
Additional provisions	–	48	–	55
Reversed unutilised amounts	–2	–12	–2	–12
Utilised during the year	–23	–64	–23	–58
At year-end	9	34	9	34
Of which, current provision	9	34	9	34

Group	Rents	Severance		Total
		pay	Loss contract	
At the start of the year	–	11	23	34
Additional provisions	–	0	0	0
Utilised during the year	–	–9	–14	–23
Reversed unutilised amounts	–	–2	0	–2
At year-end	–	0	9	9

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 14 remaining guarantee commitments for an amount of about SEK 46 (55) 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 per cent of the pension liability. In 2014, this amounted to SEK 41 (37) 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.

Instalment payment accounts are offered to private customers. Apoteket conducts credit assessments 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 and/or a debt balance with the Enforcement Service. 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 and the Swedish eHealth Agency account for 62 per cent of Apoteket's outstanding accounts receivable. The risk has been assessed as very low. The receivables are normally paid within the specified credit period.

Due dates for receivables

Group	2014	2013
<i>Overdue, but not impaired</i>		
< 30 days	81	72
30–90 days	10	21
<i>Overdue and impaired</i>		
91–180 days	5	5
> 180 days	3	12
Total	99	110

Provision for doubtful receivables

Provision for doubtful receivables amounted to SEK 23 (22) million. Provision for doubtful receivables has changed as follows:

Group	2014	2013	2012	2011
Opening amount	22	5	3	3
Provision for anticipated losses	1	17	2	0
Amount at year-end	23	22	5	3
Confirmed losses	6	5	4	4
Recovered bad debts	1	0	0	4

The year's cost for doubtful receivables amounted to SEK 7 (9) 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.

Note 21 cont'd.

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

Group	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
<i>Financial assets</i>				
Accounts receivable ¹	2,066	2,066	1,959	1,959
Cash and cash equivalents	44	44	36	36
Total	2,110	2,110	1,995	1,995
<i>Financial liabilities</i>				
Accounts payable ²	1,977	1,977	1,802	1,802
Loan liabilities ³	100	100	321	321
Total	2,077	2,077	2,123	2,123

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
	2014	2013	2014	2013	
Handelsbanken	–	171	–	171	300
Commercial paper	100	150	100	150	1,500
Total utilised credit	100	321	100	321	1,800

The granted overdraft facility amounts to SEK 300 million. Loan liabilities comprise a utilised overdraft facility of SEK 0 (171) million carrying an interest rate of 0.65 (1.31) per cent and two commercial papers which together are worth SEK 100 (150) million and carry an interest rate of 0.22 per cent (1.02). The maturity of the certificate is eight 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	
	2014	2013	2014	2013
Interest income on financial assets	2	1	2	3
Interest expense on financial liabilities	–3	–7	–3	–6
Exchange-rate gains/losses on liabilities	0	0	0	0
Total	–1	–6	–1	3

Note 22 AVERAGE NUMBER OF EMPLOYEES

	2014		2013	
	Average number of employees	men, %	Average number of employees	men, %
<i>Parent Company</i>				
Sweden ¹	3,474	13.8	3,894	14.0
<i>Subsidiaries</i>				
Sweden and abroad ²	0	0	5	46.9
Total Group	3,474	13.8	3,899	14.0

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 2013 there were no longer any employees.

Board members and senior executives

	2014		2013	
	Number	men, %	Number	men, %
<i>Group</i>				
Board members	10	30.0	10	30.0
President and other senior executives	10	50.0	11	54.5
<i>Parent Company</i>				
Board members	10	30.0	10	30.0
President and other senior executives	10	50.0	10	50.0

Note 23 TRANSACTIONS WITH RELATED PARTIES

Group companies

For the Parent Company, Group companies accounted for 0.1 (0.1) per cent of purchases and 0.0 (0.4) per cent of sales transactions with Group companies during the year. With regard to purchases and sales between Group companies, the same principles apply to pricing as to transactions with external parties.

Swedish state

Apoteket is wholly owned by the Swedish state. 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 2 (6) million pertaining to interest payments relating to Group companies. Interest expense includes interest payments relating to Group companies in the amount of SEK 0 (3) million.

Note 23 cont'd.

Remuneration to senior executives

Remuneration of senior executives is presented in Note 8.

Other organisations in Sweden

Apoteket 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 439 (690) million in 2014.

Note 24 SHARE OF EARNINGS OF GROUP COMPANIES

	Parent Company	
	2014	2013
Group contributions	-	18
Dividends from subsidiaries	255	-
Impairment of shares in the subsidiaries Apoteket Farmaci (2014), Farmacifamiljen Malmö AB (2014 and 2013), Helene Widegren Hälsofokus AB (2014), Apoteket Norge AS and Apoteket Deutschland GmbH (2013)	-227	-1
Total	28	17

Note 25 APPROPRIATIONS

	Parent Company	
	2014	2013
Difference between book and planned amortisation, equipment	-	4
Tax allocation reserve, provision for the year	-149	-244
Reversal of tax allocation reserve	165	152
Total	16	-88

Note 26 SHARES IN GROUP COMPANIES

	Parent Company	
	2014	2013
Accumulated cost at the beginning of the year	257	257
Capital contribution to subsidiaries and new acquisitions	-	1
Impairment ¹	-230	-1
Accumulated cost at year-end	27	257

1) 2014: Impairment of shareholdings in Apoteket Farmaci and Apoteksinformation, since the subsidiaries paid retained earnings to the Parent Company during the year and then became dormant.

2013: Impairment losses on shares in Farmacifamiljen Malmö AB due to weak profitability.

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

Group Company/Corp. id. no./ Registered office	Number of shares	Proportion in per cent	Carrying amount	
			2014	2013
Apoteket Farmaci AB 556758-1789, Stockholm	25,000	100	25	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 Svanen AB 556822-8430, Stockholm	1,000	100	0	0
Farmacifamiljen Malmö AB 556839-1170, Malmö	1,000	100	0	0
<i>Dormant Companies</i>				
Apoteksinformation AB 556043-0984, Stockholm	50,000	100	1	6
Apoteksbolaget AB 556459-6723, Stockholm	500	100	1	1
Total			27	257

Note 27 DIVIDEND PER SHARE

At the Annual General Meeting on 13 April 2015, a cash dividend for 2014 of SEK 902.86 (857.14) per share, for a total of SEK 158 (150) million, will be proposed. The dividend will be recognised as a distribution of earnings. A dividend of SEK 150 million was paid to the owner in 2014.

Note 28 UNTAXED RESERVES

	Parent Company	
	2014	2013
.....		
Tax allocation reserves were distributed as follows:		
Tax allocation reserve, 2009 tax assessment	–	165
Tax allocation reserve, 2010 tax assessment	157	157
Tax allocation reserve, 2012 tax assessment	35	35
Tax allocation reserve, 2013 tax assessment	66	66
Tax allocation reserve, 2014 tax assessment	245	245
Tax allocation reserve, 2015 tax assessment	149	–
Total	652	668

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. The President is not covered by the ITP plan. 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-contribution pension plan ITP1. Retirement pensions, according to the ITP plan, are secured through Apoteket'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 pension, 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.

	2014	2013
Capital value of pension obligation		
.....		
Capital value of pension obligation at start of year	6,937	7,162
Revenue/cost, excluding interest expense, charged to earnings	–10	–37
Interest expense	170	165
Effect of new parameters under the Pension Obligations Vesting Act	286	–
Payment of pensions	–353	–353
Capital value of pension commitments at year-end	7,030	6,937

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

	2014	2013
Specially detached assets		
.....		
Fair value of assets at start of year	10,654	10,257
Return on specially detached assets ¹	773	1,087
Payment from Apoteket's Pension Foundation	–439	–690
Fair value of assets at year-end	10,988	10,654

1) Return on specially detached assets for 2014 and 2013 is recognised including operating expense.

Note 29 cont'd.

