VIN & SPRIT ANNUAL REPORT 2000

The Year in Brief

New sales record for ABSOLUT – 65 million liters

De Danske Spritfabrikker integrated

Falkenberg plant closed down

OP. Flavored launched in the US

New central warehouse opened in Stockholm

Successful launch of new wine brand – Capricorn Estates

Amfora wines relaunched

Acquisition of traditional brand Plymouth Gin

ABSOLUT now the third largest premium spirits brand

Halved energy consumption in ABSOLUT production

Kron Vodka now also in Slovakia

Invoiced sales up 42 percent

New CEO at V&S

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Turku
Helsinki
Stockholm
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Linköping
Aalborg
Grenaa
Otterup
Odense
Svendborg
Åhus/Nöbbelöv
Copenhagen
Dalby
Buxtehude
London
Plymouth
Berlin
Warsaw
Prague
Draguignan

Comments from the CEO

RAPID CHANGE

The fact that V&S is a company experiencing change has been very clear during the first year of the new millennium. We have carried out comprehensive integration work with the Danish operation we acquired at the end of 1999; we have closed down a plant in Falkenberg; bought a fine, traditional English brand of gin; implemented a new organizational structure with new Group management; built a new central warehouse... and the list goes on.

Once again, we can report the best earnings in the history of the Company. A result we have achieved thanks to our dedicated personnel who have worked single-mindedly to help realize our vision – to be a profitable, world-class alcoholic beverage company. A warm "Thank you!" to everyone for their professional efforts!

The success of ABSOLUT continued in 2000, and the brand has considerably reduced the competition's lead in the international market. According to Impact statistics, ABSOLUT is now the third biggest-selling premium spirits brand in the world.

Sales continue to rise in the US market, however the growth rate is even stronger in Europe. We are extremely pleased with and proud of ABSOLUT'S international success, although we need to reach a balance with the Company's other business areas.

Four strategies for success

We have purposefully built on the existing foundation for future development. A few years ago we formulated four success strategies:

- to further develop ABSOLUT into an even stronger and more successful brand
- to build a Nordic structure and become a leading player in the Nordic wine and spirits market
- to achieve a strong position in selected local spirits markets in Europe
- to acquire and develop spirits brands with international potential.

The goal of achieving a strong position in the Nordic region has already been attained following V&S's acquisition of the Finnish Marli Group early in the current year. The Group includes companies such as Denmark's Vingaarden. The acquisition is taking place in two stages, and will be concluded during 2002. Consequently we are now represented in Sweden, Denmark, Finland and Norway.

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V&S is continuing to experience change, and is thereby attracting more and more interest from the world around. From being a company with a Swedish focus – although with successful international sales – a few years ago, we are now a Swedish-owned company with a strong foothold in the Nordic region and rapidly increasing international operations.

Over the past year, the focus has been on the integration between De Danske Spritfabrikker and V&S in order to realize the planned synergies. It has been important to make the most of both companies' areas of expertise, and the process has developed extremely well. Thanks to the new organizational structure introduced in the fall, DDSF is now fully integrated in the V&S Group.

The new organization matches the strategies

The new organizational structure is part of the work to focus V&S's operation on carrying out the above-mentioned strategies to ensure the Group's continued success. The organization is based on five business areas that are supported by local service organizations in Sweden and Denmark. The organization is presented on page 16.

Adjustments in line with EU import controls have begun, and have affected conditions in the Swedish market. The adjustments, which entail increased import quotas, are being implemented gradually and should be complete by 2004. This has led to discussions in both Denmark and Sweden on the scale of alcohol taxation. A considerable reduction has been proposed in Denmark, and a decrease is also being planned in the long term in Sweden.

Since 1994, V&S has enjoyed a successful cooperation with Seagram in the distribution of ABSOLUT. When the contract was originally signed, sales volume for ABSOLUT was 4.6 million cases, compared to 7.3 million in 2000. Due to a change in ownership circumstances, this contract has now been terminated and we have found a new solution for the international distribution of V&S products.

Greater influence over distribution

Consolidation within the international alcohol industry is continuing, and the medium-sized companies are seeking collaboration to be able to compete for sales to large chains with the leading companies, which are getting bigger all the time. Bearing this in mind, V&S has reviewed its strategy and decided to increase its influence and control over distribution. When assessing the various options, the opportunity to take a larger share of the profit has also been a considerable factor.

The solution was for V&S to go in as part-owner of two companies. In the US market, we have through our subsidiary The Absolut Spirits Company, Inc. formed a joint distribution company with Jim Beam Brands. This company will be the

second largest in the US market, and will have a strong position. In other markets, we have access to large parts of the world by being one of four part-owners of Maxxium. The other owners are Jim Beam Brands, Highland Distillers and Rémy Cointreau. Thanks to these structural deals, V&S has established a very sound basis for continued profitable development, not only for ABSOLUT but also for our other products.

Continued international growth

V&S is therefore continuing to experience change, and is thereby attracting more and more interest from the world around. From being a company with a Swedish focus – although with successful international sales – a few years ago, we are now a Swedish-owned company with a strong foothold in the Nordic region and rapidly increasing international operations. This also makes us a multicultural company, a situation we will take advantage of and develop in the best way for our business and our employees. We are looking forward to a year of continued growth and many new challenges on the international arena.

Peter Lagerblad

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One of the fundamental criteria for a new distribution system was to increase control over the entire value chain. This not only gives V&S financial benefits but also freedom of action and independence, as well as the opportunity to further develop partnerships and alliances.

Business Development

Vision:

V&S will be a world-class, profitable alcoholic beverage company..

Business concept:

To offer consumers alcoholic beverages of the right quality through strong and attractive brands.

CONTINUED DEVELOPMENT FOR THE FUTURE

Global development within the spirits industry is characterized by continued consolidation and concentration. A division is emerging between global and regional companies, where national companies are finding it increasingly difficult to make an impression. The market is relatively stable with a large proportion of local products. International brands in the premium segment are however gradually increasing.

The event that has had the greatest impact on the industrial structure in the past year has been the sale of Seagram's spirit and wine activities – one of the alcohol industry's three largest companies.

V&S has been working actively in recent years to position the Group in the global alcoholic beverage industry. This work entails defending major corporate values. Intensive efforts have been under way with an aggressive growth strategy based on the vision: 'V&S will be a profitable, world-class alcoholic beverage company'.

V&S is making concerted efforts to become one of the ten largest alcoholic beverage companies. Through development and growth in recent years, we can now clearly begin to gauge where the V&S Group stands. The parameters we have chosen are accepted standards in the industry.

Prominent position in industry tables

Sales volume measured in number of (9-liter) cases sold, puts V&S in eighth place, as shown in statistics on page 14. The sale of Seagram to Diageo and Pernod Ricard adjusts this to seventh place.

A comparison between the same top companies based on operating results gives V&S a more prominent position together with Moët Hennessy and Jim Beam Brands.

The third industrial comparison with rival companies refers to profit per case. This parameter primarily indicates the proportion of premium products in the portfolio and cost-effectiveness. Once again V&S is ranked seventh, and here too the sale of Seagram shifts V&S further up the list.

Nordic structure becomes a reality

The aim of building a Nordic structure was introduced in 1999 with the acquisition of De Danske Spritfabrikker. The next step was taken in early 2001 through the acquisition of Finland's Marli Group – a move crucial to ensuring

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The acquisition of the Marli Group strengthens the Group's product portfolio with a number of strong brands.

	Profit/case USD
Moët Hennessy	52.92
Rémy Cointreau	19.08
UDV/Diageo	14.70
Seagram	14.70
Brown-Forman	14.00
Allied Domecq	10.37
Vin & Sprit	9.91
Jim Beam Brands	9.73
Bacardi-Martini	6.99
Pernod Ricard	6.30

	Operating results	
	2000	1999
Moët Hennessy	29.2%	27.9%
Vin & Sprit	26.6%	20.5%
Jim Beam Brands	23.1%	21.2%
UDV/Diageo	20.2%	19.6%
Brown-Forman	19.7%	19.3%
Bacardi-Martini	19.4%	19.7%
Allied Domecq	17.5%	17.6%
Rémy Cointreau	16.7%	9.3%
Pernod Ricard	15.8%	16.2%
Seagram	13.9%	13.9%

Source: Canadean

	Millions of cases sold		Net sales, USD
	2000	1999	in the last year
UDV/Diageo	99	113	7.208
Bacardi-Martini	78	70	2.800
Allied Domecq	50	50	3.060
Seagram	50	50	5.287
Pernod Ricard	42	41	1.364
Jim Beam Brands	30	31	1.270
Brown-Forman	22	22	1.543
Moët Hennessy	12	13	2.261
Vin & Sprit	12 (15*)	11	572
Rémy Cointreau	7	12	799

Source: Canadean (* adjusted with internal figures)

a strong, efficient organization for importing wine into the Nordic market. The acquisition enables V&S to realize its goal of being an attractive, competent partner to wine producers worldwide.

