



A life in health

ANNUAL AND SUSTAINABILITY REPORT 2016
extract



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Gray-colored pages have not been translated.

Sustainable business practices

Apoteket runs the business in a way that creates value for stakeholders and contributes to sustainable development. **Pages 13–19.**

Value creation

Based on the needs of our stakeholders, we work with a goal-focused approach in areas where the company has the greatest impact: good customer health, quality assured product range, reduced environmental impact, motivated employees and long-term profitability. **Pages 20–37.**

External audit and review

The annual accounts on **pages 38–82** are audited; please see the auditor's report on **pages 83–86**. The information referred to in the GRI index on **pages 98–99** has been subject to a limited review; please see the Auditor's Limited Assurance Report on **page 101**.

ABOUT THIS REPORT

Apoteket's 2016 Annual and Sustainability Report presents the past year based on our business model of a life in health. Apoteket aspires to be a value-creating company that takes human and environmental concerns 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 Core. The report also describes how we support the UN Global Compact's ten principles concerning human rights, labour, the environment and anti-corruption.

This is a translated extract of the original Swedish version with original page numbers. In the event of any discrepancies between the two versions, the original Swedish version shall take precedence.



A Life in Health

Apoteket's vision is a life in health. Good health is the foundation for achieving important goals in life. Based on the needs of our customers, we offer a wide range of medications, carefully selected pharmacy products and pharmaceutical services to both consumers and the healthcare system.

We meet people in different situations and in more than 1,000 locations, in both rural and urban areas. We also share our knowledge around the clock at apoteket.se and in social media.



More and more customers choose Apoteket...

In 2016 more and more customers have chosen Apoteket for their pharmacy needs. In surveys customers state that they appreciate Apoteket mainly because of our dedicated employees who give good advice and support and because of our quality-assured products.

More and more customers are choosing to purchase medicines online at apoteket.se and using Apoteket's app. They can pick up the order at a pharmacy two hours later or get home delivery.



149,000

Each day we have about 94,000 customer encounters in our pharmacies and about 55,000 visitors at apoteket.se.

APOTEKET'S CUSTOMER PROMISE:

With extensive knowledge and the highest quality, we constantly seek new ways to help you. Throughout life.

Customers mention quality, convenience and goods in stock as reasons for shopping at apoteket.se. Online sales rose by 30 per cent in 2016.

The Customer Satisfaction Index for customers who visited any of our stores is 84. The equivalent figure for online customers is 83.

33%

Apoteket has the largest market share in terms of sales in the pharmacy market with respect to consumer sales.



...thanks to our extensive knowledge about medications and health...

Properly used medications can cure and alleviate illness, as well as extend life. Apoteket's employees have the knowledge required to gain people's trust in important conversations about pharmaceutical treatment and lifestyle habits.

We combine our extensive experience in the pharmacy business with a willingness to constantly develop new ways to meet customer needs.

We make it easier to feel well.

Our employees have constant access to skills development in specific therapeutic areas as well as to news about pharmaceutical trends and medications.

...as well as carefully selected products.

Apoteket has a wide range of carefully selected pharmacy products, including both private label and external brands. These products, which are not medications, have passed our extensive quality control testing.

We monitor research on ingredients and reject products with questionable content, such as cyclic silicones, kathon and formaldehyde releasers.



Many new pharmacy products have been included in the product line during the year, including several organic skin care product lines.



We sell all medicinal products that are approved by the Swedish Medical Products Agency. We work with manufacturers, government agencies and health care to ensure that production, use and disposal of these drugs are all sustainable for both humans and the environment.

2016 in brief



New and modern pharmacies

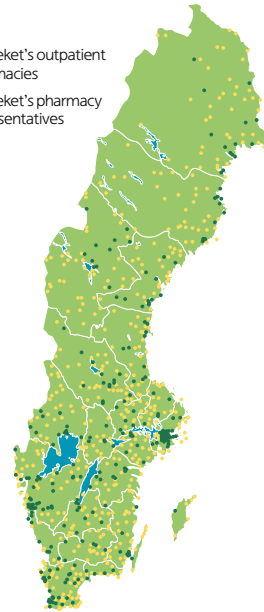
During the year we open 13 new pharmacies, acquire eight, sell four and close two pharmacies. In addition, we are revamping the interior and appearance of 45 pharmacies to make it easier for customers to buy medicine and to inspire them to pursue a life in health.



Internships and language training

About 90 pharmacists with foreign degrees who recently arrived in Sweden have been offered internships and language training in the business to assist them on the path to a Swedish professional certification.

- Apoteket's outpatient pharmacies
- Apoteket's pharmacy representatives



You can find us all over Sweden

Apoteket operates 387 pharmacies and has 643 pharmacy representatives, which means we have a presence in more than 1,000 locations all over Sweden. We can also be found at a large number of hospital wards.

Free medicine for children

After a change in the law took effect on 1 January 2016, all prescription drugs covered by the Pharmaceutical Benefits Scheme are free for children under the age of 18.

More and more leftover drugs returned

In all, 136,000 loyalty club members return leftover medications at our pharmacies, an increase of 39 per cent compared with the previous year. They receive an environmental bonus in the form of loyalty club points to thank them for their efforts. Apoteket sends 400 tonnes of discarded drugs for disposal.

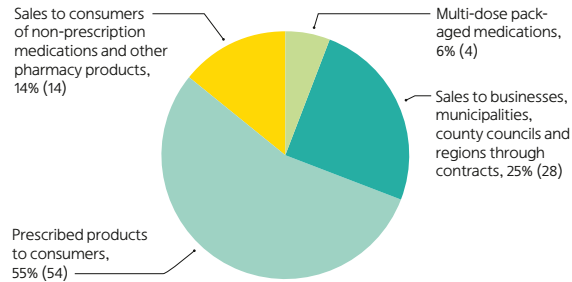
New products and services



- The **Apoteket app** offers many new features, such as the option to buy medicine for others with a power of attorney.
- **Express dispensing of medicines purchased online** at all of our pharmacies. Customers place their orders online and pick them up at the pharmacy two hours later.
- Several new hair and skin care products, including **Apoliva Cleansing**, a fragrance-free cleansing line for the face.



APOTEKET'S SALES, TOTAL



Sweden's most sustainable business

Apoteket was voted Sweden's most sustainable brand for 2016 by 10,000 consumers in the Sustainable Brand Index survey.

Customer encounter in multiple languages

Many customers appreciate the opportunity to receive assistance in languages other than Swedish. Our employees come from 88 different countries and speak a total of 55 languages.

84

This year's customer survey is carried out at 300 of our pharmacies. The Customer Satisfaction Index, CSI, is 84.

Focus on digestive health

Apoteket's health report shows that seven out of ten people experience digestive imbalance. Apoteket provides advice and tips through various channels to people with stomach problems regarding lifestyle changes that can help them to achieve better long-term digestive health.



Digital counselling videos

To answer common customer questions and share our knowledge, we post short helpful videos on Instagram and Facebook during the year that are viewed by 3.4 million people. The most popular videos address everyday problems, such as dandruff, lice and how to avoid catching a cold.

New multi-dose and county council agreements

Region Gävleborg signed an agreement with Apoteket for delivery of medicinal products and preparation of cytostatics for healthcare facilities in the region. Region Östergötland and the Northern Sweden Health Care Region (Norrbotten, Västerbotten, Västernorrland and Jämtland) extended agreements to provide medicines to the healthcare system. The County Councils in Kalmar, Kronoberg, Blekinge, Östergötland and Jönköping extended their agreements for multi-dose packaged medications through May 2017.

KEY FIGURES

	2016	2015
Net sales, SEK million	20,325	19,599
Operating profit, SEK million	687	469
Operating margin, %	3.4	2.4
Net earnings, SEK million	637	458
Earnings per share, SEK	3,642	2,615
Operating cash flow, SEK million	-152	129
Net loan liability/receivable, SEK million	895	-357
Debt/equity ratio, %	54	neg.
Return on equity, %	14.8	9.2
Return on capital employed, %	29.6	22.7
Average number of employees	3,235	3,318
Motivated employees, %	78/75	77
Percentage of customers who return leftover medicine to pharmacies, %	45	54
Suppliers who accept the code of conduct, %*	79	89
Customer Satisfaction Index at pharmacies, CSI	84	85

* Refers to Apoteket's largest suppliers of non-prescription medications and other pharmacy products

Significant events

- Apoteket started deliveries for multi-dose packaged medications to Region Västra Götaland and Region Halland.
- Apoteket established a new multi-dose production facility in Örebro.
- Apoteket paid a dividend of SEK 1,100 million to the owner. The proposed dividend for 2016 is SEK 300 million.
- Apoteket's remit to retain the existing pharmacy representatives was extended through 30 June 2017.
- Apoteket won contracts to provide medicines to and produce special medicines for Region Gävleborg.
- Apoteket established 13 new pharmacies, acquired eight, sold four and modernised 45 pharmacies.

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 2016. 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.

Market

The consumer market is defined as total sales from in-store and mail order sales. Total sales in the consumer market in 2016 amounted to SEK 40 billion, an increase of 5.4 per cent compared with the previous year.

NEW PHARMACIES IN THE CONSUMER MARKET

The number of outpatient pharmacies in the Swedish market increased by more than 30 during the year. There were a total of 1,389 pharmacies at the end of 2016. Pharmacy density is 7,200 residents per pharmacy. Before reregulation of the pharmacy market, pharmacy density

was about 10,100 residents per pharmacy. In 2016 Apoteket established 13 new pharmacies, acquired eight, sold four and closed two pharmacies. At the end of the year Apoteket had a total of 387 pharmacies.

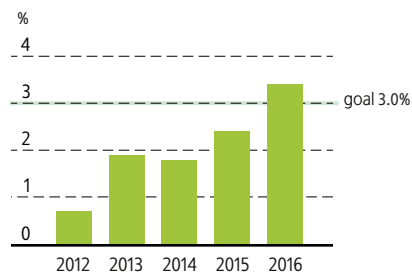
MORE AND MORE PEOPLE BUY MEDICINES ONLINE

Online sales of medicines and other pharmacy products is becoming increasingly popular and accounted for 4.3 per cent of the total pharmacy market in Sweden. By the end of 2016 Apoteket's online sales had increased by 30 per cent compared with the previous year.

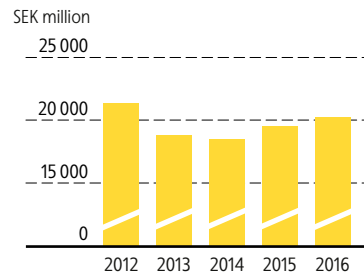
KEY FIGURES, QUARTERLY

	2016:4	2016:3	2016:2	2016:1	2015:4	2015:3	2015:2	2015:1	2014:4
Net sales, SEK million	5,250	4,902	5,233	4,940	4,998	4,714	4,985	4,901	4,956
Operating profit, SEK million	158	201	199	128	41	180	125	122	31
Operating margin, %	3.0	4.1	3.8	2.6	0.8	3.8	2.5	2.5	0.6

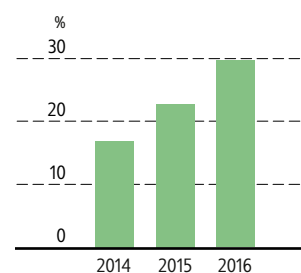
OPERATING MARGIN



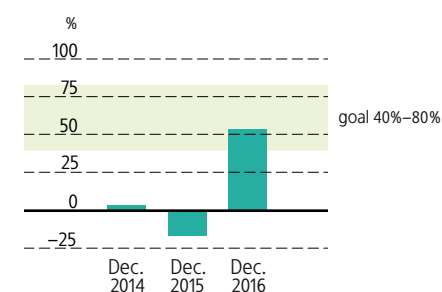
NET SALES



RETURN ON CAPITAL EMPLOYED



DEBT/EQUITY RATIO



CONTRACTS TO PROVIDE MEDICINES TO THE HEALTHCARE MARKET

Major changes are occurring in the healthcare market due to pressure on prices and less extensive contracts with county councils. Most county councils contract with pharmacy operators for services such as delivery of medicines, pharmaceutical services and production of special medicines. Several county councils have employed pharmacists and have taken over certain services in-house.

Net sales and performance

NET SALES

Apoteket’s net sales increased by 3.7 per cent in 2016, or SEK 726 million compared with the previous year, totalling SEK 20,325 (19,599) million. This increase is due to an increase in sales both in stores and online, as well as for multi-dose packaged medications.

CONSUMER MARKET

Apoteket offers private individuals medicines and other health-related products and services, as well as information and advice through 387 pharmacies. Apoteket also conducts operations through representatives in 643 locations in Sweden.

Net sales rose 4.1 per cent compared with the previous year to SEK 13,928 (13,382) million. The sales increase was attributable to higher sales of both prescription medications and other pharmacy products in the store network, as well as increased online sales.

As at 31 December 2016 Apoteket’s market share was almost 28 per cent based on the number of outpatient pharmacies, which is slightly higher than at the beginning of the year. The market share for outpatient pharmacies measured as sales of prescription drugs was 35 (35) per cent. The market share measured as non-prescription medications and other pharmacy products was 28 (29) per cent.