Plan assets minus pension obligations	2014	2013
Fair value of assets at year-end	10,988	10,654
Capital value of pension obligation at year-end	-7,030	-6,937
Pension assets	3,958	3,717
Liability/receivable recognised in the balance sheet	-	-
Specification pertaining to the year's total costs and income for pensions:	2014	2013
<i>Pensions under own management</i>		
Revenue/cost, excluding interest expense, charged to earnings	10	37
Interest expense	-170	-165
Return on specially detached assets including payment	773	1,087
Increase/decrease in surplus in specially detached assets	-241	-622
Revenue (+)/expense (-) for pensions under own management	372	337
<i>Pensions through insurance</i>		
Insurance premiums	-45	-46
Recognised pension revenue (+)/expense (-)	327	291
Special employer's contribution on pension costs	-79	-71

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	2014	Share, %
Shares and similar financial instruments	3,866	35
Interest-bearing securities	6,162	56
Other	960	9
Total	10,988	100

The Parent Company anticipates fees in 2015 relating to defined benefit plans amounting to SEK 375 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 per cent (gross) applies.

For newly vested pensions until retirement, as per Apoteket's pension plan, the Swedish Financial Supervisory Authority's FFFS 2007:31 provision, concerning actuarial grounds, applies. This provision specifies the grounds for securing pension obligations that are to be used to calculate capital values for securing pension obligations that are not secured by life assurance companies or retirement pension funds. For other pension payments and vested pensions according to Apoteket's pension plan, an interest rate applies for the commitments, which does not imply a pledge of future values or indexing at 1.9 per cent (gross).

NOTE 30 EVENTS AFTER THE BALANCE SHEET DATE

In 2014 Apoteket took a decision regarding changes in the organisational structure to reduce costs and to better meet customer expectations and the new circumstances in the markets. The change entails a consolidated sales organisation and fewer services within key functions. The new organisation came into force on 1 February 2015.

Proposed distribution of earnings

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

Retained earnings	SEK 627,532,921
Profit for the year	SEK 436,726,431
Total	SEK 1,064,259,352

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

dividend to the shareholder of SEK 902.86 per share, for a total of	SEK 158,000,000
To be carried forward	SEK 906,259,352
Total	SEK 1,064,259,352

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 13 April 2015.

Stockholm 6 March 2015

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

Gunilla Larsson
EMPLOYEE REPRESENTATIVE

Ann Carlsson
PRESIDENT

Our Auditors' Report was submitted on 6 March 2015

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 2014. The Company's annual accounts and consolidated accounts are included in the printed version of this document on pages 32–75.

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 according to the Annual Accounts Act and consolidated accounts in accordance with International Financial Reporting Standards, as endorsed 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 require-

ments 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 President, 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 Com-

pany as at December 31, 2014 and of its financial performance and its cash flows for the year then ended in accordance with the Annual Accounts Act. The consolidated financial statements have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of December 31, 2014 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU, and the Annual Accounts Act. The Report of the Directors is consistent with the other parts of the annual accounts and the consolidated accounts.

We therefore recommend that the Annual General Meeting of shareholders adopt the Income Statement and Balance Sheet for the Parent Company and the Group.

Report on other legal and regulatory requirements

IN ADDITION TO our audit of the annual accounts and consolidated accounts, we have examined the proposed appropriations of the Company's profit or loss and the administration of the Board of Directors and the President of Apoteket AB for the year 2014.

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 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 6 March 2015

Ernst & Young AB

Åsa Lundvall
AUTHORISED PUBLIC ACCOUNTANT

Accounting Policies Sustainability Report

The policies pertain to stakeholder dialogues, materiality analysis, goal overview, calculation methods and assumptions, as well as the GRI index.

Apoteket's Annual Report and Sustainability Report for financial year 2014 is an integrated product, which means that sustainability information is included in every part of the Report. Details related to sustainability and the GRI index can be found on pages 78–93. The Report covers Apoteket's entire operation. It also covers the impact of the Company that arises through its customers and suppliers. The aim is to show how Apoteket addresses external demands and expectations, while reducing the negative and increasing the positive environmental, social and economic impacts both internally and externally.

REPORTING ACCORDING TO GRI G4 CORE

The Report is prepared in accordance with the Global Reporting Initiative (GRI) international framework for sustainability reporting, version G4, using the “Core” option. The Report covers the GRI aspects that were selected and validated in this year's materiality analysis, which was approved by executive management and the Board in February 2015. Read more on pages 80–81. All indicators have been externally reviewed.

CHANGES IN THIS YEAR'S REPORT

This year's Report contains some changes compared with the previous year. The EC1 indicator is not reported for 2014. Reporting of indicators LA6, LA11 and EN15-18 has been expanded. Apoteket added three of its own indicators to this year's GRI index. The indicator “Availability of prescription drugs” was added under “Customer health and safety”. The indicators Sickness absence and Work attendance were added under Employee health and safety, which was previously called Health and safety at work. Read more about the changes on pages 82–89.

EXTERNAL REGULATIONS, STANDARDS AND POLICIES

Apoteket has been certified to ISO 14001 since 2007 and joined the Global Compact in 2009. The Company has prepared sustainability reporting in accordance with the GRI Reporting Framework since 2004. For information on laws and regulations affecting Apoteket, see page 90.

Stakeholder dialogue

Apoteket has conducted dialogues with a variety of stakeholder groups regularly during the year. Channels, key issues and actions taken are highlighted in the table below. In addition, a survey was conducted during the year to weight the material aspects and themes identified in 2013.

STAKEHOLDER GROUPS				
Stakeholder group	Definition	Channel	Key sustainability issues 2014	Actions taken
Owner	Swedish state through Ministry of Enterprise and Innovation	Ownership policy, shareholder dialogue, Annual General Meeting, seminars	Monitoring of sustainability, integrate sustainability issues in operational governance	Decisions, implementation and monitoring of sustainability targets
Healthcare customers	Existing and potential contract customers: county councils, municipal healthcare facilities, private care providers and companies	Meetings, specifications, deviations and opinions, customer audit of Apoteket, Apoteket's Report on operations	Environmentally efficient transports, environmental impact of medications	Meet compulsory 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.
Consumers	Existing and potential private customers	Customer interaction, surveys (Customer Satisfaction Index, customer panel, Nordic brands), Mystery shopping, system for deviations and suggested improvements	Health, availability, quality, product content, environmental impact of pharmaceuticals, organic and locally produced	Extended opening hours, online shopping by computer, tablet or mobile phone, subscription service, Apoteket quality control campaign, availability campaign, collection of pharmaceutical waste
Employees	Existing and potential employees	Leadership forums, employee meetings, employee survey, environmental management system, intranet, performance management, skills check, system for suggested improvements, pharmacist survey, career days, national internship council	Leadership, staffing, motivation	Activities resulting from employees' views collected at employee meetings in 2013, health and leadership initiative, health lectures on the intranet, activities based on results of employee survey
Suppliers	Suppliers of medications, other health products and materials for use within Apoteket	Meetings, email, phone, dialogue prior to acceptance of new products or supplier, collective bargaining, reviews	Quality control, Code of Conduct, guide for substances approved by Apoteket, monitoring, improvement initiative in collaboration with suppliers, dialogue with pharmaceutical suppliers	Code of Conduct mandatory attachment in contracts with suppliers of other health products and materials for use within Apoteket, call for suppliers of prescription to sign the Code of Conduct, guide for approved substances, improvement initiative in collaboration with suppliers
Stakeholder and professional organisations	Bris, the Swedish Cancer Society, SOS Children's Villages, Check Your Drugs, National Forum, Medical Expert Council, Friskis & Svettis, En Svensk Klassiker	Email, phone, meetings, seminars, forums	Health promotion and prevention, medication use, availability, supplier working conditions, environmental impact of pharmaceuticals	Close dialogue with the National Forum whose patient organisations described their most pressing issues during the year, as well as how they view Apoteket's operations, increased focus on Apoteket's Hälsokoll, campaign with pink ribbon, Check your drugs, new collaboration with Bris
Media	Channels used to learn about and share knowledge about stakeholders, as well as to influence the image of Apoteket.	All media	Quality, availability, products, Apoteket's overarching operations	Editorial advertisements in daily press, theme attachments, press conference for trade press in connection with quality campaign, communication about Apoteket's sustainability work, meetings with individual journalists
Politicians and authorities	Ministries and authorities that influence Apoteket's operations	Personal encounters, seminars and panel debates, apoteket.se	Availability, medication use, Apoteket Hälsokoll, Check your drugs	Information to authorities and concerned ministries about how Apoteket works with medication use, such as Check your drugs, as well as availability through multiple channels: apoteket.se mobile subscription service, pharmacy and representatives