Highest growth for premium products

The opportunities for growth within the global alcohol industry are greatest for international brands within the premium segment. There are however only a few brands accessible, and competition for them is tough. In February 2000, V&S acquired the fine old premium brand Plymouth Gin – a legendary product with a long and exciting history.

This venture had to be postponed in 2000 pending a decision on a new international distribution solution for V&S products.

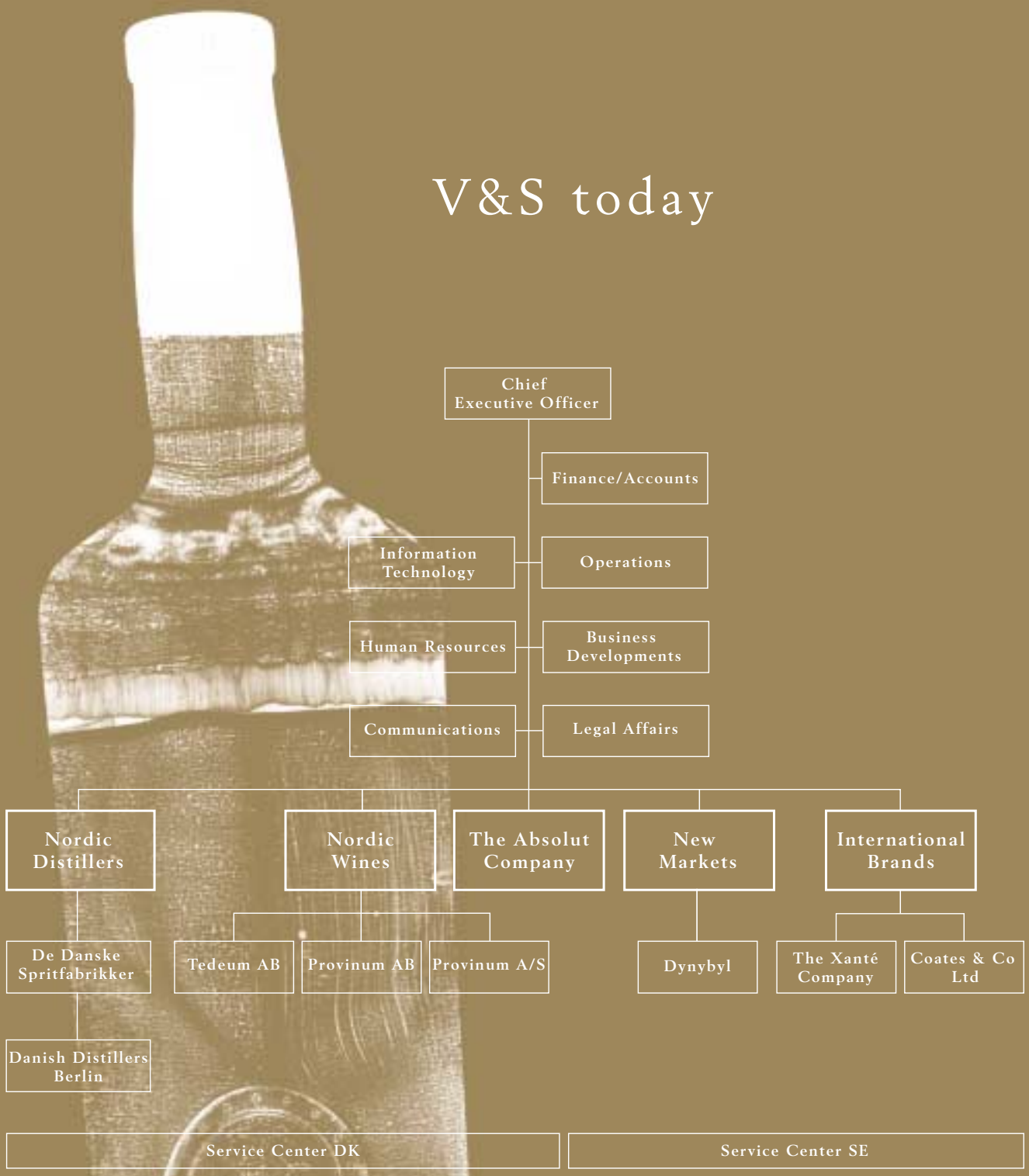
V&S reviewed its international distribution strategies in conjunction with the sale of Seagram's spirit and wine activities. One of the fundamental criteria for a new distribution system was to increase control over the entire value chain.

This not only gives V&S financial benefits but also freedom of action and independence, as well as the opportunity to further develop partnerships and alliances.

The decision was taken at the beginning of 2001 to enter the international distribution organization Maxxium as an active part-owner. At the same time, a jointly-owned distribution company was formed for the US market with Jim Beam Brands. This created the second largest alcoholic beverage company in the important US market.

Thanks to these transactions, V&S is now in a prime position to continue generating value.

V&S today


Chief Executive Officer
Finance/Accounts
Information Technology
Operations
Human Resources
Business Developments
Communications
Legal Affairs
Nordic Distillers
Nordic Wines
The Absolut Company
New Markets
International Brands
De Danske Spritfabrikker
Danish Distillers Berlin
Tedeum AB
Provinum AB
Provinum A/S
Dynybyl
The Xanté Company
Coates & Co Ltd
Service Center DK
Service Center SE

FIVE INDEPENDENT BUSINESS AREAS

In September 2000, the organizational structure within V&S was adapted to reflect the future strategies that have been established. The organization is based on five independent business areas, which will be able to accommodate both existing and future operations. Acquired companies and brands have a natural place in the organization.

Local Service Centers can be established to support all V&S operations located in a particular country. This will enable the business areas to concentrate on their business operations. Such Service Centers are currently found in Sweden and Denmark.

The Group's operations are controlled by the corporate management with a number of relatively small group staffs. The operational organization is shown in the adjacent chart.

Companies either partly or wholly owned by the V&S Group comprise approximately 1,800 employees, and in February 2001 the operations are located as follows:

Sweden	**V&S Vin & Sprit AB**
Stockholm	Head office, central warehouse and distribution
Åhus	Production and bottling of ABSOLUT
Nöbbelöv	Production of crude alcohol for ABSOLUT
Sundsvall	Production and bottling of vodka, aquavit, wine, mulled wine, punsch, blending and bottling of whisky, cognac, etc.
Stockholm	**The Xanté Company**
	Marketing of Xanté and other Heinrich liqueurs
	Provinum AB
	Import and marketing of wines
	Tedeum Vin AB
	Import and marketing of wines
	Amfora Vinhus AB
	Marketing of wines
Lidköping	**Svensk Sprit AB**
	Production of rectified alcohol
Denmark	**De Danske Spritfabrikker A/S**
	Production, bottling and sale of spirits, wines and yeast
Norway	**Provinum A/S**
	Import and wholesale trading in wines
France	**V&S Domaine Rabiega**
	Production and bottling of wine and a conference operation
Poland	Subcontracted bottling of Kron Vodka
Great Britain	**Coates & Co Ltd**
	Production and marketing of Plymouth Gin
The Czech Republic	**Dynybyl spol s.r.o.**
	Production and bottling of vodka, spiced spirits and liqueurs
Germany	**Danish Distillers Berlin GmbH**
	Production and bottling of aquavit

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The main aim of acquiring the Danish company was to strengthen the position in the Nordic market. Efforts in this direction have begun and will continue in the years to come. The business area primarily encompasses the Nordic countries and northern Germany. These are mature markets which require great effort to defend and strengthen the positions already achieved.

Nordic Distillers

Vision:
Nordic Distillers will be a profitable spirits operation with a broad product portfolio in Northern Europe.

Business concept:
To develop and offer consumers spirits products of the right quality through strong and attractive brands.

INTEGRATED OPERATIONS OPTIMIZE SYNERGIES

The Nordic Distillers Business Area was established in 2000. The aim was to integrate spirits operations within De Danske Spritfabrikker with the former Reimersholms Business Area, in order to optimize the synergetic effects resulting from the acquisition of the Danish company. One result of the integration was that bottling was shared between the Sundsvall and Svendborg plants following the closure of the plant in Falkenberg.

The main aim of acquiring the Danish company was to strengthen the position in the Nordic market. Efforts in this direction have begun and will continue in the years to come. The business area primarily encompasses the Nordic countries and northern Germany. These are mature markets which require great effort to defend and strengthen the positions already achieved.

Because the Group offers local services in both Denmark and Sweden for all business areas active within these countries, work within the individual business areas can be more strongly focused. For instance, a center of excellence in product development, quality and technical know-how has been established in Copenhagen, with support functions in Stockholm.

An end to the Swedish decline

The decline in the Swedish spirits market has ceased, and an increase of 0.7 percent has been reported for 2000. V&S retains its market-leading position with strong brands such as Svenska Nubbar, O.P. Anderson, Renat, Explorer, Grönstedts and Carlshamns. Increased interest from consumers in spiced aquavit, cognac and whisky has been recorded, and the Reimersholms Snapsakademi and Grönstedts Cognacskola training programs have contributed to raising the level of knowledge.

Several new launches have been made in 2000. Last year the tradi-

tional Julsnaps – launched at Christmas – was called Tällbergs Festbrännvin. Flavored with rose hip, the aquavit was also the fifth organically certified (KRAV) product in the Reimersholms range to date.

