



V&S VIN & SPRIT AB  
Corporate identity number 556015-0178

## INTERIM REPORT, JANUARY – MARCH 2003

*This is a translation. The Swedish version is the official.*

- **Group sales increased by 4 percent to SEK 2,021 million compared with the same period last year.**
- **Operating income decreased by 24 percent to SEK 390 million, mainly due to a change in the US dollar exchange rate.**
- **Launch of ABSOLUT VANILIA initiated.**
- **Agreement signed with Polish government regarding acquisition of 85 percent of shares in Polmos Zielona Góra, Poland's fourth largest alcoholic beverage company.**
- **Integration of acquired units in Nordic region continued.**
- **Business area V&S Emerging Markets part of V&S Distillers since March.**

### Summarized Group figures

		Q1 2003	Q4 2002	Q3 2002	Q2 2002	Q1 2002
Volumes	Cases ('000)	4 608	5 830	5 201	5 104	3 136
Net sales	SEK mn	2 021	2 588	2 106	2 462	1 937
Operating profit	SEK mn	390	458	402	667	510

### Key Ratios for the Group

		Jan-Mar 2003	Jan-Dec 2002	Jan-Mar 2002
Return on stockholders' equity <sup>1</sup>	%	28.2	32.0	31.9
Interest-bearing net liability	SEK mn	7 444	8 086	7 964
Debt/equity ratio	times	1.7	1.9	1.9
Operating margin	%	19.3	22.4	26.3
	%	29.2	26.7	26.7

Definitions: see Annual Report, page 69

<sup>1</sup> 12 months rolling

### Market and Sales

Sales volumes for the first quarter of 2003 exceeded those for the corresponding period last year by almost 50 percent. The majority of the increase is attributable to the acquisition of Marli/Nordic Wine Group, which was completed in the second quarter of 2002, and was therefore not included in the Q1 figures last year. The launch of ABSOLUT VANILIA, increased bottling volumes of wines under private retail brands in Denmark, and some growth in other segments contributed to the increase, while volumes decreased slightly primarily on the Nordic spirits markets.

Compared to the final quarter of last year, volumes were down by around 20 percent. This is mainly explained by seasonal variations: the first and third quarters usually generate the weakest sales of the year, and the effect was stronger this year as Easter came so late.

Development during the quarter on markets more important to V&S generally continued in line with the pattern of recent years. Global spirits consumption is stagnating, although premium brands, i.e. brands of consistently high quality supported by extensive marketing, are performing better than smaller and more local brands.

In the Nordic region, the development of registered spirits and wine sales respectively differs slightly between countries, but overall registered spirits consumption is decreasing while wine is increasing. The continuing major tax difference in relation to Germany in particular, in combination with higher import quotas, has brought an increase in cross-border trade and greater uncertainty as regards actual consumption trends. The Group has met this development by launching products across borders within the Nordic region and with a presence in northern Germany. However, the combined effect of cross-border trade outside the Nordic countries and altered consumption patterns has had a clear adverse impact on traditional Nordic spirits. Despite volume reductions, streamlining and synergies in acquisitions in recent years have enabled the company to achieve its profitability objectives. The Marli acquisition has strengthened the Group's market share in Finland.

ABSOLUT enjoyed an increase in both volumes and income. The launch of ABSOLUT VANILIA in North America has so far exceeded expectations, and the company has even had to turn to air freight to meet demand. Due to this success, the launch rate has now been speeded up. However, profitability has dropped due to the falling dollar exchange rate. ABSOLUT has also developed positively in several European markets.

In January an agreement was signed with the Polish government regarding acquisition of 85 percent of the shares in Polmos Zielona Góra, Poland's fourth largest alcoholic beverage company. The agreement was dependent on certain additional approvals from Polish authorities, and when these were granted the acquisition was concluded after the end of the reporting period.

## **Financial results**

Operating profit fell by 24 percent to SEK 390 (510) million compared with the same period last year. Profit after tax decreased by 29 percent to SEK 238 (335) million.

Apart from the normal seasonal decrease, the poorer results in comparison with the same period last year are mainly attributable to the weaker US dollar. A change in the dollar

exchange rate equivalent to SEK 1 has an effect of around SEK 300 million over an entire year. The average exchange rate in the first quarter of 2003 is almost SEK 2 below the average rate during Q1 last year, which means a net impact on the first quarter results in 2003 of SEK 115 million after deductions for hedging effects.

Tax expense is calculated according to the national rate in each country, and totals SEK 117 million, giving an average tax rate of 33.0 percent (30.6).