HEALTHCARE AND ENTERPRISE MARKET

Apoteket offers delivery services for medicinal products and provides multi-dose packaged medications and production of special medicines to county councils, municipalities and companies.

Net sales rose 2.9 per cent compared with the previous year to SEK 6,397 (6,217) million. Sales to county councils declined as a result of less extensive county council agreements, though this decline was offset by sales of multi-dose packaged medications due to new agreements with Region Västra Götaland and Region Halland.

SALES SUMMARY

Amount in SEK million	2016	2015*	Change, %
Consumer market	13,928	13,382	4.1
Healthcare and enterprise market	6,397	6,217	2.9
Total net sales	20,325	19,599	3.7

* For comparability, the 2015 figures are restated with respect to some organisational units reclassified from healthcare and enterprise market to the consumer market.

OPERATING PROFIT

Operating profit for 2016 was SEK 687 (469) million, which was an improvement of SEK 218 million compared with the previous year. The improvement is primarily due to higher gross profit as well as lower costs regarding personnel, IT, and marketing. Depreciation, amortisation and impairments amounted to SEK 135 (135) million. The operating margin for 2016 increased to 3.4 (2.4) per cent compared with Apoteket's long-term goal of 3.0 per cent.

NET EARNINGS

Net earnings amounted to SEK 637 (458) million, which is SEK 179 million higher than the previous year. Net financial items for pensions increased to SEK 136 (127) million.

Pension-adjusted net income amounted to SEK 531 (359) million.

OTHER COMPREHENSIVE INCOME

Actuarial gains and losses related to the change in fair value of the plan assets in Apoteket's Pension Foundation, as well as the development of pension obligations compared with the

forecast, are reported in Other comprehensive income and amounted to SEK 487 (164) million after deferred tax. The actuarial loss for the year is mainly attributable to a lower discount rate applied when calculating the present value of the pension commitment compared with the forecast calculated at the end of the previous year; a lower discount rate was used because underlying interest rates fell during the year.

Cash flow and financial position**CASH FLOW**

Operating cash flow was SEK -152 (129) million. The negative operating cash flow was due to higher working capital tied up in inventory and accounts receivable, as well as higher investments, but was offset to some extent by the year's positive performance.

Cash flow from financing activities amounted to SEK -184 (184) million, which includes a dividend of SEK 1,100 million. Short-term financing increased and was SEK 916 million as a result. A payment relating to compensation for pension

costs of SEK 436 million was decided, but not paid in 2016. Cash flow for the year was SEK -336 (313) million, while cash and cash equivalents on 31 December 2016 amounted to SEK 21 (357) million.

INVESTMENTS

Investments in intangible assets and property, plant and equipment amounted to SEK 212 (81) million and consisted primarily of investments in new construction and renovation of pharmacies as well as investments related to switching providers for IT operations. Divestment of non-current assets amounted to SEK 2 (9) million.

FINANCIAL POSITION

Equity on 31 December 2016 was SEK 4,200 million, which was SEK 950 million less than at the beginning of the year. The value of the Group's pension assets declined by SEK 611 million during the year and totalled SEK 3,254 million.

Return on capital employed was 29.6 per cent (22.7), and return on equity was 14.8 per cent (9.2). Net debt amounted to SEK 895 million as at 31 December, compared with a net claim of SEK 357 million at the beginning of the year.

CONSOLIDATED OPERATING CASH FLOW

SEK million	2016	2015
Cash flow from operating activities	58	201
Investments in intangible assets	-12	-18
Investments in property, plant and equipment	-200	-63
Divestment of non-current assets	2	9
Operating cash flow	-152	129

ANALYSIS OF INTEREST-BEARING NET DEBT/ASSETS

SEK million	2016	2015
Balance at 1 January	-357	56
Operating cash flow	152	-129
Dividend	1,100	158
Payment	-	-442
Balance at 31 December	895	-357

Apoteket's financial position was affected by a dividend of SEK 1,100 million, and by a compensation of SEK 436 million that was decided but not paid in 2016. Consequently the debt/equity ratio increased, amounting to 54 per cent, though it remained within the target interval of 40-80 per cent. The Board of Directors proposed a dividend of SEK 300 (1,100) million.

Parent Company

Net sales for Apoteket in 2016 amounted to SEK 20,325 (19,599) million. The sales trend is primarily due to an increase in sales of both prescription medications for the consumer market and multi-dose packaged medications.

Operating profit was SEK 813 (647) million. Net earnings amounted to SEK 466 (463) million.

Operating cash flow was SEK -153 (129) million. Cash flow from investing activities amounted to SEK -210 (-70) million. Cash flow from financing activities amounted to SEK -184 (184) million. This year's overall cash flow amounted to SEK -337 (313) million.

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

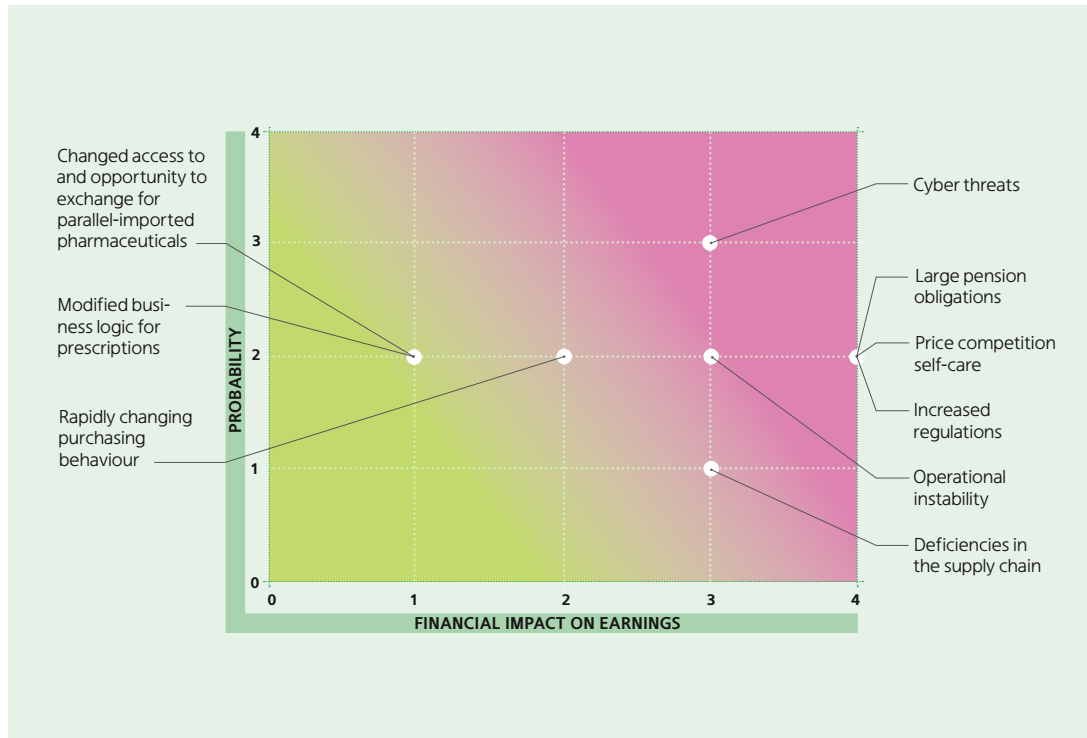
The material risks and uncertainties reported for the Group are also relevant for the Parent Company.

Material risks and uncertainties

Like all business operations, Apoteket's activities are exposed to risks and uncertainties that could impact the Company's earnings and position as well as its ability to implement strategic plans. 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. The analysis includes risk factors with both short-term and long-term



effects, where factors concerning both financial and sustainability-related risks are taken into account. The risks are placed in a risk matrix where the degree of risk is determined based on what probability and financial impact on earnings the risks are deemed to have. The level of probability and financial impact on earnings is determined by how great the risk is that Apoteket will fail to reach its goals. The risk matrix ranges from

1 to 4, where 1 = low, 4 = very high for both probability and financial impact on earnings.

These analyses are compiled into a total risk analysis for the Company. The risks are evaluated and the Executive Management Committee prioritises biggest risks based on materiality, probability and financial impact on earnings. The risk analysis is followed up during the year and risks, probability, economic impact, and measures are assessed as

SENSITIVITY ANALYSIS

Estimated impact on comprehensive income, SEK million

1% change in net sales, prescription drug sales	100
1% change in net sales, self-care sales	30
1% change in compensation and benefits, including social security contributions	20
0.5% change in inflation used in the calculation of the present value of the defined benefit obligations of future pension remuneration ^{1,2}	600
0.5% change in the nominal discount rate used in the calculation of the present value of the defined benefit obligations of future pension remuneration ^{1,2}	650
5% change in cost of the fair value of managed assets in Apoteket's Pension Foundation ²	560

1) With a change, such as a 0.5% increase, in inflation and the nominal discount rate, the earnings impact of these variables meet (one positive and one negative). In this example, inflation has a negative impact on earnings and the nominal discount rate is positive.

2) Effect excluding markup for special employer's contribution.

needed. Those risks that do not make it to the “top 10” list are managed in each business, where they are categorised into business and market risk, financial risk, operational risk and sustainability risk.

The tables on pages 43–44 describe Apoteket's risks and measures in greater detail.

Business and market risks

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

RISK	DESCRIPTION	MANAGEMENT
Price competition self-care	Pharmacy products are sold both in the store and online. Online operators have a selection of products with lower prices that subject store prices to intense competition.	Apoteket ensures compliance with the current pricing strategy and implements online prices at apoteket.se.
Increased regulations	The pharmacy market has a high degree of regulation and since reregulation, governments have conducted investigations to review the rules of the game. This includes the retail margin for drugs covered by the benefit and an investigation is currently underway to determine whether medicinal products that are not covered by the benefit should be regulated. The outcome could affect pricing of medicines outside the benefit scheme.	Apoteket is engaged in discussions with the owner relating to the effects of a change in the retail margin while also clarifying the negative effects for the pharmacy sector via the Swedish Pharmacy Association.
Cyber threats	The number of cyber attacks and threats in society has increased in recent years, which also increases the risk that Apoteket could be subject to attack. In addition, the level of maturity regarding security awareness varies among employees, which opens vulnerability to cyber threats.	To reduce the risk of increased cyber threats, the focus remains on monitoring, updating IT support, follow-up of logs and an increased focus on client security. In addition, employees receive regular security training and information to raise their level of security awareness.
Rapidly changing purchasing behaviour	Pharmacy market sales occur both in stores and online. Customers could quickly change their purchasing behaviour to show a preference for online shopping. This could result in reduced sales in stores and new online shopping operators could become established.	Apoteket continues to focus on implementation of its offer in multiple sales channels so that customers can shop at Apoteket whenever they want to shop and using their preferred channel.
Changed access to and opportunity to exchange for parallel-imported pharmaceuticals	Availability of parallel imports varies over time. The market is stable at this time, but changes in the availability of products as well as higher purchase prices could suddenly occur, largely due to currency and regulatory issues in other countries.	Apoteket cannot influence currency or regulatory issues in other countries, for which reason this risk is monitored.
New business logic for prescriptions	A new business logic for prescription drugs is evolving, where new operators use an app to steer volumes of prescriptions to pharmacy market participants who have chosen to join.	To address this new business logic, Apoteket is strengthening its offering with express dispensing, while continuing to develop the app. Apoteket also works closely with various patient associations.

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.

RISK	DESCRIPTION	MANAGEMENT
Large pension obligations	Apoteket has an extensive pension commitment that is secured through Apoteket's Pension Foundation. The task of the foundation is to secure the employer'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.

Operational risks

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

RISK	DESCRIPTION	MANAGEMENT
Operational instability	Apoteket has good operational stability. During the past year Apoteket switched to a different operations provider, which could result in an increased risk of disruptions before procedures are fully established. The Swedish eHealth Agency is moving large portions of its operations from Stockholm to Kalmar in 2017. Pharmacies could be affected by serious disruptions in operations in conjunction with this move.	Continued proactive work with measures that promote IT operational stability include adopting common processes with the IT operations provider and ensuring that action plans are in place to deal with any disruptions. Through close dialogue and cooperation with the eHealth Agency, Apoteket is working to reduce the risk of disruptions related to the agency moving its operation.

Sustainability risks

Sustainability risks refer to factors influencing long-term values from a financial, environmental and social perspective.

RISK	DESCRIPTION	MANAGEMENT
Deficiencies in the supply chain	Should it be found that self-care product manufacturers that Apoteket engages do not have acceptable social and environmental conditions, there is a large risk of a negative effect on the Apoteket brand as a result.	Apoteket continues to set high standards when choosing suppliers with careful evaluations and follow-up reviews.

Sustainability initiatives in five areas

Apoteket wants to conduct business so that conditions for long-term value are created. Sustainability focuses on five strategic areas: health, product range, the environment, employees and profitability. They address health among both customers and employees, a carefully selected product range and responsible supplier relationships, reduced environmental impact from transports and medicines, employee motivation and good long-term profitability. The Board of Directors supports these objectives, which permeate 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 13–21. An overview of Apoteket’s sustainability goals can be seen on pages 20–21. More information about specific targets and outcomes is available on pages 90–96.