New launches improve position

A 21-year-old version of Black Ribbon further strengthened V&S's position in the increasing whisky segment. The rise is particularly evident among high-quality whisky, and the 20-year-old Speyside whisky Part Nan Angelen launched in 2000 was also well-received. A great deal of attention was attracted by the launch of Carlshamns Sayang, the result of several years' intensive development work. Sayang is a cream liqueur with coffee, dark chocolate and arrack flavors.

The export market has also seen the launch of a new product. OP Flavored was launched in the United States in August, and attracted attention from consumers and the media alike. OP Flavored has the taste of traditional aquavit spices blended with orange, peach and ginger – a combination as highly appreciated as it is unusual.

Explorer – Sweden's biggest vodka – was repackaged in 2000, with the three flavor variations Vodka, Lingon and Gran being presented in 4 cl bottles. V&S products were well-represented at last year's International Wine and Spirit Competition, where they were awarded no fewer than 13 medals.

The Danish spirits market – like the Swedish – showed positive development with growth of 1.4 percent, probably due to the abolition of duty free sales the year before. The upturn is most strongly noticeable among the international whisky, gin, vodka and liqueur product groups.

De Danske Spritfabrikker has a total market share of approximately →

45 percent. In the aquavit segment, Aalborg products account for some 90 percent, and in the bitters market DDSF's products Gammel Dansk Bitter Dram and Nordsø Bitter jointly represent 80 percent. Danzka Vodka is also experiencing positive development in Denmark, and together with Absolut now has a combined share of the vodka market totaling around 25 percent. Although imported products constitute a continually rising share, traditional Danish products such as aquavit and bitters have over half the total market.

Danish cross-border trade in several directions

Cross-border trade in Denmark is special in that Danish consumers travel to Germany to do their shopping, while Swedish consumers travel to Denmark. This is particularly marked since the opening of the Öresund Bridge between Denmark and Sweden. This has also resulted in a large number of Gammel Dansk clubs being set up in Sweden.

During 2000, Aalborg Jubilæum Akvavit in 50 cl bottles was launched in Sweden in three different flavors – Original, Dild and Citrus.

Increased share in a weakened market

Nordic Distillers is looking forward to continued positive development in 2001 as a result of the new structure and the resulting opportunities for cross-border synergies. The downward trend in the German spirits market continued in 2000, with a preliminary reduction of 8 percent. Against this background, Danish Distillers Berlin GmbH achieved a satisfactory result, with an increase in volume of 6 percent, partly due to rising cross-border trade. Despite a minor drop in volumes, retail market share increased for the most important brand,

Malteserkreuz Akvavit. Aalborg Jubilæums Akvavit, the biggest imported aquavit in Germany, managed to improve its positions both in the retail market and in restaurant trading.

JULSNA
Tällber
FESTBRÄN
ANNO MM

OP.™
NATURAL
FLAVORED SPIRIT WITH
AQUAVIT
IMPORTED
FROM SWEDEN
V&S VIN & SPRIT AB
GRAIN NEUTRAL SPIRITS WITH
NATURAL FLAVORS AND SPICES
35% ALC./VOL. 750 ML

AALBORG
Jubilæums
CITRON
AALBORG
Jubilæums
CITRON
Akvavit 38% vol
DANISH DISTILLERS
AALBORG
DILD
AQUAVIT
DE DANSKE
SPRITVÆRKER
AALBORG
Jubilæums
DILD
Akvavit 38% vol
DANISH DISTILLERS
AALBORG
Jubilæums
Akvavit
AALBORG
Jubilæums
Akvavit
Original 42% vol
DANISH DISTILLERS

Läckö
SLOTTSAQUAVIT
SKÅNE
AKVAVIT
REIMERSHOLMS
HERR
GÅRDS
AQUAVIT
REIMERSHOLMS
BÄSKA
DROPPAR
Halland
fläder
FALKENBERG
RÅNÄS
BRÄNNVIN

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The strong growth in the Swedish wine market continued during the first half of 2000.

The trend was curbed in conjunction with the less restrictive import regulations mid-year, and the second half of 2000 showed a decline that was particularly marked in southern and western Sweden.

Nordic Wines

Vision:
Nordic Wines will be a leading and profitable player on the Nordic wine market.

Business concept:
Nordic Wines will satisfy the needs of the Nordic consumer by selling and marketing wine-based products that give perceived added value.

WELL ON THE WAY TO THE PAN-NORDIC CONCEPT

The formation of the Nordic Wines Business Area is part of the strategy to become a strong player in the Nordic wine market. Since its formation the position has been further strengthened through the acquisition of the Marli Group, and integration work is in progress to create a common structure. The latest acquisition has strengthened V&S's position in the Nordic wine market.

The corporate acquisitions and accompanying integration, place great demands on the organization. In addition, the organization is faced with many interesting challenges and opportunities in new and deregulated markets. In 2000 the business area has transferred bottling from the now closed Falkenberg plant, to the facilities in Sundsvall and Svendborg.

Growth curbed by rise in imports

The strong growth in the Swedish wine market continued during the first half of 2000. The trend was curbed in conjunction with the less

restrictive import regulations mid-year, and the second half of 2000 showed a decline that was particularly marked in southern and western Sweden. Bag-in-box package has strengthened its position at the expense of both traditional glass bottles and smaller packs such as Tetra-type cartons. Every fifth glass of wine now comes from a bag-in-box package.

The strong focus on creative packaging development is continuing, and the need for attractive packaging is rising in line with the number of self-service stores.

Three highly successful launches have been made under our own brand Capricorn Estates, an umbrella name for wines from the Tropic of Capricorn in the southern hemisphere. The wines in this range

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·CAPRICORN·
ESTATES
CHARDONNAY
Mendoza
ARGENTINA
·CAPRICORN·
ESTATES
CABERNET SAUVIGNON
Central Valley
CHILE
·CAPRICORN·
ESTATES
PINOTAGE
Western Cape
SOUTH AFRICA

AMFORA
REINA ISABEL
UTIEL-REQUENA
TEMPRANILLO
1997
12,5% VOL
3 LITROS e
amfora sauvignon blanc
2000 valle central
13% vol
3 litros
Amfora Veronica
1999
PRODUCTO DE CHILE

reflect the country of origin's wine culture, and show the best the individual countries can produce in the 60 kronor category. The products launched to date have been extremely well-received and, in terms of volume, are V&S's biggest bottle launches in recent years.

Faithful service recognized

One of V&S's biggest own wine brands is the ever-dependable Coteaux du Languedoc, which throughout its 20 years in the market has been acclaimed for its good quality at a low price. In 2000 the wine was also voted 'Red Budget Wine of the Year' in Allt om Mat magazine's major wine test. The wines Castel del Monte, Liebfraumilch and Le Chemin were also awarded bargain status, showing that quality-oriented efforts have yielded results.

During the year, the Amfora range has been relaunched with a new appearance for all wines and improved contents for selected products. The aim has been to inform the consumer in a simple way where the wine comes from, and the best food to drink it with. The combination of food and wine is also in focus on the updated website at www.amfora.se.

Blossa Glögg (mulled wine) is now one of the best-known brands in Sweden. The many tests conducted by the press give Blossa consistently high marks, and its market share of 96 percent speaks for itself. Blossa's high quality has been maintained despite production being relocated. Blossa enjoyed excellent launch sales at the start of the season, but the mild weather resulted in receding volumes at the end of the period.

The range of fortified wines under the brand name Vintry's has been expanded with a new sweet sherry, Pedro Ximénes. Moreover, Grådask port and the classic Aurora have been given a new look. Several products have attracted attention in the International Wine and Spirit Competition.

Sales have been good for V&S's

agency products during the year. Naturally, last year's millennium effect with heavy sales of champagne and sparkling wine was not equaled in 2000, although the cava Codorníu has confirmed its position as one of the most popular spark-

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Chapel Hill
OAKED
CHARDONNAY
1999
1998
VINTAGE
Penfolds
BOTRYTIS
SEMILLON
Penfolds
KOONUNGA
HILL
CHARDONNAY
1999
1998
SANCERRE
LES BELLES DAMES
APPELLATION SANCERRE CONTROLÉE
GITTON PÈRE & FILS

ling wines in Sweden. It has been served at a host of major events in 2000, including the opening of the Öresund Bridge, the Swedish Open in Båstad and the MTV Music Awards.

A continued high price level for Rioja wines has reduced the impact of the Spanish wines in Sweden. One exception is Campo Viejo, a strong brand that is enjoying a significant recovery. The strength of the US dollar has also had a negative effect on certain wines, primarily from the United States. In contrast, Australian wines have increased, with Penfolds and Killawarra in the lead.

Success for bag-in-box wines

The Chapel Hill wines from Hungary have had a successful year, including a bag-in-box launch. Chapel Hill Sparkling in particular has been discovered and acclaimed by wine journalists, which has contributed to the success.