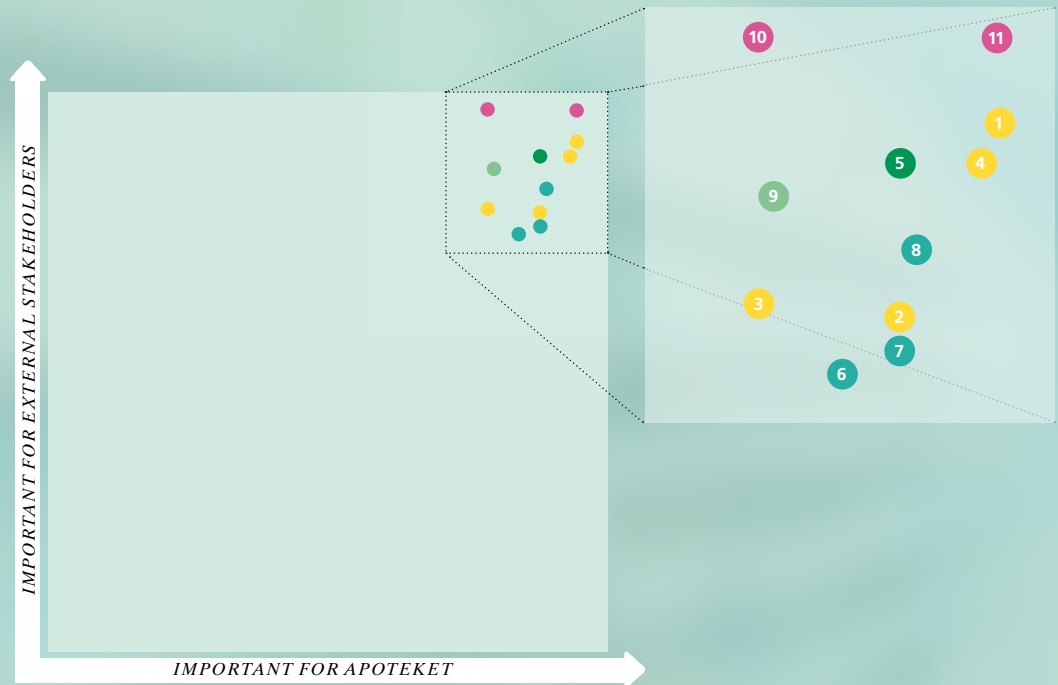
Materiality analysis

PRIOR TO THE 2013 transition to the GRI's new G4 guidelines, a thorough analysis was carried out to identify material aspects. Based on the GRI's comprehensive list of 50 key sustainability aspects, priority was given to those that are most central to Apoteket and the type of business it conducts. The prioritisation took into account internal discussions about Apoteket's actual impact on sustainable development, significant environmental aspects, important questions from ongoing stakeholder dialogues during the year and discussions about goals in executive management. The analysis culminated in a number of material aspects for Apoteket to work with and to report.

MATERIALITY ANALYSIS

Prior to this year's Annual and Sustainability Report, Apoteket carried out a materiality analysis to evaluate the material aspects addressed in 2013. The assessment was based on the views of Apoteket's most important stakeholders: contract customers, suppliers, associations, banks and financial institutions, the media and politicians, as well as authorities and employees. The shareholder dialogue was conducted on a more comprehensive level and did not address each individual aspect. Ongoing dialogues conducted with all stakeholders during the year captured the external perspective. In addition, a number of representatives of the four stakeholder groups – contract customers, suppliers, advo-

Apoteket's essential aspects are included in the areas of health, product range, environment, diversity, anti-corruption and compliance. Customer health and safety and regulatory compliance are the aspects valued highest by stakeholders. The financial area is part of the ownership dialogue and has not been weighted and placed in the matrix along with other aspects.



HEALTH

- 1 Customer health and safety
- 2 Employee health and safety
- 3 Labelling of products and services
- 4 Education, employee skills development

PRODUCT RANGE

- 5 Supplier follow-up

ENVIRONMENT

- 6 Emissions to air
- 7 Emissions to water and waste
- 8 Environmental impact of products and services

DIVERSITY

- 9 Gender equality and equal opportunity

ANTI-CORRUPTION AND COMPLIANCE

- 10 Anti-corruption
- 11 Compliance

BUSINESS PERFORMANCE

Profitability, capital structure and dividend.
This aspect has not been weighted and therefore has not been placed in the matrix.

cacy groups and banks and financial institutions – were asked to prioritise the material aspects that were identified in 2013.

To obtain the internal perspective on whether the issues are still material, a survey was conducted among Apoteket's employees in both the pharmacy business and centrally. A compilation of these dialogues appears in the matrix on page 80 with the external perspective on the y-axis and the internal perspective on the x-axis.

ANALYSIS RESULTS

Although the issues are somewhat scattered in the matrix, the results of the materiality analysis show that both external stakeholders and Apoteket still consider the priority areas identified in 2013 to be very important. The matrix corresponds with the top-right quadrant in the 2013 analysis, which means that only the most important aspects are illustrated.

In summary, the analysis shows that compliance, customer health and safety, and education were the top priority issues for both external and internal stakeholders. Although external stakeholders ranked anti-corruption high, internal stakeholders did not consider this aspect to be equally important. The discrepancy probably arose because internal stakeholders at Apoteket do not consider corruption to be a risk because of the many years of preventive work with ethics and compliance with laws and other requirements. No incidents of corruption have occurred over the years, which further reinforces this image of the Company.

Another difference noted between internal and external stakeholders is that issues related to the environment, such as emissions to air, water and waste, may rank somewhat lower among internal stakeholders. As in the corruption issue, the difference could be attributed to Apoteket's well-established environmental initiatives, which may have resulted in environmental concerns being regarded internally as a hygiene factor.

However, internal stakeholders rank employee health and safety higher than do external stakeholders. The transition from monopoly to a competitive market may explain why the aspect ranks higher internally. Re-regulation has entailed a number of changes in the market that have required adaptation within Apoteket's organisation. People experience change differently and may experience some stress during transition periods. Employee health continues to be high priority area for Apoteket.

There is consensus that the environmental impact of products and services is the most important environmental aspect. Labelling of products and services rank slightly lower compared with other aspects, both internally and externally. The aspect is important for Apoteket, but more important is the associated indicator Results from customer satisfaction surveys (PR5), which is reported to clarify Apoteket's focus on the customer. In next year's stakeholder dialogue greater emphasis will be placed on the dialogue related to customer satisfaction and customer health and safety, in comparison with product labelling.

Health – a life in health for every customer and employee

HEALTH INCLUDES A number of targets and GRI aspects that reflect Apoteket's vision – A Life in Health – and the undertaking to prevent ill-health and improve use of medications and lifestyle habits for both customers and employees.

CUSTOMER HEALTH AND SAFETY

Increasing the percentage of satisfied customers is a new goal that Apoteket will work with beginning in 2015. The goal is a way to more clearly focus on the customer's needs and health.