Employees

The average number of employees for 2016 was 3,235, which is a decrease of 83 from the previous year. The decrease is mainly due to Apoteket’s

efforts to adapt to the smaller healthcare and corporate business.

Our goal is to have content and motivated employees. Our employees should reflect the diversity of society because it helps us to meet the unique needs of our customers and contributes to an inspiring workplace. The proportion of motivated employees in the two employee surveys carried out in 2016 was 78 per cent and 75 per cent, respectively. The target is 80 per cent. Work attendance declined from 70 per cent to 65 per cent. Our employees come from 88 different countries and speak a total of 55 different languages.

Significant post-balance sheet events

Apoteket is switching to an external logistics solution for customers who place orders online and by phone. The goal is to achieve improved delivery solutions for both consumers and for inpatient care. The new provider is Tamro. As a result the mail order pharmacies in Hässleholm and Falun will be phased out during 2018 at the latest.

Guidelines for remuneration of senior executives

With respect to remuneration and other terms of employment, Apoteket applies the principles laid down in the Government’s “Guidelines for Terms and Conditions of employment for Senior Executives in Government-Owned Companies 2009-04-20”. Implications include:

BASIC PRINCIPLES

It is fundamental for the Company and its owner that the principles for remuneration and other terms of employment for executives in both the short term and the long term motivate and create favourable conditions to retain and develop skilled employees and managers. This is achieved through fairness and internal equity, while maintaining market competitiveness regarding the structure, scope and level of executive compensation within the company.

Total remuneration for senior executives must be 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. Total remuneration, consisting of fixed base salary, other benefits and pension, 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.

WHO IS COVERED BY THE GUIDELINE

Senior executives refers to the President and other people with management positions, corresponding to the individuals referred to in Chapter 8, section 51 of the Swedish Companies Act (2005:551), including members of senior management and other managers who report directly to the President.

These guidelines shall also apply in all subsidiaries and be adopted by the AGM of each subsidiary.

FIXED BASE SALARY

The fixed base salary reflects the demands placed on the position with respect to expertise, responsibility, complexity and how it contributes to achieving business goals. The fixed base salaries also reflect the performance of the executive and are individual and differentiated.

INCENTIVE-BASED SALARY

Incentive schemes and other types of variable remuneration are not permitted for senior executives.

PENSION

Defined contribution pension benefits shall be offered, unless such benefits comply with the applicable group pension scheme, and the fee should not exceed 30 per cent of the fixed salary. In the event that the Company agrees on a defined-benefit pension, such schemes must comply with the applicable group pension plan. Any extensions of the group pension plan on salary that exceeds the income levels covered by the plan are to be defined contribution and carried during active employment. The Company will not pay any pension premiums for additional pension costs after the employee retires. Pension age is 65 years.

OTHER BENEFITS

Senior executives may be offered a company car and individual sickness insurance. Senior executives are also covered by benefits that have their origins in the collective agreement or are unilaterally decided by the Company and are also provided to the other employees.

TERMINATION AND SEVERANCE PAYMENT

Senior executives generally have a six-month

mutual period of notice. Upon termination by the company, severance pay may be payable corresponding to a maximum of 18 monthly salaries. As a general rule, severance pay corresponds to six months, unless special circumstances are present. Deviations from this general rule must be justified and documented in decision-support documentation. Severance pay shall be paid monthly and consist solely of the fixed monthly salary, with no supplement for benefits. In the event that the employee assumes a new position or receives business income, remuneration from the terminating company shall be reduced by an amount equal to the new income during the period that termination and severance pay are payable. Upon termination by the employee, severance is not paid. Severance is not paid after age 65.

MARKET COMPARISONS

Total remuneration and other terms of employment are reviewed annually to ensure that they are in line with these guidelines. A comparison is carried out with other companies that are comparable in terms of size, complexity, and sales, including both state-owned and privately owned companies, to ensure that the Company pays

competitive remuneration without being a wage leader.

DECISIONS AND DOCUMENTATION IN REMUNERATION MATTERS

The entire Board of Directors is responsible for determining the remuneration of the President.

The Board must also ensure that the President and other senior executives receive remuneration that is in line with the guidelines adopted by the AGM.

The Board shall ensure that the President ensures that the Company's remuneration to other employees is based on current remuneration principles. The Board shall report the specific reasons for deviating from the Government's guidelines in individual cases.

The Remuneration Committee prepares the Board's resolutions relating to remuneration principles, remuneration and other employment terms and conditions for the President and senior executives.

There must be written documentation showing the total cost for Company before taking any decision regarding remuneration. The same principle applies for decisions about hiring, changing jobs

or job description, as well as in conjunction with the annual salary review. All decisions must be recorded.

MONITORING OF COMPLIANCE WITH THE GUIDELINES

The Board is responsible for monitoring compliance with the guidelines. In addition, prior to each annual general meeting, the Company's auditors submit a written statement on whether or not the Company has complied with the guidelines. If the auditor feels the guidelines have not been followed, the reasons for this assessment must be stated. The Chairman of the Board also presents an oral report to the AGM regarding senior executive remuneration in relation to these guidelines.

Distribution of earnings

The Board of Directors' proposed dividend for 2016 is SEK 1,714.29 per share, for a total of SEK 300 million.

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

Retained earnings	SEK 269,383,540
Profit for the year	SEK 466,087,372
Total	SEK 735,470,912

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

dividend to the shareholder of SEK 1,714.29 per share, for a total of	SEK 300,000,000
To be carried forward	SEK 435,470,912
Total	SEK 735,470,912

Corporate Governance Report

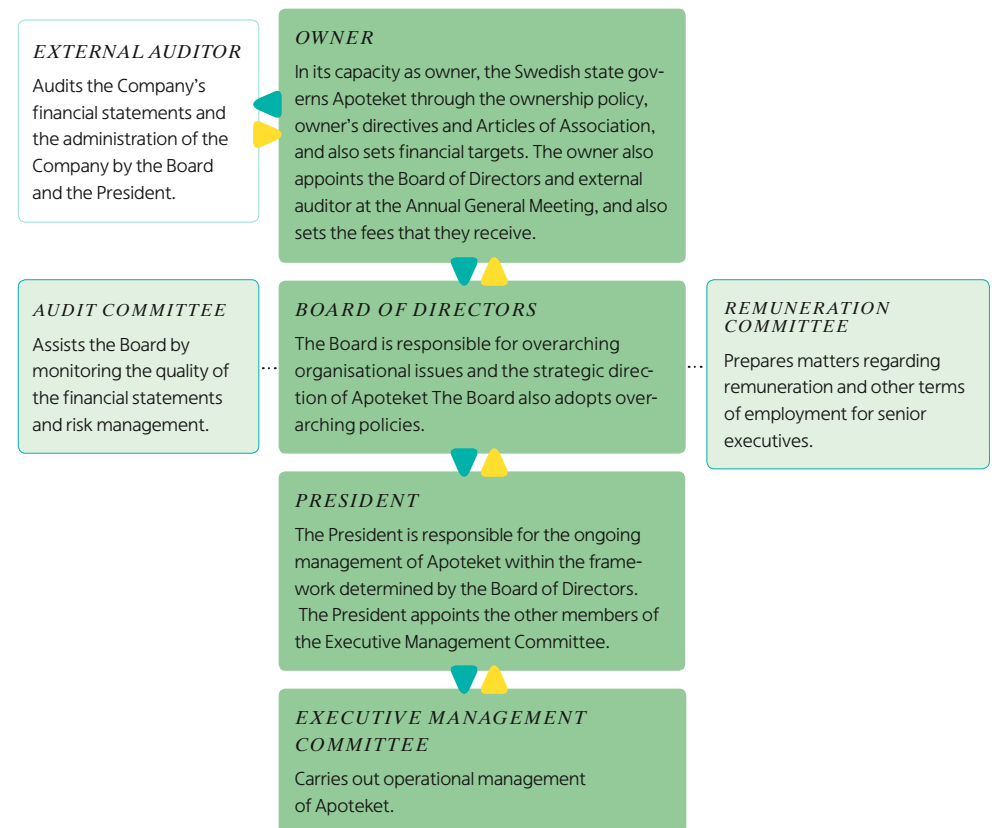
Apoteket AB is a Swedish public limited liability company with its registered office in Solna. The Swedish state owns all shares in Apoteket.

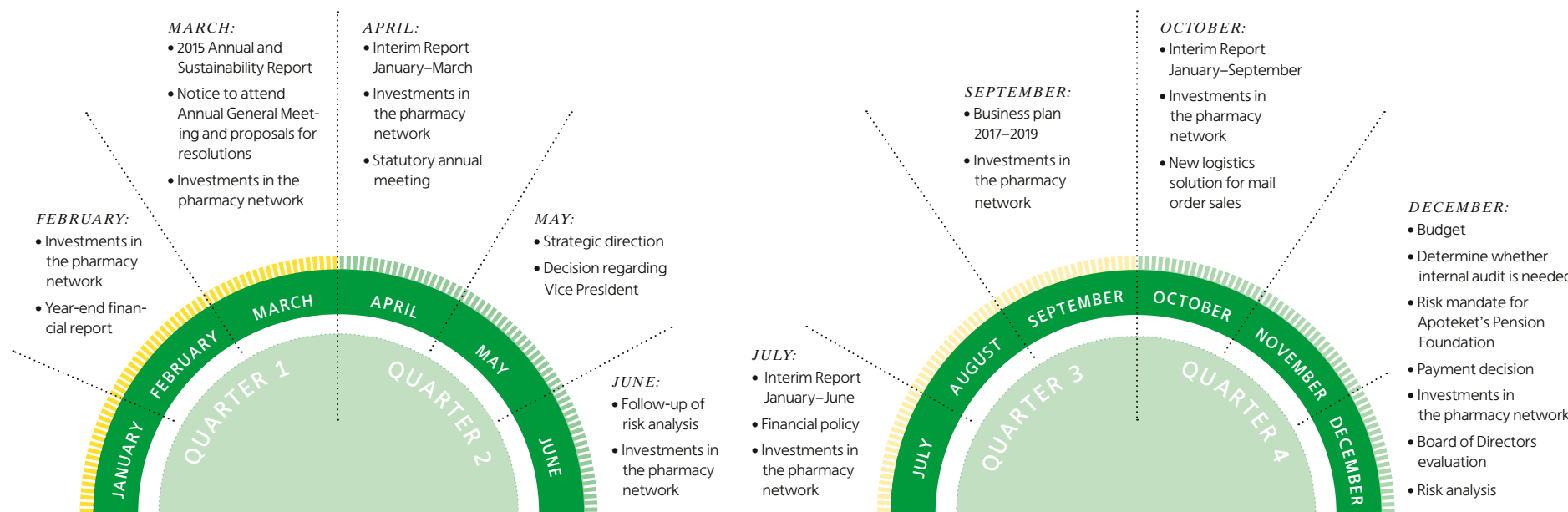
The owner exercises its influence over the Company at the Annual General Meeting by appointing the Board of Directors, the Chairman of the Board and auditor, as well as by adopting the income statement and balance sheet, resolving on discharging the Board of Directors from liability, dividends to the owner, fees to the Board and auditor, and remuneration guidelines for senior executives. The Board is responsible for Apoteket's strategic direction and overarching organisational issues, as well as for appointing the President. The President is responsible for the ongoing management of Apoteket within the framework determined by the Board of Directors and appoints the other members of the Executive Management Committee.

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. In the State's ownership policy the Government outlines its mandates and goals, applicable framework and its position on key principle matters. The ownership policy also 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, gender equality and diversity. Apoteket also applies the Swedish Code of Corporate Governance (the "Code"). Deviations from the Code are reported in the table on page 50. The Chairman of

ORGANISATION





THE BOARD OF DIRECTORS YEAR: IN 2016 THERE WERE ELEVEN BOARD MEETINGS, INCLUDING THE STATUTORY MEETING. THE FOLLOWING MATTERS WERE ADDRESSED DURING THE YEAR.

the Board arranges progress meetings during the year between the owner and the Company. The President also participates at these meetings.

ANNUAL GENERAL MEETING

At the Annual General Meeting on 18 April 2016, Christian W. Jansson (Chairman), Gert Karnberger, Kristina Schauman, Maria Curman, Leif Ljungqvist and Sussi Kwart were re-elected.

The Meeting resolved to pay a dividend of SEK 1,100 million to the owner. Apoteket received the mandate to retain its existing pharmacy representatives through 30 June 2017.

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

The AGM appoints the auditor and at the Meeting KPMG AB was elected to serve as auditor, with Ingrid Hornberg Román as auditor in charge. The auditors are responsible for auditing the Company's financial statements as well as 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 Ministry of Enter-

prise and Innovation through the company management organisation. Requirements for expertise are analysed based 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. The Swedish Pharmacists Association and Unionen employee organisations have each appointed one Board Member and one deputy. Fifty per cent of the Board members elected by the AGM are men. All trade union representatives are women. The President of Apoteket, Ann Carlsson, is not a member of the Board, but she 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.