The Rabiega wines showed an increase of 25 percent compared with the previous year. Here too, bag-in-box has played a part in the success, as has mass media attention, especially with winemaker Lars Torstenson being awarded the 'Golden Glass' by Allt om Mat magazine. Saint-Paulin Blanc is another French wine that has significantly increased its sales in a bag-in-box.

Subsidiary Tedeum Vin AB, which primarily works with wines from the New World, has enjoyed major successes during the year with the South African wine La Chasse.

The subsidiary Provinum AB, originally formed in 1999, was established in 2000. Provinum focuses on the import and sale of wines from smaller producers to the Swedish and Norwegian markets.

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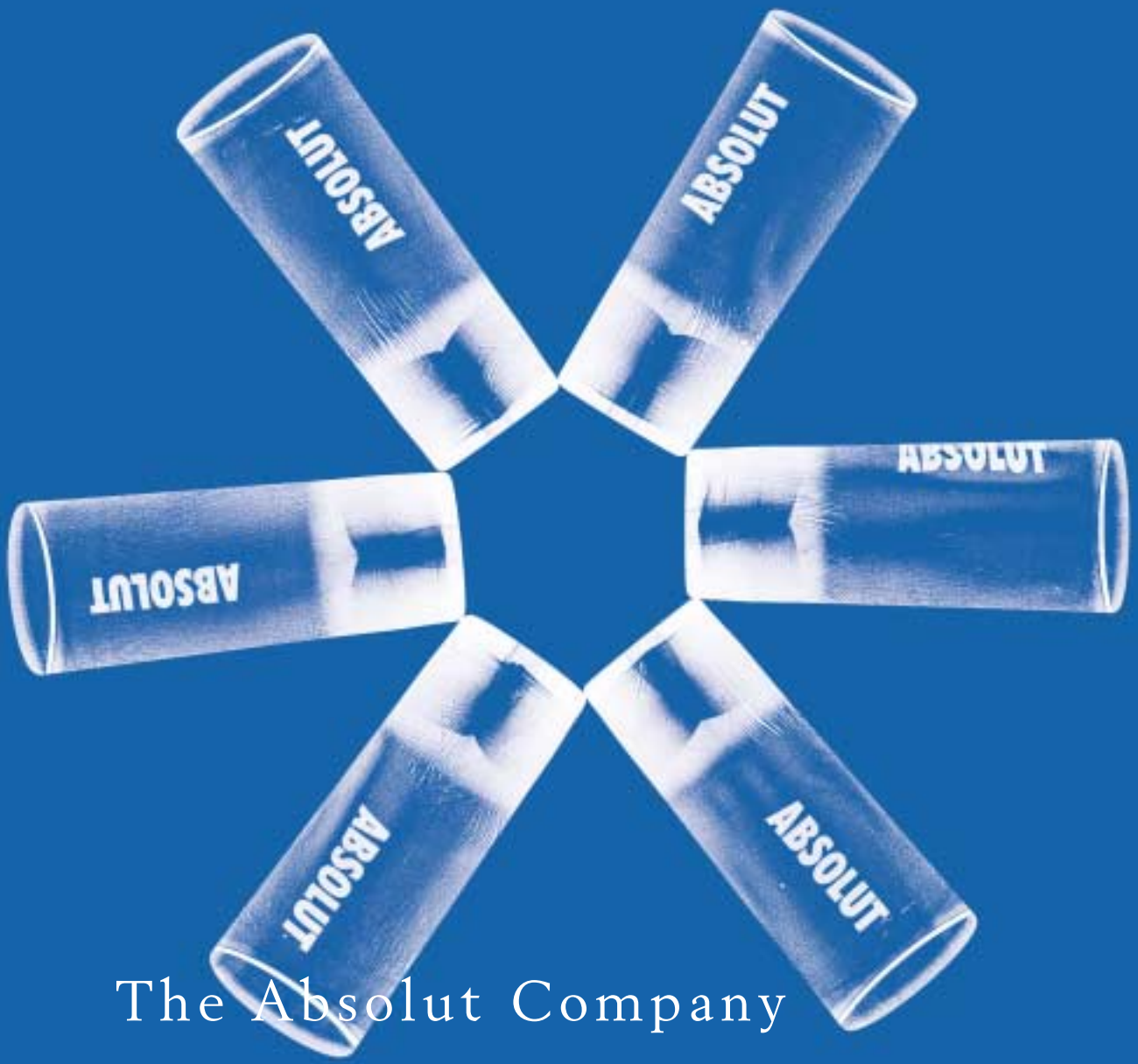
ABSOLUT has moved up the international list of spirits brands, and is now the third biggest premium spirits brand in the world. The trend is towards increased consumption of premium brands, particularly within the vodka segment.



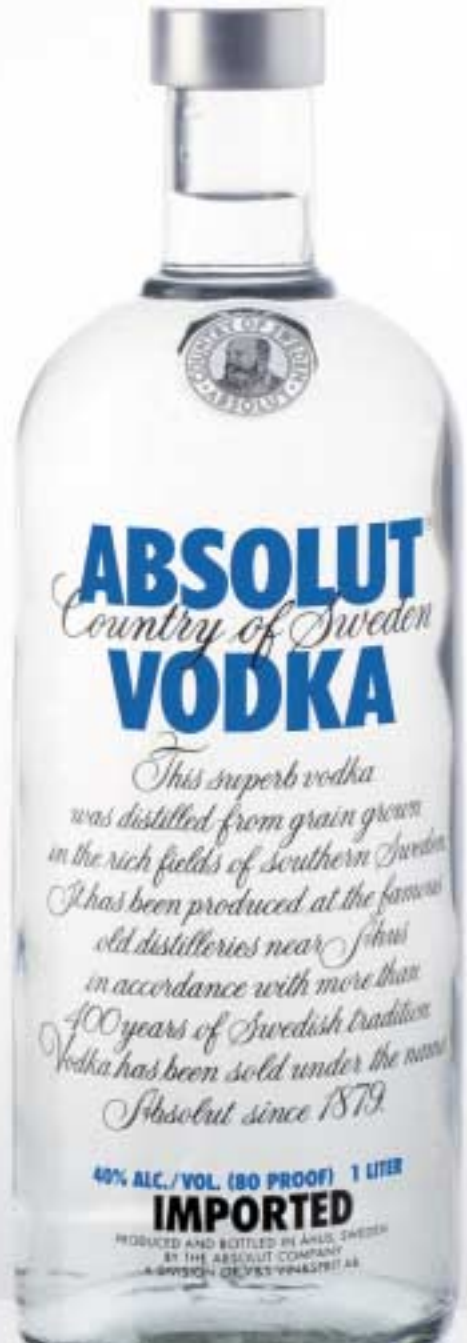
The Absolut Company

Vision:

ABSOLUT will be the most attractive brand within the global vodka market.

Business concept:

To offer the consumer a Swedish-produced vodka of the highest quality with a high level of communication at a premium price.


ABSOLUT
Country of Sweden
VODKA
This superb vodka
was distilled from grain grown
in the rich fields of Southern Sweden.
It has been produced at the famous
old distilleries near Åhus
in accordance with more than
400 years of Swedish tradition.
Vodka has been sold under the name
Absolut since 1879.
40% ALC./VOL. (80 PROOF) 1 LITER
IMPORTED

ABSOLUT
Country of Sweden
VODKA
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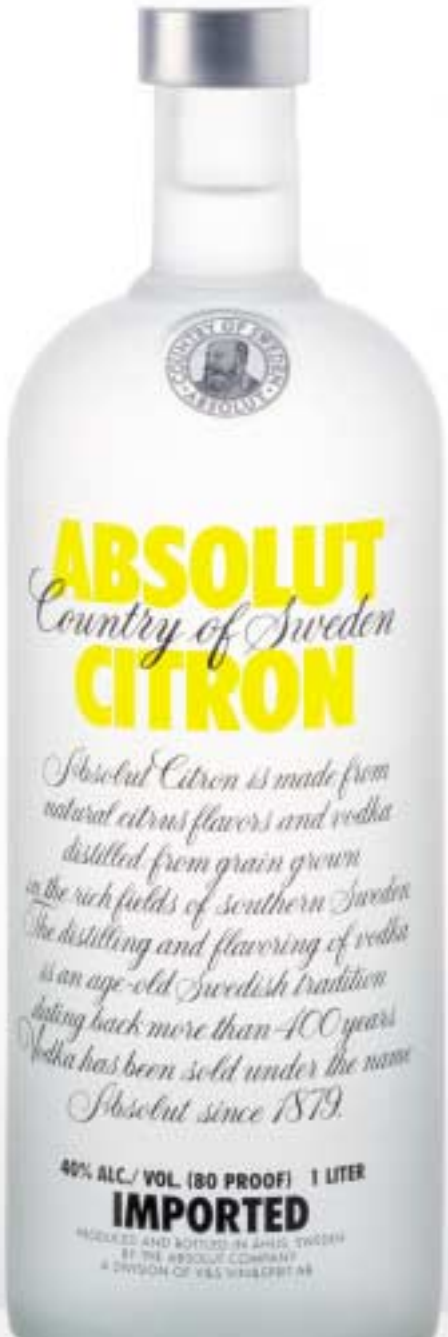
It has been produced at the famous
old distilleries near Åhus
in accordance with more than
400 years of Swedish tradition.
Vodka has been sold under the name
Absolut since 1879.
50% ALC./VOL. (100 PROOF) 1 LITER
IMPORTED