In 2014, Apoteket conducted two customer surveys (Customer Satisfaction Index, CSI) at 50 and 75 of the largest pharmacies. The second survey resulted in a CSI of 85. In all, 94 per cent of customers were completely satisfied with their experience of Apoteket. The issues that customers ranked as most important include the location and opening hours of the pharmacies, availability of the goods, a quality-controlled product range and employee attitude. Employee attitude has the greatest impact on customer satisfac-

tion. Dispensing of prescriptions was singled out as a potential area for streamlining. The survey will be adjusted in 2015, which may affect future results. Customer surveys are supplemented with methods such as review meetings, observations regarding customer interaction, customer panels, mystery shopping and brand analyses. Many questions regarding product content were received from private individuals and answered during the year. The indicator Results from customer satisfaction surveys (PR5) is part of the aspect Labelling of products and services mentioned on page 85.

Apoteket's own indicator, availability of prescription drugs, is included in the Report because it has a direct impact on customer health and safety. It is reported qualitatively by accounts of how Apoteket has worked to activities to improve availability during the year. In future years, this indicator will be clarified to allow monitoring of improvements.

All products (100 per cent) in the range are examined from a health and safety perspective. Products that are not medicines are

GOAL OVERVIEW HEALTH

Metrics	Goal 2015	Goal 2014	Outcome 2014	Outcome 2013	Outcome 2012	Comments
Percentage satisfied customers, SCI	80	–	85	85	–	Goal set beginning in 2015.
Work attendance, %	74	74	69	67	66	
Employees actively identify prescription customer needs, %	–	60	82	71	37	No targets set beginning in 2015
Employees actively identify self-care customer needs, %	–	80	92	87	74	No targets set beginning in 2015
Sickness absence, %	–	3.1	4.8	4.1	3.7	No targets set beginning in 2015
Number of services carried out for consumer and corporate customers	–	70,000	20,966	30,254	27,840	No targets set beginning in 2015
Attractive employer, %	–	65	55	50	–	No targets set beginning in 2015
Number of drug utilisation reviews carried out	–	–	–	12,262	11,632	No target set beginning in 2014 Was not followed up in 2014

examined as part of Apoteket's quality control as described on pages 20-21. Medications that require a prescription are reviewed by the Swedish Medical Products Agency.

EMPLOYEE HEALTH AND SAFETY

Increased work attendance continues to be an important objective that demonstrates the health status of Apoteket's employees. Healthy employees contribute positively to customer health as well as to the customers' attitude toward Apoteket.

All employee indicators in the Report are based on the actual number of employees as of 31 December. Consultants represent only about two per cent of the total workforce and are therefore not included in the presentation of personnel indicators.

Reporting of work-related injuries and illnesses (LA6) has developed since the previous year. The most common occupational injuries at Apoteket are needle sticks and sharps injuries, as well as crush injuries. Some key figures are not comparable with previous years because the statistics beginning in 2014 are based on Previa's database. The new statistics now cover the entire organisation and all work-related illnesses, including stress-related illnesses. All work injury reports are submitted to the Human Resources Unit, where they are documented as they arise and are compiled annually.

The Lost Day Rate (LDR) is reported beginning in 2014 and includes absences caused by work-related injuries and illnesses. The Occupational Disease Rate for the year (ODR) is higher than the previous year (2013: 0.58, 2012: 0.26) because of the transition to the Previa solution, which provides more reliable results. LDR and ODR are not broken down by gender because this would be irrelevant for Apoteket's governance in staff issues. The absentee rate (AR) does not include holiday, leave, parental leave or other planned absences for valid reasons. The Injury Rate (IR) only covers injuries that result in sick leave.

The Indicator Follow-up of career development (LA11) is based on statistics from the annual employee survey and is broken down by gender and employment category beginning in 2014. The percentage of employee performance reviews is higher than the previous year's 78 per cent.

Two new indicators, Sickness absence and Work attendance, are being added to Apoteket's reporting beginning in 2014 because they are important measures of employee health. Sickness absence is based on the percentage of sick hours of total scheduled hours during the period for all employees. It increased to 4.8 (4.1) mainly because of long-term leave, while short-term absence only changed marginally. Work attendance refers to those employees who for twelve months accumulated a maximum of seven sick days. The outcome has improved during the year, partly because large units with a high short-term absence rate were discontinued. Some improvement can be seen in other parts of the organisation.

CAREER DEVELOPMENT REVIEWS, PERCENTAGE (LA11)	
	2014
Sales/advisory services to private customer	86
Sales/advisory services/services for contract customer and business customer	81
Customer service	91
Product and service development	75
Distribution and logistics	86
Inventory management and production	85
Office and administration	84
Men	83
Women	85
All of Apoteket	85

LDR, ODR, IR, AR (LA6)			
	Men	Women	Total
LDR	–	–	184.6
ODR	–	–	3.74
IR	0	0.34	0.29
AR	8,620	14,131	13,400

Product range – a carefully selected and reviewed product range

THE GOALS AND GRI aspects in the product range area illustrate Apoteket's desire to strengthen trust in the Company and increase sales of quality-assured products and services.

SUPPLIER AUDIT

Beginning in 2015 the goal is to increase the percentage of suppliers who signed Apoteket's Code of Conduct. The goal applies to suppliers of health products, contractual suppliers of materials used within Apoteket, and suppliers of prescription drugs. The latter category is challenging since Apoteket has an obligation to supply all prescribed goods and thus lacks the ability to opt out of a product or supplier for the prescribed range.

Apoteket has about 1,100 product suppliers, two thirds of which are suppliers of medications and one third are 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 purpose of the Code is to promote good environmental and work environment conditions during production.

The product supplier is audited based on the requirements of the Code for each new health product that enters the product range. Apoteket evaluates all (100 per cent) new (those that have not yet been approved for cooperation) and existing (those with whom Apoteket has an ongoing business relationship) suppliers in connection with the introduction of new health products into the

product range. Since the product governs the audit, the same supplier may be audited several times. In 2014, 60 products, produced by both new and existing suppliers, were audited and 14 audits were carried out on site.

The supplier audit was carried out in the form of self-assessments, submission of third-party certificates, meetings or site visits. Based on Apoteket's risk classification, the audit focuses specifically on the requirements in 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 the event of serious deviations from the Code of Conduct that are not corrected. Deviations identified at site visits may involve inadequate fire safety, overtime work and poor handling of chemicals. Of the site audits carried out during the year, all suppliers demonstrated improvements in how they systematically work with deficiencies. No serious violations of Code requirements were identified during the year.

The Code of Conduct is based on Apoteket's environmental and quality policies, international conventions and guidelines, the Universal Declaration of Human Rights, the ILO Conventions and the OECD Guidelines for Multinational Enterprises. It includes the areas of quality, environmental, social and business-related ethical issues, as well as animal welfare, and places demands on suppliers to take a systematic approach to these issues.

During the year, Apoteket only agreed to an exception to the Code of Conduct rule allowing unannounced on-site inspections in the factory where production takes place for one supplier. This exception was allowed following a separate evaluation because specific circumstances were present. The parties have instead agreed that the inspection will be preceded by a message from Apoteket and that the supplier will make forceful efforts to ensure that Apoteket will be able to inspect subcontractor factories.

ENVIRONMENTAL IMPACT OF PRODUCTS AND SERVICES

Products that are not medicines are audited as part of Apoteket's quality control using the six-step process described on pages

20–21. To monitor the environmental impact of products (EN27) the amount of pharmaceutical waste sent for disposal is reported. Beginning in 2014, the number of environmentally hazardous substances removed from the product range is also reported, see page 21.

LABELLING OF PRODUCTS AND SERVICES

Apoteket reviews the all health product information to ensure it complies with applicable rules and gives the customer appropriate guidance. The indicator Results from customer surveys (PR5) is reported in the section on customer and employee health on page 82.

GOAL OVERVIEW						
	Goal 2015	Goal 2014	Outcome 2014	Outcome 2013	Outcome 2012	Comments
Suppliers of medications that require a prescription who signed Apoteket's Code of Conduct, %	30	–	18	–	–	Goal set beginning in 2015
Suppliers of materials for use within Apoteket who signed Apoteket's Code of Conduct, %	50	–	30	–	–	Goal adjusted beginning in 2015
Suppliers of non-prescription medications and other health products who signed Apoteket's Code of Conduct, %	100	–	94	–	–	Goal adjusted beginning in 2015
Employees who completed online training course on Apoteket's Quality Assurance, %	–	100	60	15	–	No targets set beginning in 2015
Percentage contractual service, Medicinal Products Service, %	–	70	–	99	88	No target set beginning in 2015 Was not followed up in 2014.