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 Christian W. Jansson (Chair), Maria Curman and Sussi Kvarn. The auditors 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 auditors participated at Board meetings in conjunction with the adoption for the Annual and Sustainability Report, and also consulted with the Board without the presence of the President and members of executive management.

More information about the Board of Directors and the auditor can be found on pages 102–103.

PRESIDENT

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 Board continuously informed of

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.	Dependence 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.

BOARD MEETINGS AND FEES

	Elected year	Meetings Board of Directors	Meetings Audit Committee	Meetings Remuneration Committee	Regular fee, SEK k	Fee for committee work, SEK k
Christian W. Jansson ¹	2009	11/11		7/7	300	30
Gert Karnberger ²	2009	11/11	5/6		150	25
Kristina Schauman ³	2009	11/11	6/6		150	50
Maria Curman ⁴	2012	11/11		7/7	150	20
Leif Ljungqvist ⁵	2012	11/11	4/6			
Sussi Kvarn ⁶	2015	11/11		7/7	150	20
Lisa Ekstrand ⁷	2015	11/11			12	
Hanna Ottosson ⁸	2016	9/9			8	
Marie Redeborn ⁹	2012	0/2			4	
Gunilla Larsson ¹⁰	2009	10/11			12	
Lena Rhodin ¹¹	2014	10/11			12	

1) Chairman of the Board, Chair of the Remuneration Committee.

2) Member of the Audit Committee

3) Chair of the Audit Committee

4) Member of the Remuneration Committee

5) Member of the Audit Committee

6) Member of the Remuneration Committee

7) Employee representative (previously deputy), appointed by the Swedish Pharmacists Association, from May 2016

8) Employee representative (previously deputy), appointed by the Swedish Pharmacists Association, from April 2016

9) Employee representative, appointed by the Swedish Pharmacists Association through March 2016

10) Employee representative, appointed by Unionen

11) Employee representative (deputy), appointed by Unionen

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 Committee and the Establishment and Renovation Committee, as well as central support services.

EXECUTIVE MANAGEMENT COMMITTEE

The President heads up the Executive Management Committee, which meets twice a month to take decisions and address information-related matters. In addition to collective responsibility for management of the Company, members also have individual responsibility for their activities.

More information about the Executive Management Committee can be found on pages 104–105.

Operations are monitored by unit and area with respect to operational issues, sustainability issues and quality and environmental deviations; coordination is provided by the CFO, the head of sustainability and the head of quality, respectively. Other participants are present as needed.

ESTABLISHMENT AND RENOVATION COMMITTEE

The Establishment and Renovation Committee, which consists of the President, CFO, Head of the Pharmacy Network, sales managers and the general counsel, prepares for investments in the pharmacy network and start-ups, as well as decision to move and close pharmacies.

“Sustainability concerns are integral to Apoteket’s operations.”



Apoteket’s Chairman of the Board
Christian W. Jansson

.....

What has been the most important issue for Apoteket’s Board of Directors in 2016?

“Intensifying competition from talented colleagues in the industry, placing even greater demands on Apoteket’s customer offerings. Satisfied customers who feel that we care about them become repeat customers.”

What was Apoteket’s greatest accomplishment during the year?

“We started our store expansion, which has been limited for many years because of reregulation.”

What is the Board’s biggest challenge in the coming year?

“Profitability in the healthcare business is a big challenge and we will need to re-examine certain areas in order to offer better and more efficient service.”

What sustainability challenges do you see moving forward?

“It is important to get the entire organisation to share the attitude that we play a key role and contribute to sustainable development in society. It is also a challenge to ensure that more people take their medication correctly. Generic substitution saves money for society and for the individual, but unfortunately causes problems for some people who think more about what the medicine looks like than what it contains. We bring in sustainable development as a key component in everything we do. Being the best in class for sustainability is not the only consideration; we do it because we think it is right, but also because we want to be in the market for a long time to come.”

How supportive is the owner with respect to sustainability issues?

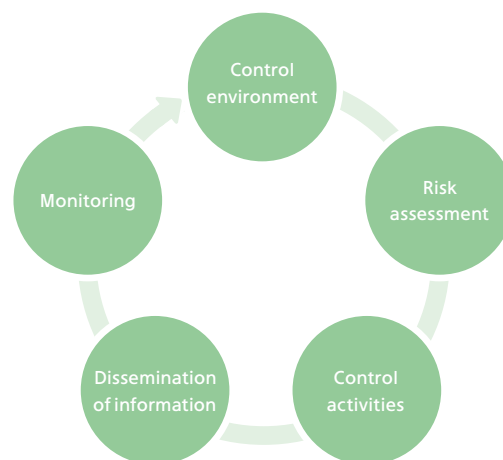
“We have an advantage because our owner, the Swedish state, embraced these issues at an early stage, so what we feel is important today, others will feel is important tomorrow. Sustainability concerns are integral to Apoteket’s operations so it wasn’t difficult to find support internally when the owner began to set higher standards.”

Report on internal control with respect to financial statements

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. The descriptions 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.

Internal Control reviews agreed processes, monitors control activities where risks are present



and reports internal control-related deviations to the Audit Committee and management. Internal Control works closely with the Company's external auditors.

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. Other examples include instructions for approval powers, as well as accounting and reporting instructions.

Principles and forms for reporting, internal governance, control and monitoring are compiled in internal policies, guidelines and instructions. These documents are made available to the employees concerned through Apoteket's intranet and information 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 all accounting for the Company. It is crucial for the Business Unit to understand the processes and procedures, as well as their risks in order to identify, analyse and decide on the handling of

any errors in financial reporting. Items in the balance sheet and income statement are consistently risk-assessed, especially ahead of quarterly and annual closing procedures. Criteria for determining whether an activity carries high risk include volume, complexity, valuation and accrual periods.

CONTROL ACTIVITIES

Control activities are designed to detect, correct and prevent errors and inefficiencies. Every year a calendar is prepared as a planning aid to review high-priority processes and address any deviations. The controls are defined and describe the risk that the control measures aim to minimise, as well as the documentation that will demonstrate that the control measures were performed. Managers are responsible for good internal control within their area. There is a clear responsibility in the organisation to carry out these controls, which are well-supported in the organisation. The results of the control activities that are carried out are presented and reviewed with the respective manager at regular meetings.

During the year, priority has been given to the sales process for the health care and multi-dose

packaged medications units, as well as the inventory process for the multi-dose unit. Deviations in inventory, sales, accounting, procurement, and IT processes for permissions and changes in IT support have also been followed up.

DISSEMINATION OF INFORMATION AND FOLLOW-UP

Apoteket has established information and communication channels such as internal policies and guidelines aimed at encouraging completeness and accuracy in financial reporting. Apoteket monitors compliance with these governing documents. The Board of Directors and the Executive Management Committee receive information on a regular basis regarding the financial statements. The official reports are reviewed by the external auditors and include an open dialogue. 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 provides an accurate reflection of the business status and ensures that operational control functions in relation to targets.

BOARD OF DIRECTORS' FOLLOW-UP

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. The Board took a decision on this matter and believes that existing structures for monitoring and evaluation are satisfactory. This decision is reviewed annually.

Financial statements

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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	Note	2016	2015
Net sales		20,325	19,599
Other operating income		9	27
Total revenues	5	20,334	19,626
Goods for resale	16	-16,309	-15,768
Other external costs	6, 7	-1,225	-1,232
Personnel costs	8, 15, 30	-1,978	-2,022
Depreciation, amortisation and impairment	12, 13	-135	-135
Operating profit		687	469
Share of earnings of associated companies	14	0	0
Net financial items – pensions	15	136	127
Other financial income	21	1	1
Other financial expenses	21	-6	-5
Pre-tax earnings		818	592
Income tax	9	-181	-134
Net earnings for the year		637	458
Other comprehensive income			
<i>Items that cannot be reclassified to profit and loss</i>			
Actuarial gains/losses	15	-625	210
Deferred tax	15	138	-46
Other comprehensive income		-487	164
Comprehensive income during the year		150	622
Net earnings for the year attributable to Parent Company shareholders		637	458
Comprehensive income during the year attributable to Parent Company shareholders		150	622
Earnings per share, SEK	11	3,642	2,615
Number of shares		175,000	175,000

CONSOLIDATED BALANCE SHEET

Amounts in SEK million at 31 December	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	12	62	81
Property, plant and equipment	13	365	273
Shares in associated companies	14	8	8
Pension claim	15	3,254	3,865
Other non-current receivables		77	78
Total fixed assets		3,766	4,305
Current assets			
	21		
Inventories	16	1,439	1,345
Accounts receivable		2,213	2,039
Current tax assets		12	–
Other current receivables	17	770	327
Prepaid expenses and accrued income	18	132	126
Cash and cash equivalents		21	357
Total current assets		4,587	4,194
TOTAL ASSETS		8,353	8,499

CONSOLIDATED BALANCE SHEET

Amounts in SEK million at 31 December	Note	2016	2015
EQUITY			
Share capital		175	175
Retained earnings		4,025	4,975
Total equity		4,200	5,150
LIABILITIES			
Non-current liabilities			
Deferred tax	10	922	1,014
Provisions	20	–	10
Total non-current liabilities		922	1,024
Current liabilities			
	21		
Liabilities to credit institutions, interest-bearing		916	–
Accounts payable		2,016	1,989
Current tax assets		–	32
Other liabilities		75	72
Accrued expenses and prepaid income	19	219	232
Provisions	20	5	–
Total current liabilities		3,231	2,325
Total liabilities		4,153	3,349
TOTAL EQUITY AND LIABILITIES		8,353	8,499

Information about the Group's pledged assets and contingent liabilities

22

CHANGES IN CONSOLIDATED EQUITY

Amounts in SEK million	Share capital	Retained earnings	Total equity
Opening balance at 1 January 2015	175	4,511	4,686
Comprehensive income during the year		622	622
Dividend		-158	-158
Closing balance at 31 December 2015	175	4,975	5,150
Opening balance at 1 January 2016	175	4,975	5,150
Comprehensive income during the year		150	150
Dividend		-1,100	-1,100
Closing balance at 31 December 2016	175	4,025	4,200

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

CONSOLIDATED STATEMENT OF CASH FLOW

Amounts in SEK million	Note	2016	2015
<i>Operating activities</i>			
Pre-tax earnings		818	592
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		135	135
Pension items not affecting cash flow		-450	-395
Change in provisions		-10	-9
Other		1	-15
Taxes paid		-179	-111
Cash flow from operating activities before changes in working capital		315	197
<i>Changes in working capital</i>			
Changes in inventories		-93	-95
Changes in receivables		-187	41
Changes in liabilities		23	58
Cash flow from operating activities		58	201
<i>Investing activities</i>			
Investments in intangible assets	12	-12	-18
Investments in property, plant and equipment	13	-200	-63
Divestment of non-current assets		2	9
Cash flow from investing activities		-210	-72
<i>Financing activities</i>			
Change in current financial liabilities		916	-100
Payment received from Apoteket's Pension Foundation ¹		-	442
Dividends paid	27	-1,100	-158
Cash flow from financing activities		-184	184

1) Payment relating to pension payments has been decided, but not paid in 2016.

Amounts in SEK million	2016	2015
Cash flow for the year	-336	313
Cash and cash equivalents, beginning of the year	357	44
Cash and cash equivalents at year-end	21	357

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

Cash flow from payment of interest income amounted to SEK 6 (5) million.