ABSOLUT
Country of Sweden
CITRON
Absolut Citron is made from
natural citrus flavors and vodka
distilled from grain grown
in the rich fields of southern Sweden.
The distilling and flavoring of vodka
is an age-old Swedish tradition
dating back more than 400 years.
Vodka has been sold under the name
Absolut since 1879.
40% ALC./ VOL. (80 PROOF) 1 LITER
IMPORTED

ABSOLUT
Country of Sweden
MANDRIN
Absolut Mandrin is made from a unique blend of natural mandarin and orange flavors and vodka distilled from grain grown in the rich fields of southern Sweden. The distilling and flavoring of vodka is an age-old Swedish tradition. Vodka has been sold under the name Absolut since 1879.
40% ALC./VOL. (80 PROOF) 1 LITER
IMPORTED
ABSOLUT
Country of Sweden
KURANT
This superb vodka bears the distinctive flavor of natural Black Currants, which grow throughout Sweden, even above the Arctic Circle. Flavoring vodka with berries is an age-old Swedish tradition. Vodka has been sold under the name Absolut since 1879.
40% ALC./VOL. (80 PROOF) 1 LITER
IMPORTED
PRODUCED AND BOTTLED IN ÅHUS, SWEDEN
BY THE ABSOLUT COMPANY
A DIVISION OF V&S VIN&SPRIT AB
ABSOLUT
Country of Sweden
PEPPAR
Absolut Peppar is made from natural peppers and vodka distilled from grain grown in the rich fields of southern Sweden. The distilling and flavoring of vodka is an age-old Swedish tradition dating back more than 100 years. Vodka has been sold under the name Absolut since 1879.
40% ALC./VOL. (80 PROOF) 1 LITER
IMPORTED
PRODUCED AND BOTTLED IN ÅHUS, SWEDEN
BY THE ABSOLUT COMPANY
A DIVISION OF V&S VIN&SPRIT AB

ABSOLUT BEIJING.

ABSOLUT NOW THIRD IN THE PREMIUM SPIRITS MARKET

The new millennium began very strongly for ABSOLUT with sales of approximately 65.2 million liters (7.3 million cases) – an increase of 9 percent. ABSOLUT has moved up the international list of spirits brands, and is now the third biggest premium spirits brand in the world. The trend is towards increased consumption of premium brands, particularly within the vodka segment.

Investments in the prioritized markets are bearing fruit. Sales have developed particularly well over the year in Spain, Germany, Greece, Great Britain, France and Italy.

ABSOLUT is also continuing to grow in the United States, with a total increase in sales of 11 percent. ABSOLUT is the third biggest brand of premium spirits in the United States, where it accounts for over half of all imported vodka.

Competition remains tough.

Since 1995, 65 new vodkas have been launched in the United States. There is great interest in flavored vodka in the US market, and ABSOLUT MANDRIN and ABSOLUT CITRON are continuing to show very strong development.

Canada is now the second largest market for ABSOLUT, with an increase in sales in 2000 of over 10 percent. Sales in Asia and Oceania rose by 30 percent, and the positive trend also continued in South America, particularly in Chile and the Caribbean.

ABSOLUT MANDRIN was successfully launched in prioritized markets in Europe and Asia during the year, as well as in the duty free market and in Canada.

Continued cooperation with artists

Collaboration with artists on communicating ABSOLUT has been under way since 1985, and this venture has now taken on new forms. A very well-attended exhibition was held in June to coincide with the 20th anniversary of the advertising campaign in the USA. The exhibition displayed some 90 works from the

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ABSOLUT collection. The venue was Grand Central Station in New York.

In the same month, the ABSOLUT EGO exhibition was shown at the Union Centrale des Arts Décoratifs in the Louvre, Paris, with 16 European artists from the ABSOLUT ORIGINALS campaign.

Finally, a selection of 51 sculptures, installations and paintings went on display in September at Millesgården in Stockholm, including an acclaimed light installation by June Nam Paik. This was the first time ABSOLUT ART was shown in Sweden on this scale, and the ABSOLUT ART exhibition broke Millesgården's attendance record.

New website launched - www.absolut.com

In order to satisfy rising interest in ABSOLUT among new groups, a completely new website was launched in the fall: www.absolut.com. The new website brings together former ABSOLUT websites, which focus on the experience, with facts about the brand and its marketing.

Ad campaign's 20th birthday

When ABSOLUT celebrated the 20th anniversary of the advertising campaign in the United States, a supplement was published in American magazine Vanity Fair. The supplement contained 20 pictures by photographer Annie Leibovitz, showing celebrities selected by her with their favorite ABSOLUT advertisement.

Eight 'Cities' ads have been launched during 2000 in Asia/Oceania, including ABSOLUT BEIJING, ABSOLUT BANGKOK, ABSOLUT SINGAPORE and ABSOLUT AUCKLAND.

An initiative in Latin America focuses on seven cultural advertisements, such as ABSOLUT XOCHIMILCO, ABSOLUT EL DORADO and ABSOLUT MAYA.

In July, the outdoor ad ABSOLUT NEW YORK saw the light of day. ABSOLUT created a typical life-size small New York apartment in the shape of a bottle with IKEA furniture. The advertisement can also be seen in New York in 2001.

Over the past year, ABSOLUT has received a series of awards for effective and creative marketing. In Europe, ABSOLUT received two Euro Effie awards, a distinction that considers the effectiveness of an ad based on sales, brand awareness and image.

In Latin America, ABSOLUT received the Ad Age Global Effectiveness Award gold medal for successfully changing the marketing strategy by including big screen advertising in the media mix.

Expanded production capacity

In order to meet future production needs, a decision to expand capacity at the plants in Åhus and Nöbbelöv has been reached. The project entails concentrating spirits production in Nöbbelöv, and blending and bottling at the Åhus plant.

Capacity expansion will be a gradual process, and is expected to be complete in 2004.

ABSOLUT VODKA
ABSOLUT XOCHIMILCO.

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The main task of the business area is to develop own or acquired products in markets with the potential for exploiting larger segments in the long term. This mainly applies to the vodka and spiced spirits product groups. Central and Eastern Europe are prioritized geographically.

New Markets

Vision:

Successful establishment of new home markets in Central and Eastern Europe.

Business concept:

Through acquisitions and alliances develop strong positions in Central and East European markets by offering relevant spirits brands of good quality to a broad consumer group.

FOCUS ON LOCAL PRODUCTION

The New Markets Business Area was formed during 2000 to enable V&S to focus more on developing new markets in Europe.

The main task of the business area is to develop own or acquired products in markets with the potential for exploiting larger segments in the long term. This mainly applies to the vodka and spiced spirits product groups. Central and Eastern Europe are prioritized geographically.

New Markets has ongoing business activities in the Czech Republic in the form of subsidiary company Dynybyl. The company's production portfolio includes the local vodka Prazska, as well as other local spirits. Dynybyl is one of the leading vodka producers in the Czech Republic, and has 60 employees.

Significant efforts have been made over the year to raise product quality through investment in production equipment. Initiatives have also been taken in the marketing of Prazska Vodka, with new packaging and increased advertising support.

Stiff competition requires investment

The Czech market is characterized by a large number of vodka producers, several of whom sell their products at very low prices. Initiatives taken in 2000 have however increased awareness of, and preferences for, Prazska Vodka. As the price of Prazska has remained relatively high, volumes have not lived up to

expectations. However, there is a clear increase in distribution to the retail trade.

2001 will see continued efforts to build up Prazska Vodka as a good product at a reasonable price.

In Poland, efforts to establish Kron Vodka in the segment immediately below premium products is continuing. The legal vodka market has decreased dramatically over the last three years, although it remains by far the largest in Europe (and the fourth largest in the world after Russia, the Ukraine and the United States). One of the main causes of the decline is the increase in spirit taxation, which is decreasing the legal market.

Polish privatization interesting for V&S

Furthermore, the Polish market is characterized by high turbulence as the entire domestic spirits corporation, Polmos, is subject to privatization. As of July 2000, the various Polmos plants were granted ownership rights to their own brands, which was a condition of privatization. Vin & Sprit is following the process closely, and has formed a consortium together with German company Eckes with the focus on acquiring one or more Polmos plants and the associated brands.

Due to the above-mentioned factors, the development of Kron Vodka has not been satisfactory. Another cause of this is the difficulty in reaching far enough into the fragmented Polish retail trade.

Kron Vodka was also launched in Slovakia during the year, where the product was very well-received and quickly gained good distribution.

International Brands

Vision:

Building future Top 100 premium spirits brands.

Business concept:

In selected international high margin markets offer branded spirits products with a broad consumer appeal, a high degree of conceptual content and with unique product features.

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The business area’s main task is to establish brands and product concepts with an international perspective. The emphasis is on achieving profitable positions in selected niches on the international spirits market, usually for brands in the establishment phase of their life cycle.