Environment -- reduced environmental impact on air and water

APOTEKET'S ACTIVITIES IMPACT the environment both in Sweden and in other countries where the Company's products are manufactured. Environment is an areas that includes goals and aspects related to emissions to air and water, as well as waste. The aim is to reduce the negative impact on air and water, as well as to take responsibility for ensuring that waste is managed safely.

EMISSIONS TO WATER AND WASTE

In 2015, work will begin on a new target in this area. The objective is to increase the percentage of customers who return leftover medicine to pharmacies. Both pharmaceutical waste and hazardous waste can cause a significant environmental impact if they end up in the environment. Apoteket measures and follows up annually the amount of pharmaceutical waste and hazardous waste (EN23). All pharmaceutical waste is incinerated, while hazardous waste is managed in different ways depending on the type of waste. An error in last year's outcome regarding hazardous waste has been adjusted in this year's Report to allow comparison between the years. The quantity of measured hazardous waste for 2013 should be 16 tonnes, instead of 35 tonnes. Read more about handling and outcomes on page 29.

EMISSIONS TO AIR

The goal to travel more climate-smart by reducing carbon dioxide emissions per kilometre travelled, con-

tinues to apply beginning in 2015. Moreover, a goal has been added to increase the proportion of vehicles with environmental classification Euro 5 or higher. Both Apoteket and the customers are pursuing the issue of vehicles with a higher environmental classification. New rules will come into force from 1 January 2017 when only vehicles meeting environmental class Euro 5 may drive in the environmental zones that currently exist in major cities such as Stockholm, Gothenburg, Malmö, Uppsala, Helsingborg and Lund. Since Apoteket has frequent deliveries within

these environmental zones, these vehicles have to be replaced by 2017. Apoteket monitors and reports on greenhouse gas emissions under the three scopes of the Greenhouse Gas (GHG) Protocol. Emissions in scope 1 were measured during the year to 54 tonnes (2013: 120 tonnes, 2012: 199 tonnes). Emissions in scope 2 were 1,657 tonnes (2013: 971 tonnes, 2012: 1,071 tonnes). Emissions in scope 3 were 5,139 tonnes (2013: 7,992 tonnes, 2012: 9,836 tonnes). Total carbon dioxide emissions were lower than last year mainly due to changes in calculation methods.

GOAL OVERVIEW

	Goal 2015	Goal 2014	Outcome 2014	Outcome 2013	Outcome 2012	Comments
Percentage of customers who return leftover medicine	80	–	75		75	Goal set beginning in 2015. Base year 2012
Environmentally smarter transportation of goods (increase proportion of km using vehicles with the lowest environmental class, Euro 5), %	100	–	92	–	–	Goal set beginning in 2015
Travel more climate-smart (reduced carbon dioxide emissions, grams per travelled kilometre)	125	194	129	206	205	
Carbon dioxide emissions from own goods transports, grams per package	–	–	–	59	41	No target set beginning in 2015. Was not followed up in 2014
Number of waste containers sold	–	313	–	183	1,919	No target set beginning in 2015. Was not followed up in 2014
Scrap from own production – multi-dose-dispensing pharmacies, kg/100 customers receiving individually packaged drugs in daily doses	–	1.2	0.88	1.4	1.6	No targets set beginning in 2015

The share of renewable energy sources for business travel is about 40 per cent (number of kilometres from renewable sources), for transporting goods around 15 per cent (flat rate based on the delivery service providers' documentation), for electricity 87 per cent and for heating 85 per cent (Society for Nature Conservation, Energy Agency and Swedish district heating).

To improve and assure the quality of Apoteket's emission calculations, a comprehensive review and audit was carried out in 2014. The table on the right summarises the new calculation methods. The base year for the calculations was changed from 2011 to 2014.

Beginning in 2014 Apoteket calculates based on data for fuel volume or distance, instead of the emissions estimates provided by each delivery service provider. The aim is to shift to a uniform calculation model in order to increase the reliability of the results.

Scope 3 for 2014 does not include cash in transit transports because a new transport solution was implemented during the year. They will be included in 2015 after conducting a dialogue with the new supplier regarding application of the new calculation method.

The indicator EN18 is calculated based on total emissions 6,849 tonnes (9,083) per year's sales, instead of total emissions per package. The result was 367 kilograms of carbon dioxide per SEK 1 million (2013: 150 grams per package).

CALCULATION METHODS AND EMISSION FACTORS (EN15-17)				
Scope	Includes	Change compared with 2013	Calculation method	Emission factor (source)
1	Company cars	Actual emissions rather than "normal emissions"	Emissions statistics obtained from the supplier, emissions per km driven per company car.	CO ₂ /km (supplier)
2	Heating	New emission factor	Adoption 100% district heating for all of Apoteket. The template for district heating use is based on annual statistics on the use of district heating per area in premises heated solely by district heating from the Energy Agency, as well as statistics on Apoteket's total floor space.	CO ₂ e/kWh (Environmental Fact Book 2011, Värmeforsk)
	Electricity	New emission factor for electricity included in rent. Electricity origin is not labelled, so Nordic electricity mix is used	For units where Apoteket has its own electricity agreements (75%) calculations are based on actual electricity use. For units where electricity is included in the rent (25%) a standard figure based on actual electricity use per office space and office space for units where electricity is included in the rent.	Own agreement: CO ₂ e/kWh (Good Environmental Choice) Electricity included in rent: Nordic electricity mix in 2014 CO ₂ e/kWh (Energy Agency)
3	Goods transports	Uniform calculation based on the GHG protocol and EN16258. Previously emissions were calculated by each delivery service provider	Emissions are calculated using fuel-based or distance-based method, depending on the type of input data from the delivery service provider. Unless otherwise specified, return transports are assumed to be included in the calculations. If fuel type is unknown, diesel MK 1 D5 (5 vol.-% biofuel) is assumed.	Fuel-based method: fuel specific CO ₂ e, well-to-wheel (EN16258) Distance-based method: NTM calculation tool
	Flight	New emission factors	Calculated based on the number of kilometres per trip, based on input data from the travel supplier.	CO ₂ e/person km taking into account the water vapour greenhouse effect at high altitude (DEFRA)
	Private vehicle used for business	No change	Calculated based on actual number of kilometres driven per car, input data from Apoteket's travel expense system.	CO ₂ /km, weighted average for passenger car (Swedish Transport Administration 2011)
	Leased cars	No change	Emission figures obtained from supplier.	(supplier)
	Taxi	No change	Emission figures obtained from supplier.	(supplier)
	Rail	No change	Calculated based on the number of kilometres travelled per trip, based on input data from the travel supplier.	(NTM)

Diversity – Apoteket reflects Sweden

APOTEKET STRIVES TO have the composition of managers and employees reflect the diversity of society in order to improve customer offerings and increase Apoteket's attractiveness as an employer.

GENDER EQUALITY AND EQUAL OPPORTUNITY

The proportion of motivated employees remains one of Apoteket's goals. Diversity, equality and equal opportunities and conditions are expected to contribute positively to employee motivation. Beginning in 2015 two new goals are also being introduced aimed at contributing to diversity among Apoteket's employees. The purpose is to increase the proportion of men in

the company and the share of foreign-born employees or with at least one parent born outside Sweden. Percentage of males measured in average number of employees was first reported in 2013.

Gender and age distribution (LA12) among employees has been broken down by employee category beginning in 2014. This breakdown was not done in previous years so comparisons cannot be made for past years. Employee representatives are not included when reporting gender balance on the Board of Directors. More information about the gender and age distribution of Apoteket's executive management and Board of Directors can be found on pages 96-98.