CONSOLIDATED OPERATING CASH FLOW

Amounts in SEK million	2016	2015
Cash flow from operating activities	58	201
Investments in intangible assets	-12	-18
Investments in property, plant and equipment	-200	-63
Divestment of non-current assets	2	9
Operating cash flow	-152	129

PARENT COMPANY – INCOME STATEMENT

Amounts in SEK million	Note	2016	2015
Net sales	5, 23	20,325	19,599
Other operating income		9	27
Total revenues		20,334	19,626
Goods for resale	16, 23	-16,308	-15,768
Other external costs	6, 7	-1,226	-1,229
Personnel costs	8, 22, 30	-1,857	-1,848
Depreciation, amortisation and impairment	12, 13	-130	-134
Operating profit		813	647
Share of earnings of Group companies	24	-5	0
Other interest income and similar profit/loss items	21, 23	2	1
Interest expense and similar profit/loss items	21, 23	-6	-5
Earnings before appropriations and tax		804	643
Appropriations	25	-205	-46
Pre-tax earnings		599	597
Income tax	9	-133	-134
Net earnings for the year		466	463

PARENT COMPANY – STATEMENT OF COMPREHENSIVE INCOME

Amounts in SEK million	2016	2015
Net earnings for the year	466	463
Total comprehensive income for the year	466	463

PARENT COMPANY – BALANCE SHEET

Amounts in SEK million at 31 December	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets	12	62	78
Property, plant and equipment	13	340	246
Financial fixed assets			
Participations in Group companies	26	25	31
Non-current receivables from Group companies		7	7
Shares in associated companies	14	9	9
Other non-current receivables		78	78
Total financial fixed assets		119	125
Total fixed assets		521	449
Current assets			
Inventories	16	1,439	1,345
Accounts receivable		2,212	2,039
Current receivables from Group companies		7	7
Tax assets		12	-
Other current receivables	17	770	326
Prepaid expenses and accrued income	18	132	126
Current investments		-	265
Cash and cash equivalents		20	92
Total current assets		4,592	4,200
TOTAL ASSETS		5,113	4,649

PARENT COMPANY – BALANCE SHEET

Amounts in SEK million at 31 December	Note	2016	2015
EQUITY			
Restricted equity			
Share capital (175,000 shares with quota value SEK 1,000)		175	175
Statutory reserve		35	35
Total restricted equity		210	210
Non-restricted equity			
Retained earnings		269	906
Net earnings for the year		466	463
Total non-restricted equity		735	1,369
Total equity		945	1,579
Untaxed reserves	29	903	698
Provisions			
Deferred tax liability	10	7	9
Other provisions	20	–	10
Total provisions		7	19
LIABILITIES			
Non-current liabilities			
Liabilities to Group companies		–	2
Total non-current liabilities		–	2

Amounts in SEK million at 31 December	Note	2016	2015
Current liabilities			
Liabilities to credit institutions, interest-bearing	21	916	–
Accounts payable		2,016	1,989
Liabilities to Group companies		27	26
Current tax assets		–	32
Other liabilities		75	72
Accrued expenses and prepaid income	19	219	232
Provisions	20	5	–
Total current liabilities		3,258	2,351
Total liabilities		4,168	3,070
TOTAL EQUITY AND LIABILITIES		5,113	4,649

Information about the Parent Company's pledged assets and contingent liabilities

22

CHANGES IN PARENT COMPANY'S EQUITY

Amounts in SEK million	Share capital	Statutory reserve	Retained earnings	Net earnings for the year	Total equity
Opening balance at 1 January 2015	175	35	627	437	1,274
Dividend paid	–	–	-158	–	-158
Distribution of earnings	–	–	437	-437	–
Net earnings for the year	–	–	–	463	463
Closing balance at 31 December 2015	175	35	906	463	1,579
Opening balance at 1 January 2016	175	35	906	463	1,579
Dividend paid	–	–	-1,100	–	-1,100
Distribution of earnings	–	–	463	-463	–
Net earnings for the year	–	–	–	466	466
Closing balance at 31 December 2016	175	35	269	466	945

STATEMENT OF CASH FLOW, PARENT COMPANY

Amounts in SEK million	Note	2016	2015
<i>Operating activities</i>			
Earnings before appropriations and tax		804	643
<i>Adjustments for non-cash items</i>			
Depreciation, amortisation and impairment		130	134
Other		-3	-4
Payment received from Apoteket's Pension Foundation ¹		-	-442
Payment received from Apoteket's Pension Foundation ²		-436	-
Taxes paid		-179	-111
Cash flow from operating activities before changes in working capital		316	220
<i>Changes in working capital</i>			
Changes in inventories		-94	-95
Changes in receivables		-186	40
Changes in liabilities		21	34
Cash flow from operating activities		57	199
<i>Investing activities</i>			
Acquisitions of subsidiaries		-	-3
Investments in intangible assets	12	-12	-15
Investments in property, plant and equipment	13	-200	-61
Divestment of non-current assets		2	9
Cash flow from investing activities		-210	-70

Amounts in SEK million	Note	2016	2015
<i>Financing activities</i>			
Change in current financial liabilities		916	-100
Payment received from Apoteket's Pension Foundation ^{1,2}		-	442
Dividends paid	27	-1,100	-158
Cash flow from financing activities		-184	184
Cash flow for the year		-337	313
Cash and cash equivalents, beginning of the year		357	44
Cash and cash equivalents at year-end		20	357

Cash flow from receipt of interest income amounted to SEK 2 (2) million.
Cash flow from payment of interest income amounted to SEK 6 (1) million.

- 1) The payment from Apoteket's Pension Foundation was reclassified to cash flow from financing activities to reflect the actual cash flow of the business.
2) Payment relating to pension payments has been decided, but not paid in 2016.



Notes

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72	13. Property, plant and equipment
73	14. Shares in associated companies
74	15. Group pension assets
76	16. Inventories
76	17. Other receivables
76	18. Prepaid expenses and accrued income
76	19. Accrued expenses and prepaid income
77	20. Provisions
77	21. Financial instruments and financial risk management
79	22. Pledged assets and contingent liabilities
79	23. Related-party transactions
79	24. Share of earnings of Group Companies
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80	30. Parent Company pensions
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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 pharmacy products, as well as services in Sweden related to pharmaceuticals and health care, mainly through a network of pharmacies. Pharmacy 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 Dalvagen 12, 169 03 Solna.

On 21 March 2017 the Board of Directors and the President approved the consolidated financial statements and the Annual Report for financial year 2016, which will be presented to the Annual General Meeting on 20 April 2017.

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.

New and amended standards applied by the Group

None of the amendments and interpretations of existing standards applicable from the financial year that began on 1 January 2016 had any material impact on the consolidated financial statements.

Information concerning forthcoming standards, amendments and interpretations

IFRSs that have not yet entered into force and/or been approved by the EU have not been early adopted by the Group. Future changes in accounting policies that could have an effect on Apoteket's reporting.

IFRS 9 Financial Instruments Recognition and Measurement

This standard is part of a comprehensive revision of the current standard IAS 39. The standard entails a reduction in the number of measurement categories for financial assets and that the main categories for recognition are at cost or fair value via the balance sheet. IFRS 9 Financial Instruments takes effect on 1 January 2018. The EU approved the standard in November 2016.

Apoteket's assessment is that IFRS 9 will not materially affect the financial statements of the Group and the Parent Company.

IFRS 15 Revenue from Contracts with Customers

This standard supersedes all previously issued standards and interpretations that address revenue. IFRS 15 is a comprehensive model for the recognition of customer contracts. The standard comes into force for financial years beginning on or after 1 January 2018. The EU approved the standard in late 2015.

Apoteket's assessment is that IFRS 15 will not materially affect the financial statements of the Group and the Parent Company since the Company's revenue mainly arises from direct sales of goods.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 from 1 January 2019. The EU approved the standard in January 2016. Apoteket has initiated an evaluation of the effects of the standard and its impact on the financial statements of the Group. The assessment is that the consolidated balance sheet will be affected with an increase in leased assets, consisting primarily of premises for pharmacies. At the same time, the Group's liabilities will increase with Apoteket's leasing commitments for the same premises. In the consolidated income statement, leasing costs will be lower, while depreciation and interest will increase. This will result in a change in key figures such as operating margin, return on equity and operating cash flow. Apoteket's leasing costs for 2016 amount to SEK 269 million and most of the leases are due within five years. Estimated lease costs for the upcoming year amount to SEK 828 million. See also Note 6 Operating lease charges

IAS 7 Statement of Cash Flows

Apoteket will apply IAS 7 Statement of Cash Flows beginning in the annual accounts for 2017. Information will be added where the year's change in liabilities related to financing activities will be coordinated with the specification of e.g. new borrowing, amortisation, changes related to the sale/acquisition of subsidiaries, currency effects.

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);
- is 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. Intra-group transactions and balance sheet items, as well as unrealised gains and losses on transactions between Group Companies, are eliminated.

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

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. Apoteket is run as one operating segment with revenues, gross profit and parts of operating expenses from two markets: the consumer market and the health-care and enterprise market.

Translation of receivables and liabilities in a foreign currency

Foreign currency transactions are translated to the working currency at the rate of exchange applying on the date of the transaction. Currency gains and losses arising from the payment of such transactions, and from the translation of assets and liabilities in foreign currencies at the year-end exchange rate, are recognised in profit or loss in other external costs.

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. 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 and goodwill.

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:

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

The carrying amounts of the Group's assets, excluding inventories and deferred tax assets are tested for impairment at the end of each reporting period. The carrying amount is also tested when an indication of impairment is identified. To identify potential impairment, IAS 36 Impairments is applied. An asset is impaired if its carrying amount exceeds its recoverable amount, where the recoverable amount is defined as the higher of an asset's net realisable value and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a rate that reflects current market assessments of the time value of money and the risks specific to the asset. This interest rate is deemed to correspond to Apoteket's cost of capital. A separate asset is attributed to the smallest cash-generating unit in which independent cash flows can be determined. Impairment is recognised in profit or loss.

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. Operating lease charges 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 debt instruments 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 and measurements

Financial instruments are initially recognised at cost corresponding to the instrument's fair value plus transaction costs, apart from derivatives for which transaction costs are immediately expensed. A financial instrument is classified on initial recognition, based in part on the purpose for which the instrument was acquired.

All financial assets and liabilities are classified in the following categories:

- **Loan receivables and accounts receivable**
Apoteket's cash and cash equivalents, accounts receivable, other receivables and loan receivables belong to this category.
- **Available-for-sale financial assets**
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 as well as short-term investments.
- **Financial liabilities measured at accrued cost**
This category comprises financial liabilities that are not held for trading. 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 date, 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. Accounts receivable are recognised with an allowance for credit losses.

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 using 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 intragroup sales.

Sales of goods are recognised as revenue when a Group Company sells a product to a customer. Retail sales are usually paid in cash or with a credit card. The gross sales amount excluding VAT is recognised as income.

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.

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.

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.

Cash flows

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

Employee benefits

Pensions

The Group has both defined benefit and defined contribution pension plans. Apoteket's pension plans are financed through Apoteket's Pension Foundation and through payments of premiums to insurance companies or management companies.

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.

For the defined-benefit pension plans (ITP2 and Apoteket's pension plan), the liability or receivable recognised in the balance sheet 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 (PRI Pensionsgaranti) 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.

Net interest expense for pension obligation and plan assets is recognised in net financial items. Vesting is recognised in operating profit. The revaluation component, consisting of actuarial gains and losses on pension commitments, along with the difference between actual and expected return on plan assets, is recognised in other comprehensive income.

In a defined contribution plan, the company pays fixed contributions to a separate legal entity. Apoteket's defined contribution pension plans mainly comprise ITP1 and ITPK. It has no legal or informal obligation to pay additional contributions if the legal entity does not have assets sufficient to pay all of the benefits to the employees, which are linked to the employee's length of service during the current or previous periods. 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.

Part of the Group's defined-benefit pension plan is financed through Alecta. The part that Apoteket pays to Alecta consists of family pension (ITP2), sickness pensions and waiver of premium (ITP2 and ITP1). According to a statement from the Swedish Financial Reporting Council, UFR 10, 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.

Termination benefits

In the event of notice being served, benefits are payable when an employee is made redundant before the date of the normal pension or when an employee accepts voluntary retirement from

employment in exchange for such benefits. The Group recognises severance payments when it is demonstrably obliged either to give notice to an employee according to a detailed formal plan for which no possibility of cancellation exists or to provide benefits when giving notice as a result of an offer made to encourage voluntary retirement from employment.

Provisions

Provisions are recognised when the Group has an existing or informal commitment resulting from previous events, when 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

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.

Judgments made by management in the application of IFRS that have a significant effect on the financial statements mainly relate to the following areas: financial assets and review of actuarial assumptions for pension calculations according to IAS 19R that 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 operating 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, defined benefit pension plans are recognised in accordance with the provisions of the Pension Obligations Vesting Act (Tryggandelagen) and Financial Supervisory Authority provision (FFFS 2007: 24), which differ from IAS 19R (Group).

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.

NOTE 5 BREAKDOWN OF INCOME

Net sales include income from:

	Group		Parent Company	
	2016	2015	2016	2015
Sales of goods	19,844	19,076	19,844	19,076
Sales of services	447	492	447	492
Invoiced costs	3	4	3	4
Notification charges, statutory charges	30	24	30	24
Other income	1	3	1	3
Total	20,325	19,599	20,325	19,599

Other operating income includes income from:

	Group		Parent Company	
	2016	2015	2016	2015
Franchise fee	–	12	–	12
Recovered bad debts	6	1	6	1
Gains, sales of equipment	2	9	2	9
Government grants received	1	2	1	2
Other income	0	3	0	3
Total	9	27	9	27

NOTE 6 OPERATING LEASE CHARGES

Future minimum lease fees relating to operating leases that cannot be terminated were distributed as follows:

	Group		Parent Company	
	2016	2015	2016	2015
Within 1 year	246	238	246	238
Between 1 and 5 years	530	506	530	506
After more than 5 years	52	77	52	77
Total	828	821	828	821

Leasing costs relating to operational leases during the year amounted to SEK 269 (260) million in the Group and to SEK 272 (264) 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 re-negotiated.

NOTE 7 FEES FOR AUDITORS AND AUDIT COMPANIES

	Group		Parent Company	
	2016	2015	2016	2015
Ernst & Young AB				
Audit activities	–	0.6	–	0.6
Tax advisory services	–	0.2	–	0.2
KPMG AB				
Audit activities	1.0	1.2	1.0	1.2
Audit activities besides audit assignments	0.4	0.4	0.4	0.4
Tax advisory services	–	–	–	–
Other assignments	0	–	0	–
Total	1.4	2.4	1.4	2.4

Audit assignments refer to the statutory audit of the annual and consolidated financial statements, the accounting records and the administration of the business by the Board of Directors and the President and CEO, as well as auditing and other review procedures performed in accordance with agreements or contracts. This includes other duties incumbent on the Company's auditors as well as advice or other assistance required by the findings in the audit or performance of other tasks.