XANTÉ
Poire au Cognac
BLENDING EXCELLENCE
SINCE 1884

INTERNATIONAL LAUNCH OF STRONG BRANDS

The International Brands Business Area was formed in the fall as a result of the new Group structure and is therefore currently in a development phase. The business area's main task is to establish brands and product concepts with an international perspective. The emphasis is on achieving profitable positions in selected niches on the international spirits market, usually for brands in the establishment phase of their life cycle.

International Brands' portfolio initially comprises the following four brands: Frïs Vodka, Danzka Vodka, Plymouth Gin and Xanté. Frïs Vodka has been developed by De Danske Spritfabrikker together with Allied Domecq. DDSF acquired the entire brand, thereby coming under V&S ownership with the acquisition of the Danish company at the end of 1999. The brand is primarily sold in the United States and Japan, and since V&S acquired Frïs it has enjoyed very favorable development both in terms of volume and profitability.

Volume calculated in shipments from the plant increased by 42 percent over the year.

Danzka Vodka second in Denmark

Danzka Vodka has a greater international spread with emphasis on the duty free and travel retail markets. Nonetheless, it also has a strong position as second in the Danish vodka market. The year 2000 the work to further develop and refine the concept has continued at a fast pace, and sales development has remained strong with a 10 percent increase in volume. The

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Gin was the world's most widely distributed and consumed gin. Also during World War II, the brand was very popular.

Danzka family also comprises the flavored products Danzka Grapefruit, Danzka Currant and Danzka Citron.

During 2000, V&S acquired half the shares in British Coates & Co, its main asset being the Plymouth Gin brand. The brand is strongly associated with Great Britain's era as a great seafaring nation and dates back to the end of the 18th century. In the latter part of the 19th century, Plymouth Gin was the world's most widely distributed and consumed gin. Also during World War II, the brand was very popular.

Regained position the goal for Plymouth Gin

In the mid-1990s efforts were initiated to regain this international position. Development has been good in recent years, particularly in Great Britain. Work is now focused on securing continued strong development outside the domestic market. Several interesting agreements have been concluded over the year with important operators in the duty free market. In the past year V&S has taken over distribution in Denmark and Sweden.

International Brand's portfolio of brands also includes Xanté Poire au Cognac, a major success particularly in Sweden. The Xanté Company AB is one of V&S's part-owned companies with the main task of marketing the brand. Development in Sweden has been very fast, and sales volume increased by 30 percent in 2000. Xanté has been the second best-selling liqueur at Systembolaget for two years, and is also very much in demand in the restaurant market.

Xanté is now progressing towards an international launch. This has already begun in the other Nordic markets, with extensive consumer interest and a powerful rate of increase. Launches outside the Nordic region will begin this year.

IMPORTED
FRÏS
VODKA
SKANDIA
FREEZE
DISTILLED
750 ML

The Environment

NEW ACQUISITIONS ENVIRONMENTALLY ASSESSED

The overall goal of the Company's environmental efforts – that V&S will be the industry's leading company in environmental matters, too – was firmly established throughout the Company in 2000, and resulted in a great deal of commitment on all levels to environmental issues. The following concrete goals are at the center of the Company's environmental initiatives: negative environmental impact in agriculture must be cut by 50 percent, energy consumption per produced liter must be reduced, and all personnel must receive continuous training in environmental issues.

During 2000, an analysis of V&S's newly acquired plants was initiated in order to map the operations' impact on the environment and to assess how the new acquisitions should be incorporated into our ongoing environmental management.

Energy consumption halved in Åhus

V&S's goal of cutting energy consumption by half by the year 2002 has already been achieved in Absolut production. The greatest reduction in energy was thanks to a new mash preparation line.

V&S's environmental aim is to actively contribute to a development that is sustainable in the long term. Health issues have been integrated with environmental work.

A project was initiated during the year which will form the basis for continued debate on how V&S can encourage responsible consumption of alcoholic beverages.

Over the year, a large amount of autumn wheat, cultivated in accordance with Swedish Sigill's criteria, has been bought for the production of Absolut. Swedish Sigill's criteria ensure high product quality and reduced negative impact on the environment.The special Christmas 2000 aquavit in the Reimersholms range, Tällbergs Festbrännvin, was made from organic wheat.

V&S VALUES

The values are guiding principles for how we work and act within V&S. The words, thoughts and actions of each individual should find support in these values.

Society

Our operation is run according to the laws and regulations that apply in each market. We strive to ensure good relations with the world around us. Care for the environment is a guiding principle, and we are constantly striving to minimize our impact on the environment.

Alcohol and health

Alcohol is a part of culture, and responsible consumption of alcoholic beverages is socially accepted. Used in the right way, our products are a positive element in peoples' social interaction. However, alcohol abuse can have negative consequences both for the person drinking and for society as a whole. We will therefore work to ensure responsible consumption of alcoholic beverages.

Consumers

The consumer pays our wages and therewith determines our level of success. Our products will therefore fulfill consumers' expectations, and we will be open and receptive so that we can quickly adapt to new demands. Our expertise and experience are the consumer's guarantee of quality. We aim to nurture and develop a positive drinking culture based on personal responsibility. Consumption of our products is a responsible pleasure.

Business relations

Our relations with customers, suppliers and other business partners will be characterized by

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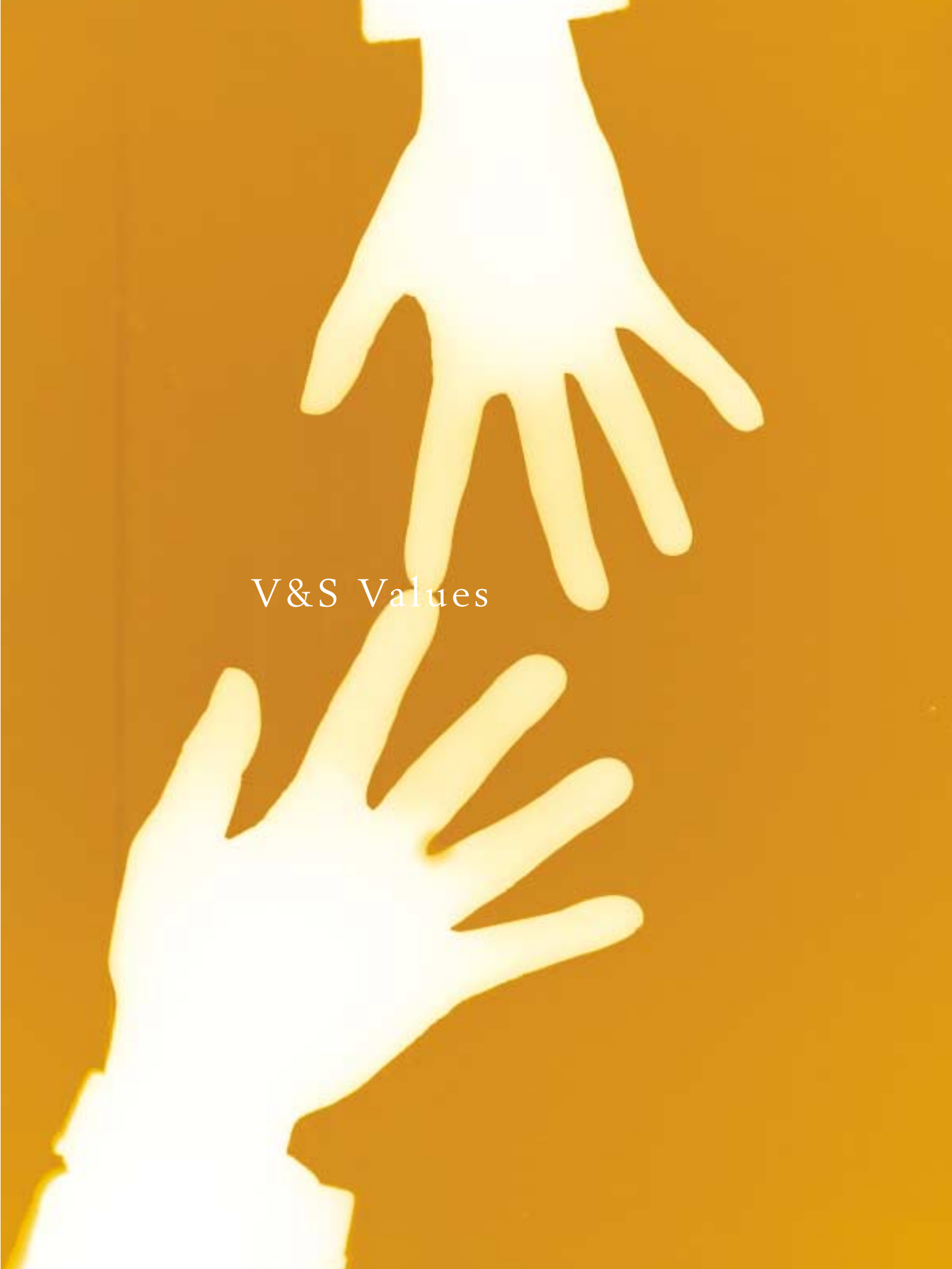


V&S Values

professionalism, respect and good ethics. We will strive to create long-term relations that produce mutual benefit, good financial results and opportunities for growth.