EMPLOYEE STATISTICS DELIMITATIONS

Statistics relating to G4-10 and LA11-12 are based on the actual number of employees as of 31 December. These statistics differ from the key figure average number of employees used in the financial sections of the Report. Temporary substitute employment, seasonal employment and employment during probationary periods are not reported. The statistics are not broken down by region since Apoteket's business is conducted only in Sweden, which is considered as a single region.

The number of employees who work as needed for an hourly wage varies during the year. This segment is

GOAL OVERVIEW

	Goal 2015	Goal 2014	Outcome 2014	Outcome 2013	Outcome 2012	Comments
Motivated employees, %	75	75	72	67	68	
Percentage of men among employees, %	16	–	14	14	–	Goal set beginning in 2015
Percentage of employees born in another country or with at least one foreign-born parent, %	32	–	26	–	–	Goal set beginning in 2015

TOTAL NUMBER OF EMPLOYEES (G4-10)

	2014	2013	2012
Men	458	545	741
Women	3,202	3,349	4,481
Total	3,660	3,894	5,222

NUMBER OF EMPLOYEES BY EMPLOYMENT AGREEMENT AND GENDER (G4-10)

	Indefinite-term staff			Fixed-term employees		
	2014	2013	2012	2014	2013	2012
Men	424	437	507	34	108	234
Women	3,072	3,012	3,633	130	337	848
Total	3,496	3,449	4,140	164	445	1,082

NUMBER OF INDEFINITE-TERM STAFF BY EMPLOYMENT TERMS AND GENDER (G4-10)

	Full-time			Part-time or hourly employment		
	2014	2013	2012	2014	2013	2012
Men	381	379	499	43	43	230
Women	1,885	1,919	3,350	1,187	1,210	822
Total	2,266	2,298	3,849	1,230	1,253	1,052

Finances – long-term profitability

related to holiday/vacation periods and major holidays when extra resources are needed to replace regular staff taking time off. During a typical month, Apoteket has about 500 hourly employees and in the summer and at Christmas and New Year, the number almost doubles to 800-1000 hourly employees. Hourly employees work an average of 25 per cent of a full-time position.

All employees are covered by collective bargaining agreements. The agreement is available on Apoteket's intranet.

LONG-TERM PROFITABILITY is essential for Apoteket to continue to be a competitive operator in the pharmacy market.

Apoteket's owner attaches great importance to the Board and executive management working towards long-term, ambitious and realistic targets to ensure value creation. The financial targets identified are long term and evaluated over a business cycle or five to seven years. Significant changes in the business plan or the market may warrant a renewed overview of the financial targets. The owner decided on the current financial targets at the AGM in 2013.

Apoteket's objective is in accordance with the owner's requirements to increase the Company's long term profitability, which is expected to provide a direct positive impact on society. Increased profitability is essential for the business to be able to continue to develop to meet the needs of the customers. In addition, more money will be paid in dividend to the owner, which benefits the entire Swedish population. For more information about outcomes and circumstances within the economic area, see pages 32–75.

GENDER AND AGE DISTRIBUTION BY EMPLOYEE CATEGORY (LA12)

	Men	<30 years	30-50 years	>50 years
Pharmacists	108	144	938	601
Assistants/technicians	178	221	564	483
Pharmacy managers	34	16	217	103
Other operations/team managers	17	217	42	22
Headquarters	121	103	194	92
Total 2014	458	701	1,955	1,301
Total 2013	545	558	1,848	1,489
Total 2012	741	1,557	2,140	1,525

GOAL OVERVIEW

	Goal	Outcome 2014	Outcome 2013	Outcome 2012	Comments
Profitability target, operating margin, %	3	1.8	1.9	0.7	
Capital structure, %	40–80	3	18	203	
Dividend, %	40–60	60*	51	38	*According to the Board's proposal, see page 75

Anti-corruption and compliance

ANTI-CORRUPTION AND COMPLIANCE are crucial areas for both Apoteket and external stakeholders. No target has been set for these areas, but they are a cornerstone for business to be conducted sustainably.

ANTI-CORRUPTION

Anti-corruption is one of the ten principles of the UN Global Compact, which Apoteket has pledged to support. It is also an area that has drawn more attention in recent years, in part because of incidents that occurred in certain Swedish companies.

In 2013 Apoteket carried out a risk analysis to identify those parts of the organisation where the risk of corruption and improper behaviour exists. The analysis showed that there is no significant risk of corruption for the Company as a whole. However, some units are at risk, such as those dealing with public procurement and supplier contacts. Employees working in these units should pay particular attention to the risk of corruption in their work.

The compulsory training package for new employees, which includes Apoteket's approach to the issue of corruption, is an important management tool. The training programme was simplified during the year and more

clearly linked to Apoteket's other approaches and policies. The aim is to clearly show that the area should be integrated into everyday work. The changes will be implemented in operations during 2015.

Updated guidelines for work against bribery and corruption, as well as activities that avoid limiting competition, were developed during the year and will be implemented in the operation during 2015. Management has completed training in connection with the update. Continuing education initiatives for various units within the organisation are scheduled during 2015.

Apoteket's Code of Conduct is the tool that is used to maintain ethical business relationships with suppliers. In addition, there is an agreement between Apoteket and LIF (research-based pharmaceutical industry) to ensure ethical conduct in relation to the pharmaceutical industry.

No incidents of corruption occurred during the year (zero incidents for 2012 and 2013 as well).

COMPLIANCE

Apoteket is subject to laws and regulations that regulate Swedish pharmacy operations. Regulators are

primarily the Medical Products Agency, the National Board of Dental and Pharmaceutical Benefits Agency, the Health and Social Care Inspectorate, the Data Protection Authority and the e-Health Authority. In addition, other regulations also apply, such as environmental and occupational safety legislation. Apoteket works systematically to monitor changes in the regulatory environment, in order to make timely adjustments to internal procedures. Learn more about Apoteket's systematic approach on page 91.

No laws were violated in 2014 or in previous years. In 2012, a fine of SEK 1 million was imposed because Apoteket violated an injunction from the MPA regarding regulations (LVFS 2009:6) on advertising of medicinal products.

Sustainable governance and monitoring

APOTEKET CONDUCTS BUSINESS in compliance with laws and other requirements in a financially, environmentally and socially sustainable manner. In order to succeed, the Company uses a number of tools and mechanisms.

APOTEKET'S TARGETS

Apoteket's targets are monitored on a regular basis in Executive Management. The financial targets are set by Apoteket's owners, while sustainability targets are set by the Board. Executive management is responsible for ensuring that the business works to achieve the targets. Executive management also regularly monitors deviations, audit results and other indicators related to patient safety, quality and the environment. During the year, special meetings were dedicated to monitoring sustainability goals. New sustainability targets apply beginning in 2015, see pages 12-13.

QUALITY AND ENVIRONMENTAL MANAGEMENT SYSTEM

Apoteket's management system is certified to environmental standard ISO 14001 and meets Natio-

nal Board of Health and Welfare requirements for management systems for systematic quality work. The management system is the tool for working systematically to achieve patient safety and legislative compliance, as well as to reduce environmental impact.

Apoteket's policies are an important part of the management system as they indicate the direction in which the business should be conducted. The Board of Directors establishes policies that cover issues such as quality, the environment, ethics, human resources, product range, purchasing, the brand and safety. Guidelines such as Apoteket's Code of Conduct are established by the President.

Each pharmacy conducts a self-inspection annually to verify compliance with laws and other requirements. Internal audits are conducted regularly for additional control. Deviations are documented and monitored to avoid repeating them. Quality-assured job descriptions are defined for employees who meet customers. Employees are trained to ensure that sustainable development and quality are a natural part of everyday work. Executive management evaluates the management system annually. An external party con-

ducted a follow-up audit during the year. As a result of this audit, Apoteket's management system continued to be certified and meet the requirements of ISO 14001.

OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT SYSTEMS

Apoteket works systematically to ensure a good work environment for employees. Work environment inspections allow risks to be identified and deviations corrected. A risk analysis is always conducted prior to major changes. Employee feedback is analysed through the annual employee survey and in the system for suggested improvements. Moreover statistics on sickness absence and work attendance are continuously monitored.

GRI index

The Sustainability Report has been prepared based on the Global Reporting Initiative's (GRI) international guidelines for sustainability reporting, G4, and meets the requirements for the Core application level. All aspects and indicators have been externally reviewed. Own indicators are identified as "Own". Omissions are specified in the GRI Index comments column.

Indicator	Description	Page	Comments	GC
Strategy and analysis				
G4-1	Statement from President	4-6		
Organisational profile				
G4-3	Name of the organisation	32		
G4-4	Primary brands, products and/or services	54		
G4-5	Location of organisation's headquarters	54		
G4-6	Number of countries where the organisation operates	54		
G4-7	Nature of ownership and legal form	32		
G4-8	Markets where the organisation operates	32, 54		
G4-9	Scale of the reporting organisation	44, 54		
G4-10	Total workforce by employment type, employment contract, region, and gender	88		6
G4-11	Percentage of employees covered by collective bargaining agreements	89		3
G4-12	Description of the organisation's supply chain	20-21, 84		
G4-13	Significant changes during the reporting period	3, 32		
G4-14	Explanation of whether and how the organisation follows the Precautionary Principle	92	Apoteket follows the precautionary principle, which is included in the quality control.	
G4-15	Externally developed economic, environmental, and social charters, principles or other initiatives to which the organisation subscribes or endorses	78, 90		
G4-16	Membership in associations and/or national/international advocacy organisations.	92	Almega, Confederation of Swedish Enterprise, Pharmacists without Borders, Swedish Pharmacy Association, SIQ, SIS, SNS, Confederation of Swedish Enterprise Security Delegation, Swecare, Stockholm Chamber of Commerce.	

Indicator	Description	Page	Comments	GC
Material aspects and boundaries				
G4-17	Entities included in the organisation's financial accounting	72		
G4-18	Description of process to define report content and aspect boundaries	80-81		
G4-19	List of all identified material aspects	93		
G4-20	For each material aspect, report the aspect boundary within the organisation	93		
G4-21	For each material aspect, report the aspect boundary outside the organisation	93		
G4-22	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatements	86	Adjustment of the amount of hazardous waste in 2013, which is included in EN23	
G4-23	Significant changes made since the previous reporting period.	78		
Communication and stakeholders				
G4-24	Stakeholder groups engaged by the organisation.	79		
G4-25	Basis for identification and selection of stakeholders.	80		
G4-26	Approaches to communication – with stakeholders	80		
G4-27	Key topics and concerns that have been raised through stakeholder engagement	79		
Information on reporting and governance				
G4-28	Reporting period.	78		
G4-29	Publication date of the most recent Report	92	28 March 2014	
G4-30	Reporting cycle	78		
G4-31	Contact point for questions regarding the Report and its contents	101		
G4-32	Presentation of table of contents according to GRI Core reporting level and report for external assurance	92-93, 95		

Indicator	Description	Page	Comments	GC
G4-33	Presentation of the organisation's policy and current practice for external assurance of the Report	78		
G4-34	Governance structure of the organisation	38-41		
Ethics and integrity				
G4-56	The organisation's values, principles, standards and norms	38-41, 90-91		10
Environment				
DMA	Emissions to air	28-29, 86-87, 91	Includes Apoteket	
EN15	Direct greenhouse gas (GHG) emissions (scope 1)	86-87		7, 8
EN16	Energy indirect GHG emissions (scope 2)	86-87		7, 8
EN17	Other GHG emissions (scope 3)	86-87		7, 8
EN18	GHG emissions intensity	87		8
DMA	Emissions to water and waste	13, 29, 86, 91	Includes Apoteket, supply chain and customer chain	
EN23	Total amount of waste	29, 86		8
DMA	Environmental impact of products and services	12-13, 20-21, 91	Includes Apoteket, supply chain and customer chain	
EN27	Initiatives to mitigate environmental impacts of products and services	21, 29		7, 8
DMA	Supplier follow-up regarding environment	12, 20-21, 84-85, 91	Includes supply chain	
EN32	Percentage of new suppliers reviewed regarding environment	84		8
Working conditions				
DMA	Employee health and safety	12-17, 82-83, 91	Includes Apoteket	
LA6	Work-related injuries and illnesses	83	LDR and ODR are not broken down by gender.	
Own	Sickness absence	82		
Own	Work attendance	82		
DMA	Education	83, 91	Includes Apoteket	
LA11	Career development reviews	83		6

Indicator	Description	Page	Comments	GC
DMA	Gender equality and equal opportunity	13, 88-89, 91	Includes Apoteket and customer chain	
LA12	Diversity within the organisation	18-19, 88-89		6
DMA	Supplier follow-up regarding working conditions	12, 20-21, 84-85, 91	Includes supplier chain	
LA14	Percentage of new suppliers reviewed regarding working conditions	84		
Human rights				
DMA	Supplier follow-up regarding human rights	12, 20-21, 84-85, 91	Includes supplier chain	
HR10	Percentage of new suppliers reviewed regarding human rights	84		2
Society				
DMA	Anti-corruption	16-17, 90-91	Includes Apoteket and customer chain	
SO5	Incidents of corruption and actions taken	90		10
DMA	Compliance	90-91	Includes Apoteket	
SO8	Violation of laws	90		
Product responsibility				
DMA	Customer health and safety	12, 26-27, 91	Includes Apoteket and customer chain	
PR1	Evaluation of products and services relating to health and safety for the customer	20-21, 82		
Own	Availability of medications that require a prescription	26-29, 82	Reported qualitatively	
DMA	Labelling of products and services	85, 91	Includes Apoteket	
PR5	Customer satisfaction survey results	12, 82		

GC 1–10 are the principles of the UN Global Compact.

DMA stands for Disclosures on Management Approach in GRI G4.

The Board of Directors on the Sustainability Report

The sustainability report, which covers all sustainability data in Apoteket's 2014 integrated annual and sustainability report with GRI details (see table of contents for GRI on pages 92–93), was approved for publication by the Board of Directors on 6 March 2015.

Solna 6 March 2015

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

Gunilla Larsson
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 2014. The Company has defined the scope of the sustainability report to encompass the areas referred to in the GRI index on pages 92–93.

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

The Board of Directors and executive management are responsible for the preparation of the Sustainability Report in accordance with the relevant criteria, which are given on page 78 of the Sustainability Report, and consist of those parts of the Sustainability Reporting Guidelines issued by the Global Reporting Initiative (GRI) that apply to sustainability reporting, as well as the Company's own reporting and accounting principles. This responsibility also includes internal controls that are deemed necessary for the preparation of a sustainability report that is free from material misstatement, whether due to fraud or error.

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.

Our review is based on the selected criteria of the Board of Directors and executive management, as defined above. 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 general review, we have not identified any circumstances that cause us to doubt that the Sustainability Report has, in all material respects, been prepared according to the criteria stated above by the Board of Directors and executive management.

Stockholm 6 March 2015

Ernst & Young AB

Åsa Lundvall

AUTHORISED PUBLIC ACCOUNTANT

Charlotte Söderlund

AUTHORISED PUBLIC ACCOUNTANT

Board of Directors and Auditor



Christian W. Jansson



Maria Curman



Gert Karnberger



Elisabet Wenzlaff



Kristina Schauman

CHRISTIAN W. JANSSON

Chairman
Board member since 2009.
Born 1949.

Other significant assignments:

Chairman of the board of Enzymatica AB and Vivoline Medical AB. Board member of Europris AS and KappAhl AB.

MARIA CURMAN

Board member since 2012.
Born 1950.

Other significant assignments:

Board Member of Bonnier AB, Bonnier Books, Cappelen Damm A/S, Teracom AB and Work for you.

Previous positions:

CEO Bonnier Books and CEO Sveriges Television.