NOTE 8 SALARIES, REMUNERATION AND AVERAGE NUMBER OF EMPLOYEES

	Group		Parent Company	
	2016	2015	2016	2015
Salaries and remuneration	1,401	1,397	1,401	1,397
Social security fees	561	596	439	421
(of which pension costs) ¹	(126)	(171)	(4)	(-3)
Total	1,962	1,993	1,840	1,818

¹ Of the Group's pension costs, calculated according to IAS 19, SEK 7.0 (6.0) 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 56.4 (52.2) 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 Pension Obligations Vesting Act, decreased to SEK 49.9 (48.4) million. Pension costs for the concerned category (excluding former presidents) amounted to SEK 6.2 (4.7) million. Pension costs are defined as pension premiums paid, change in pension reserve and pensions paid.

A payment of SEK 436 (442) million from Apoteket AB's Pension Foundation had a positive impact on pension costs in the Parent Company. The payment for 2016 was determined, but was not paid out in 2016. For more information about pensions, see Note 15 and Note 29.

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

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	
	2016	2015	2016	2015
Board members, President and other senior executives ¹	20	22	20	22
(of which bonuses, etc.)	(–)	(–)	(–)	(–)
Other employees	1,381	1,375	1,381	1,375
Total	1,401	1,397	1,401	1,397

¹ In the Group, the Group consisting of the Board of Directors, President and other senior executives includes 17 (15) people. In the Parent Company, the equivalent Group includes 17 (15) people. Apoteket defines "other senior executives" as members of executive management.

Average number of employees

	2016		2015	
	Average number of employees	men, %	Average number of employees	men, %
<i>Parent Company and Group</i>				
Sweden	3,235	16.4	3,318	14.5
Total Group	3,235	16.4	3,318	14.5

Board members and senior executives

	2016		2015	
	Number	men, %	Number	men, %
<i>Group</i>				
Board members	8	38.0	8	38.0
President and other senior executives	9	67.0	7	57.1
<i>Parent Company</i>				
Board members	8	38.0	8	38.0
President and other senior executives	9	67.0	7	57.1

Remuneration and benefits paid to senior executives in 2016

	Member of executive management since	Salary, SEK k	Other benefits, SEK k ¹	Total, SEK k	Pension age	Pension cost, SEK k ²	Period of notice (employee/company)	Severance pay
Ann Carlsson, President ³	2010	4,851	67	4,918	65	1,504	6 mos/ 6 mos	18 mos
Anna Rogmark, Chief Legal Officer and Director of Legal Affairs & Sustainability	2010	1,751	68	1,819	65	611	6 mos/ 6 mos	18 mos
Calvin Anderson ⁶	2016	1,407	48	1,455	65	392	3 mos/ 3 mos	
Carl Tersmeden, acting CFO ⁵	2016	482	–	482	65	184	3 mos/ 6 mos	
Jan Johansson, CFO ⁴	2011	1,718	43	1,761	65	954	6 mos/ 6 mos	18 mos
Joachim Nielsen	2016	1,536	21	1,557	65	442	6 mos/ 6 mos	6 mos
Kenneth Hagsten, Director of Human Resources	2013	1,731	68	1,799	65	484	6 mos/ 6 mos	6 mos
Lars Skutholm, Director of Marketing	2011	2,211	57	2,268	65	666	6 mos/ 6 mos	12 mos
Olle Carls, Director of Logistics	2012	2,049	53	2,102	65	623	6 mos/ 6 mos	12 mos
Victoria Glans ⁶	2016	1,341	54	1,395	65	308	3 mos/ 3 mos	
Total		19,077	479	19,556		6,168		

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

2) The pension cost pertaining to defined-benefit pensions is calculated according to the Pension Obligations Vesting Act. 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) Member of executive management through 31 January 2016.

5) Acting CFO commencing 1 September 2016.

6) Adjunct member of executive management since January 2016.

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 (with the exception of three executives). In the event of termination of employment by the employer, in certain cases 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. Two 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.

Remuneration and benefits paid to senior executives in 2015

Member of executive management since	Salary, SEK k	Other benefits, SEK k ¹	Total, SEK k	Pension age	Pension cost, SEK k ²	Period of notice (employee/company)	Severance pay
Ann Carlsson, President ³	2010	4,557	68	4,625	65	1,237	6 mos/ 6 mos 18 mos
Ulrika Eriksson, Vice President and Director of Sales ⁵	2009	6,180	37	6,216	65	501	6 mos/ 6 mos 18 mos
Eva Fernvall, Director of Corporate Communications ⁴	2005	132	5	137	65	46	6 mos/ 6 mos 18 mos
Kenneth Hagsten, Director of Human Resources	2013	1,762	69	1,831	65	475	6 mos/ 6 mos 6 mos
Anna Rogmark, Chief Legal Officer and Director of Legal Affairs & Sustainability	2010	1,762	69	1,831	65	471	6 mos/ 6 mos 18 mos
Carina Fält, Director of Business Development ⁴	2012	112	16	128	65	33	6 mos/ 6 mos 12 mos
Pontus Rosén, Director of Product Range & Marketing ⁴	2012	117	5	122	65	30	6 mos/ 6 mos 6 mos
Jan Johansson, CFO	2011	2,459	66	2,525	65	754	6 mos/ 6 mos 18 mos
Lars Skutholm, Director of Marketing	2011	1,931	54	1,985	65	570	6 mos/ 6 mos 12 mos
Olle Carls, Director of Logistics	2012	2,009	52	2,062	65	594	6 mos/ 6 mos 12 mos
Total		21,021	441	21,462		4,711	

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

2) The pension cost pertaining to defined-benefit pensions is calculated according to the Pension Obligations Vesting Act. 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) Member of executive management through 31 January 2015.

5) Ulrika Eriksson, Vice President and Director of Sales through 31 August 2015 received termination pay and severance pay for 18 months. Payment of severance pay will occur in 2016 and 2017.

NOTE 9 INCOME TAX

	Group		Parent Company	
	2016	2015	2016	2015
Current tax for the year	-135	-134	-135	-135
Current tax for earlier years	0	0	0	0
Deferred tax	-46	0	2	1
Total	-181	-134	-133	-134
Deferred tax recognised in other comprehensive income attributable to pensions	138	-46	-	-

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	
	2016	2015	2016	2015
Pre-tax earnings	818	591	599	597
Tax at the existing tax rate	-179	-130	-131	-131
Tax effect of other tax-exempt income	8	1	8	1
Adjustment of tax attributable to earlier period	0	0	0	0
Tax effect of non-deductible costs	-10	-4	-10	-4
Other tax effects	0	0	0	0
Total	-181	-133	-133	-134

The income tax rate for 2016 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	
	2016	2015	2016	2015
<i>Deferred tax expense/revenue pertaining to:</i>				
non-current assets	2	1	2	1
tax allocation reserves	-45	-10	-	-
pension claims	135	10	-	-
Deferred tax in comprehensive income	92	1	2	1
<i>Deferred tax liabilities pertain to:</i>				
pension claims	-716	-851	-	-
non-current assets	-7	-9	-7	-9
tax allocation reserves	-199	-154	-	-
Total deferred tax liabilities	-922	-1,014	-7	-9
Net debt	-922	-1,014	-7	-9

NOTE 11 EARNINGS PER SHARE

	Group	
	2016	2015
Net earnings for the year, SEK million	637	458
Number of shares	175,000	175,000
Earnings per share, SEK	3,642	2,615

NOTE 12 INTANGIBLE ASSETS

Intangible non-current 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 2016, 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 2 million for licenses. In the rental contracts category, capitalised expenditure is recognised for the acquisition of rental contracts, and these relate to strategically located premises. The "other intangible assets" category includes goodwill from an acquired subsidiary. A goodwill impairment charge was taken in 2016.

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	
	2016	2015	2016	2015	2016	2015	2016	2015
<i>Accumulated cost at the beginning of the year</i>								
Accumulated cost at the beginning of the year	298	288	29	29	22	19	349	336
Investments	2	15	10	-	-	3	12	18
Divestments/disposals	-75	-5	-1	-	-	-	-76	-5
Accumulated cost at year-end	225	298	38	29	22	22	285	349
<i>Accumulated depreciation at the beginning of the year</i>								
Accumulated depreciation at the beginning of the year	-94	-76	-29	-27	-19	-19	-142	-122
Depreciation according to plan	-26	-23	0	-2	-	-	-26	-25
Divestments/disposals	73	5	1	-	-	-	74	5
Accumulated depreciation at year-end	-47	-94	-28	-29	-19	-19	-94	-142
<i>Accumulated impairment losses at the beginning of the year</i>								
Accumulated impairment losses at the beginning of the year	-126	-126	-	-	-	-	-126	-126
Impairment losses for the year	-	-	-	-	-3	-	-3	-
Accumulated impairment losses at year-end	-126	-126	0	0	-3	0	-129	-126
<i>Residual value at year-end according to plan</i>								
Residual value at year-end according to plan	52	78	10	0	0	3	62	81

Parent Company	Development work		Leases		Total	
	2016	2015	2016	2015	2016	2015
Accumulated cost at the beginning of the year	317	307	29	29	346	336
Investments	2	15	10	-	12	15
Divestments/disposals	-75	-5	-1	-	-76	-5
Accumulated cost at year-end	244	317	38	29	282	346
Accumulated depreciation at the beginning of the year	-118	-100	-29	-27	-147	-127
Depreciation according to plan	-26	-23	0	-2	-26	-25
Divestments/disposals	73	5	1	-	74	5
Accumulated depreciation at year-end	-71	-118	-28	-29	-99	-147
Accumulated impairment losses at the beginning of the year	-121	-121	-	-	-121	-121
Impairment losses for the year	-	-	-	-	-	-
Accumulated impairment losses at year-end	-121	-121	-	-	-121	-121
Residual value at year-end according to plan	52	78	10	0	62	78

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings, land, land improvements		Equipment		Total	
	2016	2015	2016	2015	2016	2015
Accumulated cost at the beginning of the year	46	42	1,702	1,826	1,748	1,868
Acquisitions	-	4	200	59	200	63
Divestments/disposals	-	-	-589	-183	-589	-183
Accumulated cost at year-end	46	46	1,313	1,702	1,359	1,748
Accumulated depreciation and amortisation at the beginning of the year	-19	-18	-1,332	-1,404	-1,351	-1,422
Divestments/disposals	-	-	587	178	587	178
Depreciation according to plan	-2	-1	-96	-106	-98	-107
Accumulated depreciation at year-end	-21	-19	-841	-1,332	-862	-1,351
Accumulated impairment losses at the beginning of the year	-	-	-124	-121	-124	-121
Impairment losses for the year	-	-	-8	-3	-8	-3
Accumulated impairment losses at year-end	-	-	-132	-124	-132	-124
Residual value at year-end according to plan	25	27	340	246	365	273
Carrying amount, buildings	23	21				
Carrying amount, land, land improvements	2	2				
Tax assessment, buildings	14	14				
Tax assessment, land	2	2				

Parent Company	Equipment	
	2016	2015
Accumulated cost at the beginning of the year	1,702	1,826
Acquisitions	200	61
Accumulated cost taken over from Group Companies	-	-
Divestments/disposals	-589	-185
Accumulated cost at year-end	1,313	1,702
Accumulated depreciation at the beginning of the year	-1,346	-1,418
Accumulated depreciation taken over from Group Companies	-	0
Divestments/disposals	587	178
Depreciation according to plan	-96	-106
Accumulated depreciation at year-end	-855	-1,346
Accumulated impairment losses at the beginning of the year	-110	-107
Impairment losses for the year	-8	-3
Accumulated impairment losses at year-end	-118	-110
Residual value at year-end according to plan	340	246

NOTE 14 SHARES IN ASSOCIATED COMPANIES

	Group		Parent Company	
	2016	2015	2016	2015
At the start of the year	8	8	9	9
Percentage of profit/loss ¹	0	0	-	-
At year-end	8	8	9	9

1) Percentage of loss stated after tax.