Leadership

Those entrusted with the task of leading others are clear in their communication. They also generate motivation and pleasure in work in their personnel. Leadership within V&S will encourage responsibility and development. Where we are in the Group, we all work towards a common goal. We do not build barriers between countries or different parts of the company, but rather respect and motivate one another.

Employees

Every V&S employee is a unique individual, and differences in sex, age, origin and nationality are assets. Competent, dedicated employees are basic requirements for us being able to attain the goals specified for both the company and the individual.

We feel responsible for our employees and focus on the whole person. Each employee is given the opportunity to learn and develop. The salary will be perceived as a fair reward for the work done, be in relation to the personal contribution.

Communication

Everyone within V&S will be aware of their part in the whole. Open, relevant information on the company's business goals and results will always be available. The employees also assume their own responsibility for and initiative in staying well-informed and maintaining their competence at a high level. Our employees are aware of the authority and demands associated with the job.

Group Management

Peter Lagerblad, CEO (1)

Svend Helmer, Nordic Distillers (2)

Anders Fredriksson, Nordic Wines (3)

Göran Lundqvist, The Absolut Company (4)

Mats Persson, New Markets (5)

Claes G Fick, International Brands (6)

Rolf Cassergren, Finance/Accounts & Executive Vice President (7)

Gunilla Winlund, Human Resources (8)

Göran Francke, IT (9)

Tommy Lindström, Operations (10)

Mats Andersson, Business Development (11)

Mikael Spångberg, Legal Affairs (12)

Margareta Nyström, Communications (13)

Board of Directors and Auditors

Directors

Chairman **Claes Dahlbäck,** born 1947, Vice Chairman, Investor. Elected 1991, Chairman 1993 (1)

Egon Jacobsson, born 1940, Vice Chairman, V&S Vin & Sprit AB. Elected 1983 (2)

Anders Björck, born 1944, First Deputy Speaker of Parliament. Elected 2000 (3)

Anita Johansson, born 1944, member of Swedish parliament. Elected deputy member 1987, ordinary member 1992 (4)

Peter Lagerblad, born 1944, CEO, V&S Vin & Sprit AB. Elected 1996 (5)

Christina Liffner, born 1950, Member of the Board of Nordbanken AB, Sveaskog AB and others. Elected 2000 (6)

Ebbe M Loiborg, born 1945, CEO, GB Glass AB. Elected 2000 (7)

Curt Malmborg, born 1951, State Secretary, Ministry of Finance. Elected 2000 (8)

Arne Mårtensson, born in 1951, CEO, Handelsbanken. Elected deputy member 1992, ordinary member 1993 (9)

Members appointed by employee organizations

Jan Lundin, born 1946, line employee, V&S Vin & Sprit AB. Elected 1998 (10)

Kurt Nilsson, born 1944, Visit Manager, V&S Vin & Sprit AB. Elected 2000 (11)

Deputy members appointed by employee organizations

Kenneth Peterson, born 1954, Director Logistics, V&S Vin & Sprit AB. Elected 2000 (12)

Roger Möller, born 1956, warehouse worker, V&S Vin & Sprit AB. Elected 2000 (13)

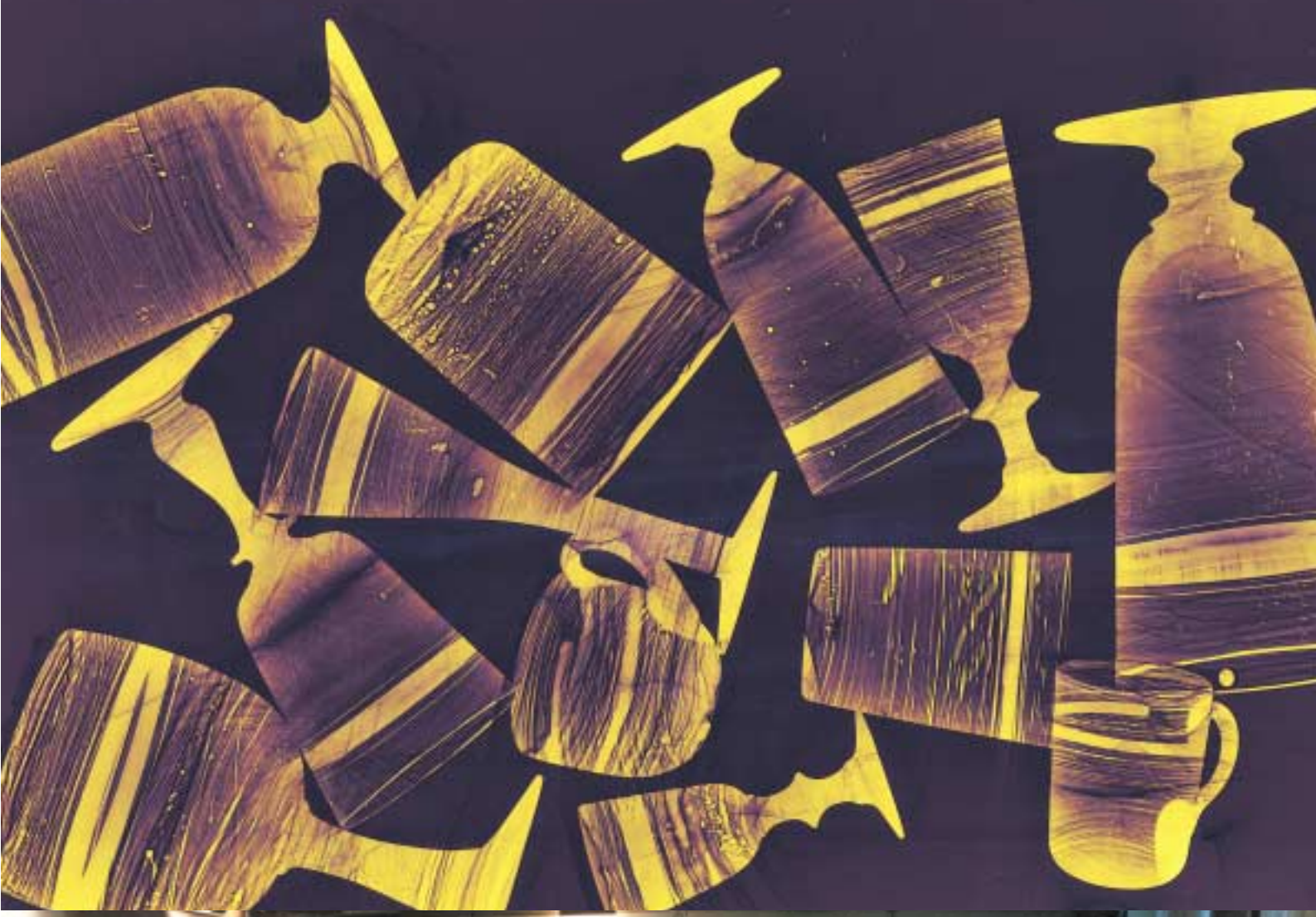
Auditors

Ernst & Young AB

Chief Auditor, **Björn Fernström,** born 1950, Authorized Public Accountant. Elected 1990

KPMG

Chief Auditor, **Owe Eurenius,** born 1943, Authorized Public Accountant. Elected 2000



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In 2000, sales volumes reached 131.6 (107.2) million liters. Of the total sales volumes, spirits accounted for 99.5 (78.3) and wine for 32.1 (28.9) million liters. The principle causes of increased spirits sales were the continued success of ABSOLUT and the acquisition of De Danske Spritfabrikker.

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

Board of Directors' Report

Review of Operations

Group

The V&S Group consists of the Parent Company V&S Vin & Sprit AB and its operating subsidiaries, De Danske Spritfabrikker A/S, Danish Distillers Berlin GmbH, Dynybyl SPOL, s.r.o., The Xanté Company AB, Svensk Sprit AB, Wydawnictwo Kron Sp.z.o.o, Tedeum Vin AB, Provinum AB, Provinum A/S and Coates & Co Ltd. Note 18 lists the companies in the Group. V&S Vin & Sprit AB is wholly owned by the Swedish state and is under the aegis of the Ministry of Finance.

The business activities of the V&S Group comprise the purchase, production, packaging, distribution and marketing of alcoholic beverages. Through De Danske Spritfabrikker, the manufacturer of cake, dry and vintner's yeast is also included. V&S has sales in Sweden and abroad.

Continued intense efforts have been made to adapt V&S to trends in the Nordic and international alcoholic beverage industry. See also under Significant Events.

V&S's biggest brand, ABSOLUT, has once again set new sales records. In 2000, volumes expanded 9 percent (14), making ABSOLUT the third biggest premium spirits brand in the world.