GERT KARNBERGER

Board member since 2009.
Born 1943.

Other significant assignments:

Board member 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.

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.

KRISTINA SCHAUMAN

Board member since 2009.
Born 1965.

Other significant assignments:

Board member and Chairman of the Audit Committee at ÅF AB, Orexo AB and BillerudKorsnäs 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.



Leif Ljungqvist

LEIF LJUNGQVIST

Board member since 2012.
Born 1971.

Other significant assignments:

Company manager at the State Ownership Unit at the Ministry of Enterprise and Innovation. Board member of Akademiska Hus AB and Samhall AB.

Previous positions:

Board member of AB Svensk Bilprovning, Vasallen AB and AB Bostadsgaranti.

Equity analyst Kaupthing Bank and Hagströmer & Qviberg.



Carin Sällström-Nilsson

CARIN SÄLLSTRÖM-NILSSON

Employee representative (Board member) appointed by the Swedish Pharmacists Association.

Served on Apoteket's Board of Directors since 2009.
Born 1954.



Gunilla Larsson

GUNILLA LARSSON

Employee representative appointed by Unionen.

Served on Apoteket's Board of Directors since 2009.
Born 1951.

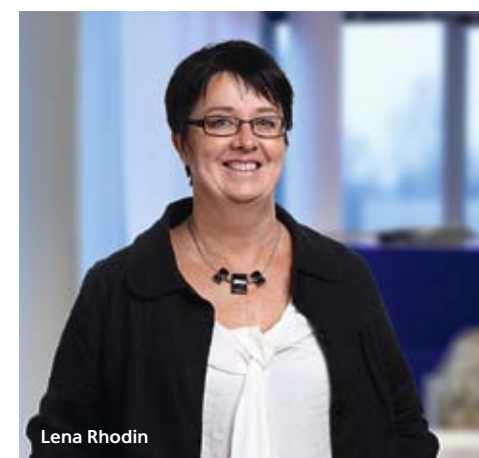


Marie Redeborn

MARIE REDEBORN

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

Served on Apoteket's Board of Directors since 2012.
Born 1964.



Lena Rhodin

LENA RHODIN

Employee representative (deputy), appointed by Unionen.

Served on Apoteket's Board of Directors since 2014.
Born 1959.

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



Ulrika Eriksson



Lars Skutholm



Kenneth Hagsten



Jan Johansson



Anna Rogmark



Olle Carls

ANN CARLSSON

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

Other significant assignments: Board member of Cloetta AB, 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.

ULRIKA ERIKSSON

Vice President and Director of Sales 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.

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.

LARS SKUTHOLM

Director of Marketing 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 Legal Affairs & Sustainability LLM. 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: Company lawyer Biovitrum AB and Pharmacia AB.

KENNETH HAGSTEN

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

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

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.

Definitions

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.

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.

WORK ATTENDANCE

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

GOODS FOR RESALE

Includes Apoteket's product costs for the sale of pharmaceuticals and other health products.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

MARKET SHARE, CONSUMER

Includes sales from outpatient pharmacies, mail order to the consumer, dose in original packaging and the Animal Pharmacy.

EMPLOYEES

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

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.

INTEREST-BEARING NET DEBT

Interest-bearing liabilities less interest-bearing assets, excluding pension assets.

OPERATING CASH FLOW

Cash flow from operating activities and cash flow from investing activities excluding corporate acquisitions and divestments.

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.

EARNINGS PER SHARE

Earnings after tax divided by the number of shares.

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.

OPERATING MARGIN

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

SICKNESS ABSENCE.

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

DEBT/EQUITY RATIO

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

EQUITY/ASSETS RATIO

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

CAPITAL EMPLOYED

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

Glossary

PHARMACY REPRESENTATIVES

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

CYTOTOXIC MEDICATIONS

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

MULTI-DOSE PACKAGES/ 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.

DOSE IN ORIGINAL PACKAGING

Medicines that cannot be packaged in sachets for patients who qualify for dose-packaging, such as ampoules, fluids and syringes. These are provided in their original packaging along with multi-dose packaged medications.

SELF-CARE PRODUCTS

An umbrella term for non-prescription medications and health products that customers can use to care for or treat themselves.

PHARMACIST

Healthcare professional with an undergraduate or graduate degree in pharmacy.

GENERIC INTER-CHANGEABLE 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.

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.

INDIRECT MATERIALS

Products and services that Apoteket purchases for its own business, such as work clothes, shop fittings and office supplies.

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.

LICENSED MEDICINAL PRODUCT

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

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.

MEDICATIONS THAT REQUIRE A PRESCRIPTION

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

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.

PRESCRIPTION MEDICATIONS

Medicinal products ordered by prescription. Such medications can be non-prescription drugs or they may require a prescription. Health products can also be prescribed and are in such cases included in the sales statistics.

THE 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.

OUTPATIENT CARE

Collective term for healthcare services provided for patients who are not admitted to the hospital or equivalent.

The story of Apoteket

1552

Gustav Vasa issues a letter of appointment with the royal seal to Hans König, who can then call himself a pharmacist to His Majesty the King.

1575

Johan III gives his consent to allow the royal pharmacist to move out of the Royal Palace in Stockholm and start the first pharmacy that is accessible to the public. The name of the pharmacy was Lejonet - the Lion.

1742

CW Scheele, pharmacist and one of the foremost chemists in eighteenth century Europe, was born. He was granted a charter to operate the pharmacy in Köping and was the first to analyse and describe a variety of chemical substances, which after his death came to be regarded as elements, such as oxygen and chlorine.

1898

The Apoteket Storken pharmacy opens in Stockholm, with its ebony, Jacaranda and rosewood interior. The golden stork was mounted above the entrance. According to the Swedish National Heritage Board, Apoteket Storken is the most historically valuable pharmacy in Sweden.

1928

Agnes Arvidson becomes Sweden's first female pharmacy proprietor with both a charter and a pharmacist's degree. She was the owner and director of the pharmacy in Norsjö.

1936

A new system of charges is introduced to even out the differences between small and large pharmacies.



APOTEKET STORKEN
IN STOCKHOLM, 2004



1971

1971

Apoteksbolaget is formed with exclusive rights to retailing of medicinal products. All pharmacies are incorporated into the company. A contest is held to design Apoteket's first logo. The snake and bowl pharmacy symbols are included.



1980

1975

Non-prescription drugs no longer need to be sold from behind the counter. Customers may choose directly from the shelf.

1987

Apoteksbolaget takes over operation of hospital pharmacies in Stockholm, which means its remit includes running all hospital pharmacies in Sweden.

1989

Multi-dose packaged medications begin to be produced.



1990

1996

Apoteket.se is launched.

1997

The first e-prescriptions are sent to Norrbotten.

1998

Apoteksbolaget changes its name to Apoteket

2004

The ApoPlus customer club is launched and customers can accumulate points for their purchases.

2006

The Government appoints an inquiry about reregulation of the pharmacy market in Sweden. Apoteket launches the option to order medications by phone and online with home delivery.

2008

The market for medicinal products for inpatient care is opened to competition. Since existing agreements remain in force, the first new operator did not take over providing medicines to the health-care system in any county council until 2011.

2009

Certain non-prescription medications begin to be sold by operators other than pharmacies. Apoteket launches its current logo. Pharmacy symbols are included in stylized format.

2010

Apoteket sells 466 pharmacies to new operators, leaving over 150 pharmacies to a state-owned small enterprise. New operators open pharmacies.



2013

2013

New operators establish in the market for multi-dose packaged medications. Apoteket launches online shopping for medicinal products by mobile phone.

2014

Apoteket is the leading pharmacy operator in Sweden.

*FINANCIAL REPORTING
CALENDAR 2015*

Interim Report January–March: 24 April
Interim Report January–June: 17 July
Interim Report January–September: 23 October

Annual General Meeting in Apoteket AB:
13 April, 2015 in Solna

PLEASE CONTACT US!

We welcome your comments
and feedback on our Annual and
Sustainability Report.

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