Group holdings in associated companies

2016	Assets	Liabilities	Income	Profit/loss
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	-1
Total	7	2	0	-1
2015				
Kårhuset Pharmen AB 556043-3277, Uppsala	7	2	0	0
Total	7	2	0	0

Specification of shares in associated companies

2016	Holdings	Proportion in per cent	Carrying amount	
			Group	Parent Company
Kårhuset Pharmen AB 556043-3277, Uppsala	27,000	45	7	9

NOTE 15 GROUP PENSION ASSETS

Pension benefits	2016	2015
Pension obligation, balance at 1 January	7,769	8,008
Benefits earned during the period	54	66
Early retirement pensions	1	13
Interest expense	250	255
Pensions paid	-394	-380
Actuarial gains/losses on pension obligation	846	-193
Pension obligation, balance at year-end	8,526	7,769
Fair value of plan assets, balance at 1 January	10,879	10,988
Estimated interest income on managed assets	359	357
Payment	-436	-442
Actuarial gains/losses on managed assets	343	-24
Fair value of plan assets, balance at year-end	11,145	10,879
<i>Changes in net assets or (net liabilities)</i>		
Pension assets at the beginning of the year	3,110	2,980
Pension cost	54	23
Pensions paid	394	380
Payment	-436	-442
Actuarial gains/losses	-503	169
Pension assets at year-end, excluding special employer's contribution	2,619	3,110
Special employer's contribution	635	755
Pension assets recognised on the balance sheet	3,254	3,865
<i>Breakdown of plan assets</i>		
Shares and similar financial instruments	2,228	2,736
Interest-bearing securities, etc.	6,862	6,553
Other	2,055	1,590
Total plan assets	11,145	10,879

	2016	2015
<i>Income statement items</i>		
Interest expense	-250	-255
Estimated interest income on managed assets	359	357
Special employer's contribution	27	25
Net financial items - pensions	136	127
Benefits earned during the period	-54	-66
Early retirement pensions	-1	-13
Other pension insurance	-43	-59
Special employer's contribution	-24	-33
Total pension costs (included in personnel costs)	-122	-171
<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	412	91
– effects of changes in demographic assumptions	0	23
– effects of changes in financial assumptions	-915	79
Return on plan assets excluding amounts included in interest income	0	-24
Subtotal other comprehensive income	-503	169
Special employer's contribution	-122	41
Deferred tax	138	-46
Total other comprehensive income	-487	164
<i>Distribution by plan for defined benefit pension obligations</i>		
Apoteket plan	4,646	4,558
ITP2 plan	3,880	3,211
Total pension obligations	8,526	7,769

Number of retirement benefits, divided among active, paid-up and pensioners	31 Dec. 2016 number	31 Dec. 2016 SEK bn	31 Dec. 2015 number	31 Dec. 2015 SEK bn
Active	2,166	1	2,314	1
Paid-up policyholders	16,338	3	16,981	2
Pensioners	14,836	5	14,688	5
Total commitments included in the obligation	33,340	9	33,983	8

The actual return on plan assets amounted to SEK 702 (333) million.

Actual return is recognised including operating expense.

The principal actuarial assumptions used were as follows:	2016	2015
Discount rate, % 1	2.00	3.30
Future salary increases, %	2.50	2.50
Inflation, %	1.50	2.00
Staff turnover, %	9.00	9.00
Remaining life span ITP2 under own management, women	25	25
Remaining life span Apoteket's pension plan, women	24	24
Remaining life span ITP2 under own management, men	23	23
Remaining life span Apoteket's pension plan, men	20	20

1) For a sensitivity analysis regarding the discount rate, please see page 42.

- 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.

Apoteket is exposed to a number of risks through its defined-benefit pension plans. The most important are described below:

- **Market risk** – Apoteket AB's Pension Foundation has adopted investment rules to regulate the permissible positioning interval relating to the division between nominal and real assets. The overarching objective is for the medium and long-term return on investment assets to correspond to at least the development of the pension obligation.
- **Inflation risk** – Pension obligations are linked to inflation. Higher inflation will result in an increased pension obligation. Plan assets are not affected by inflation to any significant extent. Overall, higher inflation will cause net pension assets to decrease in value.
- **Discount rate** – The pension obligation is calculated using a discount rate based on mortgage-backed bonds. If plan assets generate lower returns than the discount rate, a deficit will be created. The plan assets include a significant percentage of shares, which are expected to provide higher returns than mortgage-backed bonds in the long term, while providing higher volatility and risk in the short term.
- **Life expectancy** – The purpose of the pension plans is to generate a pension that spans the lifetime of the employee. This means that if life expectancy increases, the pension obligation will also increase.

Average maturity of payments corresponding to the pension liability

The average maturity (duration) for discounted payments corresponding with the pension liability as of 31 Dec. 2016 calculated under IAS 19 is 14 years.

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, 2016:

ITP2 pension plan

10%	retirement pension	SEK 0 – SEK 444,750
65%	retirement pension	SEK 444,751 – SEK 1,186,000
32.5%	retirement pension	SEK 1,186,001 – SEK 1,779,000

Apoteket's pension plan

10%	retirement pension	0% family pension	15% sickness pensions	SEK 0 – SEK 339,000
65%	retirement pension	32.5% family pension	65% sickness pension	SEK 339,001 – SEK 904,000
32.5%	retirement pension	16.5% family pension	32.5% sickness pension	SEK 904,001 – SEK 1,356,000
0%	retirement pension	0% family pension	0% sickness pension	SEK 1,356,001

The commitments for sickness pensions and family pensions for salaried employees in Sweden are secured through an insurance policy with Alecta. The year's contributions for pension insurance taken out with the ITP plan via Collectum amounted to SEK 51 (46) million. At year-end 2016, Alecta's surplus, in the form of the collective consolidation rate, was 148 (153) 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.

The Group anticipates fees in 2017 relating to defined benefit plans amounting to SEK 400 million. The expected return on plan assets is based on the existing composition of the investment portfolio.

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 risk, while achieving a favourable long-term return.

NOTE 16 INVENTORIES

	Group		Parent Company	
	2016	2015	2016	2015
Goods for resale	1,439	1,345	1,439	1,345
Total	1,439	1,345	1,439	1,345

The expenditure for expensed inventories is included in Goods for resale and amounted to SEK 16,309 (15,768) million in the Group and SEK 16,308 (15,768) million in the Parent Company. Provision for obsolescence amounted to SEK 30 (26) million. Write-down of inventory for the year was SEK 4 (4) million.

NOTE 17 OTHER RECEIVABLES

	Group		Parent Company	
	2016	2015	2016	2015
VAT receivables	311	304	311	304
Payment received for Apoteket's Pension Foundation	436	–	436	–
Receivables, credit card	22	23	22	22
Other receivables	1	0	1	0
Total	770	327	770	326

NOTE 18 PREPAID EXPENSES AND ACCRUED INCOME

	Group		Parent Company	
	2016	2015	2016	2015
Prepaid leases	68	65	68	65
Accrued income	10	21	10	21
Prepaid expenses	53	37	53	37
Accrued suppliers' bonus	1	3	1	3
Other items	0	0	0	0
Total	132	126	132	126

NOTE 19 ACCRUED EXPENSES AND PREPAID INCOME

	Group		Parent Company	
	2016	2015	2016	2015
Accrued holiday pay	156	156	156	156
Bonus to employees	6	22	6	22
Accrued salaries	2	8	2	8
Accrued expenses	55	46	55	46
Total	219	232	219	232

NOTE 20 PROVISIONS

	Group		Parent Company	
	2016	2015	2016	2015
At the start of the year	10	9	10	9
<i>Expensed in profit or loss</i>				
Additional provisions	5	10	5	10
Reversed unutilised amounts	-4	-	-4	-
Utilised during the year	-6	-9	-6	-9
At year-end	5	10	5	10
Of which, current provision	5	-	5	-

NOTE 21 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Apoteket's financial risk management is governed by the Group's financial 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

The goals of financial risk management are to maintain good access to funds and 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. Apoteket's liquidity policy aims to reduce external debt as much as possible while keeping liquid assets as

close to zero as possible. Liquid assets in the Group should primarily be used to reduce the Group's external debt. Any cash surplus within the Group is managed by the finance function, which is also responsible for ensuring that the necessary liquidity reserves are available. Apoteket's short-term investments consist of certificates with maturity of up to three months.

Interest rate risk

The Group's exposure to interest rate risk is essentially associated with its pension assets. See also Note 15. 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 denied continued credit after approximately two months from the date of payment default.

The County Councils and the Swedish eHealth Agency account for 95 per cent of Apoteket's outstanding receivables to enterprise customers. The risk has been assessed as very low. The receivables are normally paid within the specified credit period.

Due dates for receivables

Group	2016	2015
<i>Overdue, but not impaired</i>		
<30 days	33	49
30–90 days	2	5
<i>Overdue and impaired</i>		
91–180 days	0	1
>180 days	1	2
Total	36	57

Provision for doubtful receivables

Provision for doubtful receivables amounted to SEK 5 (4) million. Provision for doubtful receivables has changed as follows:

Group	2016	2015	2014	2013
Opening amount	4	23	22	5
Utilised by previous years' reserves	-3	-23	-	-
Provision for anticipated losses	4	4	1	17
Amount at year-end	5	4	23	22
Confirmed losses	1	2	6	5
Recovered bad debts	1	0	1	0

The year's cost for doubtful receivables amounted to SEK 8 (6) 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 since the maturity is less than three months and usually even shorter.

2016	Accounts and loans receivable	Available-for-sale financial assets	Other financial liabilities	Total carrying amount	Fair value
Accounts receivable	2,213			2,213	2,213
Other current receivables	22			22	22
Short-term investments ¹		-		-	-
Cash and cash equivalents ¹	21			21	21
Total financial assets	2,256	-		2,256	2,256
Current liabilities to credit institutions			916	916	916
Accounts payable			2,016	2,016	2,016
Total financial liabilities			2,932	2,932	2,932

1) In the Group, Cash and cash equivalents as well as Short-term investments are both categorised as Cash and cash equivalents.

2015	Accounts and loans receivable	Available-for-sale financial assets	Other financial liabilities	Total carrying amount	Fair value
Accounts receivable	2,039			2,039	2,039
Other current receivables	23			23	23
Short-term investments ¹		265		265	265
Cash and cash equivalents ¹	92			92	92
Total financial assets	2,154	265		2,419	2,419
Accounts payable			1,989	1,989	1,989
Total financial liabilities			1,989	1,989	1,989

1) In the Group, Cash and cash equivalents as well as Short-term investments are both categorised as Cash and cash equivalents.

Financial liabilities to credit institutions	Group		Parent Company		Granted
	2016	2015	2016	2015	
Handelsbanken	116	-	116	-	300
Commercial paper	800	-	800	-	1,500
Total utilised credit	916	-	916	-	-1,800

Granted overdraft facility amounted to SEK 300 million, of which SEK 116 million were used as at 31 December 2016. The maturity of the certificates is 36 and 34 days, respectively.

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	
	2016	2015	2016	2015
Interest income on financial assets	0	1	1	1
Interest income on financial liabilities	1	0	1	0
Interest expense and similar costs for financial liabilities	-6	-5	-6	-5
Exchange rate gains/losses on liabilities	0	0	0	0
Total	-5	-4	-4	-4

NOTE 22 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	Group		Parent Company	
	2016	2015	2016	2015
Sureties, PRI Pension Guarantee	45	43	45	43
Guarantee commitments, other	4	10	4	10
Total contingent liabilities	49	53	49	53
Pledged assets	None	None	None	None

Following reregulation of the pharmacy market in 2010, Apoteket AB provided guarantees for leases that were signed by other pharmacy operators. The remaining number of guarantees is eight and surety amounts to SEK 4 (10) million.

Apoteket has signed a guarantee agreement with PRI Pensionsgaranti. The mutual responsibility is 2 per cent of the ITP2 pension liability. In 2016, this amounted to SEK 45 (43) million.

NOTE 23 RELATED PARTY TRANSACTIONS**Group Companies**

For the Parent Company, Group Companies accounted for 0.1 (0.1) per cent of purchases and 0.0 (0.0) 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 1 (0) million pertaining to interest payments relating to Group Companies. Interest expense includes interest payments relating to Group companies in the amount of SEK 0 (0) million.

Remuneration to senior executives

Remuneration of senior executives is presented in Note 8.

Other organisations in Sweden

Apoteket's Pension Foundation manages the plan assets that secure the defined benefit pension obligations for Apoteket AB and Apoteket Farmaci AB. In 2016 a payment was approved relating to pension payments of SEK 436 (442) million. The payment relating to 2016 was not paid out in 2016.

NOTE 24 SHARE OF EARNINGS OF GROUP COMPANIES

	Parent Company	
	2016	2015
Impairment of shares in the subsidiary Snabboteket AB	-5	-
Total	-5	-

NOTE 25 APPROPRIATIONS

	Parent Company	
	2016	2015
Tax allocation reserve, provision for the year	-205	-203
Reversal of tax allocation reserve	-	157
Total	-205	-46

NOTE 26 PARTICIPATIONS IN GROUP COMPANIES

	Parent Company	
	2016	2015
Accumulated cost at the beginning of the year	31	27
Capital contribution to subsidiaries and acquisitions	1	4
Divested subsidiaries ¹	-2	-
Impairment ²	-5	-
Accumulated cost at year-end	25	31

1) 2016: Divestment of Apoteksinformation, Apoteksbolaget AB and Apoteksakademien i Sverige AB

2) 2016: Impairment of shareholder contribution and purchase price of Snabboteket AB

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	
			2016	2015
Förvaltnings AB Tanken 556500-6953, Solna	1,000	100	0	0
Snabboteket AB 556819-9656, Solna	97,808	100	0	4
<i>Dormant companies</i>				
Apoteket Farmaci AB 556758-1789, Solna	25,000	100	25	25
Apoteket International AB 556606-4266, Solna	1,000	100	0	0
Apoteket Svanen AB 556822-8430, Solna	1,000	100	0	0
Farmacifamiljen Malmö AB 556839-1170, Malmö	1,000	100	0	0
Apoteksakademien i Sverige AB 556792-4005, Solna	1,000	100	-	0
Apoteksinformation AB 556043-0984, Stockholm	50,000	100	-	1
Apoteksbolaget AB 556459-6723, Stockholm	500	100	-	1
Total			25	31

NOTE 27 DIVIDEND PER SHARE

At the Annual General Meeting on 20 April 2017, a cash dividend for 2016 of SEK 1,714.29 (6,285.71) per share, for a total of SEK 300 (1,100) million, will be proposed. The dividend will be recognised as a distribution of earnings. A dividend of SEK 1,100 million was paid to the owner in 2016.