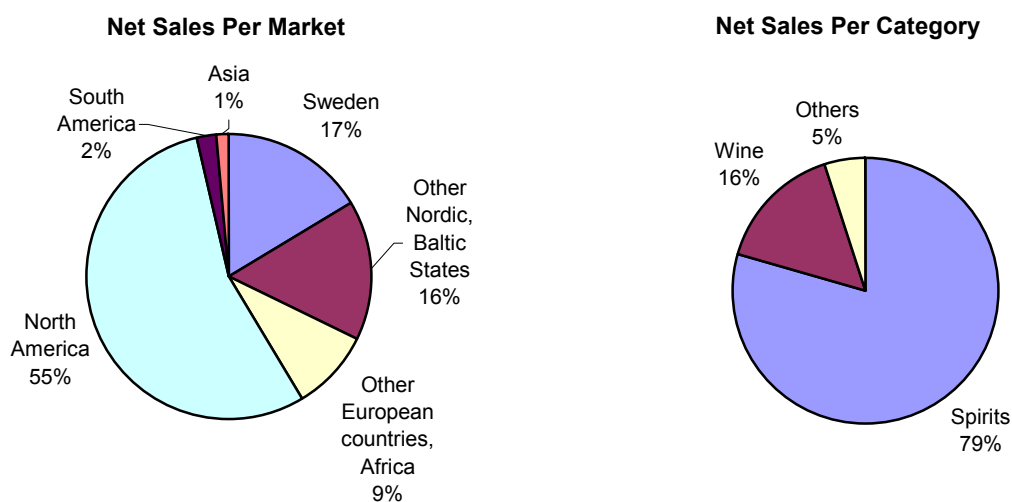
## Investment

Investment has been relatively low during the past quarter. Investment in fixed assets amounts to SEK 43 (135) million.

## Cash flow

Cash flow from operating activities during the period amounted to SEK 633 (404) million. The Group's liquid funds increased by SEK 362 million during the period. Group borrowing has decreased by SEK 228 million, and liquid funds on 31 March amount to SEK 925 (367) million. Together with confirmed loan promises, the Group has a liquidity reserve of SEK 4,646 million.

## Net sales



## Parent Company

Net sales for the first quarter of 2003 amounted to SEK 1,250 (1,210) million. Profit after financial income and expenses totaled SEK 367 (493) million.

Investment in fixed assets is SEK 15 (122) million. The average number of employees was 777 (640). Liquid funds and short-term investments totaled SEK 690 (120) million.

### Significant events after the end of the financial period

The acquisition of 85 percent of the shares in Polmos Zielona Góra was completed, once the necessary approvals had been granted by the relevant Polish authorities, on May 8.

### Other information

This interim report has not been subject to examination by the company's auditors.

The same accounting principles and calculation methods have been used in this report as in the 2002 annual report.

V&S Vin & Sprit AB is a company wholly owned by the Swedish state. The Group, V&S Group, consists of the parent company V&S Vin & Sprit AB and operating activities in Sweden, Denmark, Finland, Norway, Estonia, Germany, Poland, the Czech Republic, Chile, the USA, Great Britain and France.

### Consolidated Income Statement

SEK mn	1 Jan – 31 Mar	
	2003	2002
Net sales	2 021	1 937
Other operating revenues	<u>9</u>	<u>4</u>
	2 030	1 941
Operating expenses	-1 520	-1 320
Depreciation and amortization	<u>-120</u>	<u>-111</u>
Operating profit	390	510
Result from financial income and expenses	<u>-35</u>	<u>-27</u>
Profit before taxes	355	483
Taxes	-117	-148
Minority share	<u>-</u>	<u>-</u>
Net profit for the period	238	335
Profit per share (500 pcs)	0.5	0.7

### Consolidated Balance Sheet

SEK mn	31 Mar 2003	31 Dec 2002
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Intangible fixed assets	5 016	5 153
Tangible fixed assets	1 492	1 478
Financial fixed assets	5 030	5 033
Current assets	<u>3 774</u>	<u>4 041</u>
<i>Total assets</i>	<i>15 312</i>	<i>15 805</i>

Stockholders' equity	4 478	4 222
Minority interest	13	13
Provisions	887	880
Long-term liabilities	5 785	6 688
Current liabilities	<u>4 149</u>	<u>4 002</u>
<i>Total stockholders' equity, provisions and liabilities</i>	<i>15 312</i>	<i>15 805</i>

#### **Consolidated cash flow analysis**

SEK mn	1 Jan – 31 Mar 2003	2002
Cash and bank at beginning of period	563	249
Cash flow from operating activities	633	404
Cash flow from investing activities	-43	-135
Cash flow from financing activities	<u>-228</u>	<u>-151</u>
<i>Cash flow for the period</i>	<i>362</i>	<i>118</i>
Cash and cash equivalents at end of period	925	367

Employees, average number	1 980	1 388
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#### **Change in stockholders' equity for the period (Group)**

SEK mn	
At beginning of period	4 222
Dividend	-
Net income for the period	238
Translation difference for the period	18
At end of period	4 478

Stockholm, May 19, 2003

Peter Lagerblad  
Chief Executive Officer