NOTE 28 DISTRIBUTION OF EARNINGS
The following earnings and unrestricted funds are at the disposal of the Annual General Meeting

Retained earnings	SEK 269,383,540
Profit for the year	SEK 466,087,372
Total	SEK 735,470,912

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

dividend to the shareholder of SEK 1,714.29 per share, for a total of	SEK 300,000,000
to be carried forward	SEK 435,470,912
Total	SEK 735,470,912

NOTE 29 UNTAXED RESERVES

	Parent Company	
	2016	2015
Tax allocation reserves were distributed as follows:		
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	149
Tax allocation reserve, 2016 tax assessment	203	203
Tax allocation reserve, 2017 tax assessment	205	-
Total	903	698

NOTE 30 PARENT COMPANY PENSIONS

	2016	2015
Capital value of pension obligation		
Capital value of pension obligation at start of year	7,352	7,030
Revenue/cost, excluding interest expense, charged to earnings	81	103
Interest expense	105	144
Effect of new parameters under the Pension Obligations Vesting Act	50	455
Payment of pensions	-393	-380
Capital value of pension obligation at year-end	7,195	7,352

Specially detached assets managed by the foundation

Specially detached assets	2016	2015
Fair value of assets at start of year	10,879	10,988
Return on specially detached assets ¹	702	333
Payment from Apoteket's Pension Foundation	-436	-442
Fair value of assets at year-end	11,145	10,879

1) Return on specially detached assets for 2016 and 2015 is recognised including operating expense.

Plan assets minus pension obligations	2016	2015
Fair value of assets at year-end	11,145	10,879
Capital value of pension obligation at year-end	-7,195	-7,352
Pension assets	3,950	3,527

Liability/receivable recognised in the balance sheet	-	-
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Specification pertaining to the year's pension costs	2016	2015
Pensions paid	-393	-380
Pensions through insurance	-47	-59
Payment	436	442
Total pension costs of Parent Company	-4	3

Market value plan assets

Asset categories, portion in %	2016	2015
Shares and similar financial instruments	20	25
Interest-bearing securities	62	60
Other	18	15
Total	100	100

The Parent Company anticipates fees in 2017 relating to defined benefit plans amounting to SEK -400 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 (net) 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 0.7 per cent (gross).

NOTE 31 POST BALANCE SHEET EVENTS

Apoteket is switching to an external logistics solution for customers who place orders online and by phone. The goal is to achieve improved delivery solutions for both consumers and for inpatient care. The new provider is Tamro. As a result the mail order pharmacies in Hässleholm and Falun will be phased out during 2018 at the latest.

Signatures

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 per-

formance 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 20 April 2017.

Solna 21 March 2017

Christian W. Jansson
CHAIRMAN

Maria Curman
BOARD MEMBER

Gert Karnberger
BOARD MEMBER

Kristina Schauman
BOARD MEMBER

Sussi Kvarn
BOARD MEMBER

Leif Ljungqvist
BOARD MEMBER

Lisa Ekstrand
EMPLOYEE REPRESENTATIVE

Gunilla Larsson
EMPLOYEE REPRESENTATIVE

Ann Carlsson
PRESIDENT

Our Auditor's Report was submitted on 21 March 2017

KPMG AB

Ingrid Hornberg Román
AUTHORISED PUBLIC ACCOUNTANT

Auditor's Report

To the general meeting of the shareholders of Apoteket AB, corp. id 556138-6532

Report on the annual accounts and consolidated accounts

OPINIONS

We have audited the annual accounts and consolidated accounts of Apoteket AB for the year 2016. The annual accounts and consolidated accounts of the Company are included on pages 38–82 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act, and present fairly, in all material respects, the financial position of the Parent Company as of 31 December 2016 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the Group as of 31 December 2016 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act.

A corporate governance statement has been prepared. The statutory administration report and the corporate governance statement are consistent with the other parts of the annual accounts

and consolidated accounts, and the corporate governance statement is in accordance with the Annual Accounts Act.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the Parent Company and the statement of comprehensive income and balance sheet for the Group.

BASIS FOR OPINIONS

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

OTHER INFORMATION THAN THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–37, 87-100 and 102-106. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material

misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they 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.

In preparing the annual accounts and consolidated accounts The Board of Directors and the Managing Director are responsible for the assessment of the Company's and the Group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intend to liquidate the Company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the Company's financial reporting process.

AUDITOR'S RESPONSIBILITY

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit.

We also:

- identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error,

design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of the Company's internal control relevant to our audit 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;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director;
- conclude on the appropriateness of the Board of Directors' and the Managing Director's, use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and the Group's ability to continue as a going concern. If we conclude that

a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a Company and a Group to cease to continue as a going concern;

- evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of

the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

Report on other legal and regulatory requirements

OPINIONS

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Apoteket AB for the year 2016 and the proposed appropriations of the Company's profit or loss.

We recommend to the general 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 Managing Director be discharged from liability for the financial year.

BASIS FOR OPINIONS

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the Parent

Company and the Group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR

The Board of Directors is responsible for the proposal for appropriations of the Company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the Company's and the Group's type of operations, size and risks place on the size of the Parent Company's and the Group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the Company's organisation and the administration of the Company's affairs. This includes among other things continuous assessment of the Company's and the Group's financial situation and ensuring that the Company's organization is designed so that the accounting, management of assets and the Company's financial affairs otherwise are controlled in a reassuring manner.

The Managing Director shall manage the ongo-

ing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfil the Company's accounting in accordance with law and handle the management of assets in a reassuring manner.

AUDITOR'S RESPONSIBILITY

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the Company, or a going concern.
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the Company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assur-

ance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the Company, or that the proposed appropriations of the Company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional scepticism throughout the audit. The examination of the administration and the proposed appropriations of the Company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation.

We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. 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.

Stockholm 21 March 2017
KPMG AB

Ingrid Hornberg Román
Authorized Public Accountant

Multi-year summary

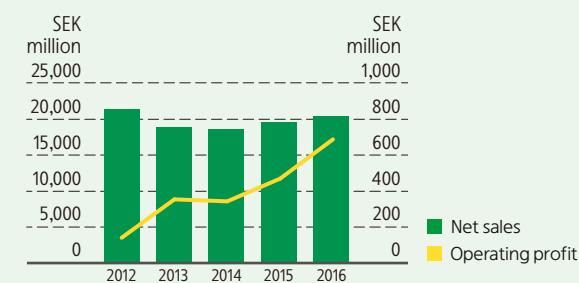
KEY FIGURES

	2016	2015	2014	2013	2012
Net sales, SEK million	20,325	19,599	18,567	18,847	21,392
Operating profit, SEK million	687	469	343	354	141
Financial items, SEK million ¹	-5	-4	-1	-6	-19
Pre-tax earnings, SEK million	818	592	481	436	180
Net earnings for the year, SEK million	637	458	371	364	232
Dividend (approved and paid the following year), SEK million ²	300	1,100	158	150	31
Balance sheet total, SEK million	8,353	8,499	8,028	7,866	8,072
Equity, SEK million	4,200	5,150	4,686	4,389	3,040
Change in net sales, %	3.7	5.6	-1.5	-11.9	-6.8
Operating margin, %	3.4	2.4	1.8	1.9	0.7
Equity/assets ratio, %	50.3	60.6	58.4	56.3	37.7
Return on capital employed, %	29.6	22.7	17.1	16.3	5.0
Return on equity, %	14.8	9.2	7.8	10.2	8.8
Average number of employees	3,235	3,318	3,474	3,899	4,540

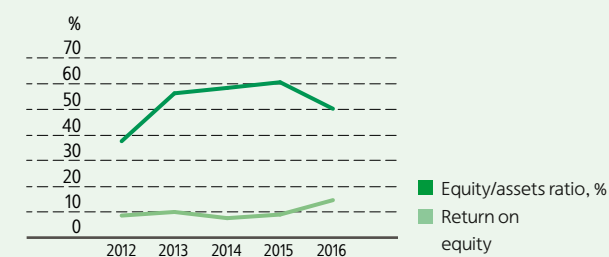
1) Financial items do not include return on plan assets or interest expense on the pension obligation.

2) Dividend for 2016 relates to a proposed, but not yet approved dividend of SEK 300 million.

NET SALES AND OPERATING PROFIT



RETURN ON EQUITY AND EQUITY/ASSETS RATIO



Alternative performance measures

(Non-IFRS performance measures)

Alternative performance measures	Performance and career development reviews	Reason for using the measure
Gross profit	Net sales and other revenues less the cost of materials.	The company is predominantly active in retail trade where cost is a key measure to follow. Gross profit indicates the surplus before operating expenses.
Operating margin	Operating profit or loss as a percentage of this year's net sales.	One of the owner's objectives stated in the owner's directives. Indicates the company's ability to re-invest and long-term value creation.
Pension-adjusted equity	Net income for the period adjusted for net financial pensions and related deferred tax.	Shows net income for the period excluding effects of Apoteket's Pension Foundation.
Working capital	Measure of capital tied up in the business in the form of current assets and current liabilities.	Shows the amount of capital tied up in the business and thus cannot be used for other investments. This includes the transferable items inventory, accounts receivable, accounts payable and other current assets and liabilities.
Net loan liability/receivable	Interest-bearing liabilities less interest-bearing assets, excluding net pension assets.	Net debt/receivable is the most relevant measure to show the Company's total debt financing.
Pension-adjusted equity	Net income adjusted for net financial pensions and related deferred tax.	Consolidated shareholders' equity excluding the effects of Apoteket's Pension Foundation. The pension asset is restricted in Apoteket's Pension Foundation, where the return can only be used via payments for pension payments. Definitions excluding pension items are attributable more to the Company's operations.
Capital employed	Balance sheet total (excluding pension assets) less non-interest-bearing liabilities including deferred tax liabilities.	Shows how much of the company's assets have been borrowed from the Company's owner or other lender.
Debt/equity ratio, %	Net debt divided by pension-adjusted equity.	One of the owner's objectives stated in the owner's directives. Loan-to-value ratio, an indicator of financial risk.
Equity/assets ratio, %	Equity divided by total equity and liabilities.	Provides an overview of the proportion of assets financed with equity.
Return on capital employed, %	Pension-adjusted profit after net financial items as a percentage of average capital employed for the past twelve months.	Indicates return on capital that is tied up in the business.
Return on equity, %	Profit after tax as a percentage of average shareholders' equity for the last 12 months.	Indicates the return on the owner's invested capital from a shareholder perspective.
Operating cash flow	Consists of cash flow from operating activities less regular capital expenditure and assets sold.	Indicates total cash flow attributable to operating activities.

Derivation of alternative performance measures

	Calculation	2016	2015
<i>Measures relating to the consolidated income statement</i>			
Net sales		20,325	19,599
Other income		9	27
Goods for resale		-16,309	-15,768
Gross profit		4,025	3,858
Operating profit		687	469
Operating margin, %	Operating profit / Net sales	3.4	2.4
Pre-tax earnings		818	592
Net financial items – pensions		-136	-127
Financial expenses		5	5
Pension-adjusted profit after net financial items		687	470
Net earnings for the period		637	458
Net financial items – pensions		-136	-127
Tax net financial items – pensions		30	28
Pension-adjusted equity		531	359

Derivation of alternative performance measures

	Calculation	2016	2015
<i>Measures relating to the consolidated balance sheet</i>			
Current assets		4,587	4,194
Other current liabilities		-3,231	-2,325
Operating capital		1,356	1,869
Interest-bearing liabilities		-916	0
Interest-bearing assets (cash and cash equivalents)		21	357
Net loan liability/receivable		-895	357
Pension-adjusted equity	Calculated on a rolling 12-month basis (5 quarters)	1,784	1,955
Interest-bearing current liabilities	Calculated on a rolling 12-month basis (5 quarters)	542	93
Capital employed		2,326	2,048
Equity		4,200	5,150
Pension claim		-3,254	-3,865
Deferred tax pension claims		715	850
Pension-adjusted equity		1,661	2,135
Debt/equity ratio, %	Net loan liability / Pension-adjusted equity	-53.9	-16.7
Equity/assets ratio, %	Equity / Total equity and liabilities	50.3	60.6
Return on capital employed, %	Pension-adjusted profit after net financial items / Capital employed	29.6	22.9
Return on equity, %	Profit/loss for the period / Average equity on a rolling 12-month basis	14.8	9.2
<i>Measures relating to the consolidated statement of cash flows</i>			
Cash flow from operating activities		58	201
Capital expenditure		-212	-81
Divestment of non-current assets		2	9
Operating cash flow		-152	129



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