Following the acquisitions made in recent years, a review of the organization has been carried out. Activities within the Group have been reorganized over the year based on new business conditions. This has resulted in the following five business areas:

1. Nordic Distillers, focusing on its own domestic spirits brands in the Nordic region and Germany.
2. Nordic Wines, with a focus on building a Nordic agency portfolio for wines and developing its own wine-based brands, e.g. Blossa mulled wine and Amfora.
3. The Absolut Company, which focuses solely on ABSOLUT.
4. New Markets, with a focus on local distribution in selected strategic markets.
5. International Brands, focusing on brands with international potential.

The following units exist at Group level: Finance/Accounts, Business Development, Legal Affairs, IT, Operations, Human Resources and Communications. Service Centers have been established in Sweden and Denmark which support the businesses within the areas of accounting, human resources, IT and distribution.

Goals

The Company's vision states that V&S will be a profitable, world-class alcoholic beverage company. One goal has been to be one of the ten largest alcoholic beverage companies. The Company has carried out a number of important business transactions in accordance with established strategies over the past two years. The aim is primarily to broaden international business activities. Against the background of consolidation now taking place within the alcohol industry, positioning the Company among the major players is extremely important.

Through development and growth in recent years, we can now clearly begin to gauge where the V&S Group stands. Measured by the number of cases sold and various profit assessment methods, V&S is for the first time among the ten largest alcoholic beverage companies in the western world.

The Business Environment and Business Development

In recent years the alcoholic beverage industry has been characterized by mergers and sell-offs. The single largest event at the end of 2000 was the sale of Seagram Spirits and Wine, a giant in the alcohol industry. Operating on a mature market places demands on cost-effectiveness, the ability to innovate and reinvestment in brands. It is therefore essential to be an active participant in the ongoing process of change.

In conjunction with Seagram Spirits and Wine being sold off, V&S re-evaluated the strategies that have formed the basis of the distribution solution internationally. One of the evaluation's criteria was to increase control over the entire value chain.

After considering several different solutions, the decision was made to form a jointly-owned distribution company for the US market with Jim Beam Brands. For principal markets outside the United States, V&S has entered as a fourth partner in the distribution company Maxxium Worldwide B.V. (Maxxium). Maxxium was formed in 1999 by three alcohol beverages companies: Jim Beam Brands Worldwide Inc., (JBB), Rémy Cointreau (Rémy) and Highland Distillers Ltd (Highland). Maxxium currently operates in some 40 markets through wholly-owned subsidiaries and a number of other joint ventures. Maxxium was created by combining the existing distribution companies of the various stakeholders into a unit that spans the globe. This made it possible to achieve critical volumes in the form of transaction scale, improved geographical coverage, and a strength of portfolio none of

the other stakeholders could attain individually. Maxxium also takes on assignments for third parties. This structure has enabled each part-owner to maintain direct control over distribution and benefit from synergetic effects. Maxxium has been established with its own independent management and a head office in Amsterdam. The above distribution solution enables V&S to continue to work as an independent player in the global market. Increased control has been achieved throughout the value chain.

With the aim of strengthening the Nordic position, V&S acquired De Danske Spritfabrikker at the end of 1999. This established a sound base for developing traditional, classic brands and spirits categories characteristic of the Nordic beverage culture.

V&S continued its strategy for a Nordic domestic market at the beginning of 2001 by entering into an agreement to acquire Marli Group Oy. The acquisition is taking place in two stages. V&S is initially acquiring 32 percent of the shares, and former owner Rettig will retain the remaining shares until 2002. This acquisition has strengthened V&S's opportunities for offering wine and spirits producers a distribution solution for the entire Nordic market.

Sales and Earnings

In 2000, sales volumes reached 131.6 (107.2) million liters. Of the total sales volumes, spirits accounted for 99.5 (78.3) and wine for 32.1 (28.9) million liters. The principle causes of increased spirits sales were the continued success of ABSOLUT and the acquisition of De Danske Spritfabrikker. Furthermore, Xanté increased its sales by 30%. Xanté is marketed through the subsidiary The Xanté Company. The Group's sales volume includes 1.5 (2.6) million liters of Kron Vodka sold in Poland. Such sales earn V&S a royalty on the volume invoiced by the distributor, Seagram. Kron Vodka is manufactured and bottled in Poland.

The Group's invoiced sales excluding tax on alcohol increased by 42 percent in 2000. Thus, V&S passed the five-billion-kronor milestone, ending the year at SEK 5,711 (4,029) million in sales. Operating income after financial income and expenses totaled SEK 1,433 (964) million.

A factor contributing to healthier earnings has been the general strength of the US dollar vis-à-vis the Swedish krona in 2000. This boosted earnings by approximately SEK 175 (75) million. Other currency fluctuations have affected the results marginally.

Since demonopolization in 1995, the positive development has been achieved parallel to significant restructuring and the production of new strategies for V&S. The most comprehensive structural work has been the closure of two major production units, phasing out distribution for the entire alcohol industry in Sweden, and the formation of a new distribution solution.

The past few acquisitions have enabled the Group to reach a critical mass for nurturing businesses and support processes. None of the businesses acquired in 1999 affected sales or earnings on a whole-year basis, but pro forma sales and earnings have been calculated and are shown below in comparison with actual results for 2000.

Profit before minority interests (SEK million)	Actual 2000	Pro forma 1999
Net sales	5 711	5 100
Adjusted operating income*	1 403	1 018
Earnings adjusted after financial income and expenses*	1 387	968

** Adjusted for non-recurring items.*

Number of Employees

The number of employees based on the number of hours actually worked in 2000 was 1,375 (771). Salaries and other remuneration totaling SEK 458 (244) million were paid. The number of employees per country is shown in Note 1.

Financial Position

During 2000, V&S took further steps to realize its set strategies. This increased the need for external financing. The opening cash balance in 2000 amounted to SEK 2,753 million. By the end of the year this figure had fallen to SEK

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Over the past five years, sales and earnings have developed as follows:

Year	1996	1997	1998	1999	2000
Volume, mill. lit.	107,9	99,9	97,9	107,2	131,6
Net sales	3 166	3 224	3 447	4 029	5 711
Adjusted operating income*	284	658	722	1 061	1 403
Earnings for the year	173	497	861	690	934

** Operating income adjusted for non-recurring items.*

191 million. Liquidity decreased as a result of the payment made during the year regarding shares in De Danske Spritfabrikker, DDSF. Moreover, the loan taken in conjunction with the acquisition of DDSF has been amortized by SEK 915 million to SEK 743 million. The equity/assets ratio equaled 51 percent (30). As a part and consequence of V&S's continued development and integration in global distribution, a new credit framework has been agreed in 2001. See Significant Events After the End of the Fiscal Year.

Substantial investments were made in both tangible and intangible fixed assets. Fixed assets rose by SEK 797 million, to SEK 3,535 (2,738) million. The increase is primarily related to the brands and businesses acquired in 2000. The Group also invested in its existing fixed assets. Group investments, excluding acquisitions of subsidiaries and brands, totaled SEK 141 (121) million in 2000.

The V&S Group handles a large proportion of sales and beverage taxes, which entails considerable financing activity. Financing activities within the Group are governed by a financial policy. The objective of these activities is to directly support business operations with the aim of enhancing the Group's competitive advantage. Within predefined limits for financial risktaking, net financial income and expense are to be optimized, while the Group's foreign exchange and interest rate exposure are to be managed profitably. Financing activities are an integral part of operating activities. Liquid funds are invested in the Swedish money market, in interest-bearing securities with high liquidity issued by counterparties who are recorded in the financial policy. In 1999, a decision was made to transfer parts of the Parent Company's pension commitments to a recently formed pension fund. Financial activities are reported to and followed up by the Parent Company's finance committee, which includes the Chief Executive Officer, Controller and Treasurer. The Board of Directors is also provided with status reports on a regular basis.

V&S has considerable currency streams, mainly in US dollars. In accordance with established policy, currencies are secured under a forward contract up to six months on the forecast stream. During 2000, currency gains from the strong US dollar compared with 1999 amounted to SEK 175 (75) million.

Significant Events

The events that have had the greatest effect on V&S during 2000 are mainly:

- The acquisition of De Danske Spritfabrikker
- The acquisition of Plymouth Gin
- The transfer of distribution from Falkenberg to Stockholm
- The closure of the Falkenberg plant
- The proposal to sell off Seagram Spirits and Wine

The acquisition of 51 percent of De Danske Spritfabrikker was originally made on December 17, 1999. The remaining 49 percent was acquired on September 29, 2000 by exercising an option. At the beginning of the year thorough integration work was initiated with the aim of identifying beneficial synergies, enabling cost-effective logistics and a dynamic market organization. This work partly resulted in the new organizational structure for V&S, which is described above.

In February 2000, the fine traditional premium brand Plymouth Gin was acquired. V&S has initially acquired 50 percent of the shares in the company that owns the brand, although the Company has an agreement to buy the remaining 50 percent.

The Board of Directors decided to shut down the production and distribution plant in Falkenberg as far back as 1999. The decision was a consequence of legal sales of spirits dropping 50 percent in the 1990s, and competition for wine rising substantially. In this situation it was necessary to adjust the production capacity. The decision was implemented on July 1, 2000. Distribution has now been moved to rented premises in Årsta. This geographic reorganization creates opportunities to streamline handling, reduce lead times and increase the level of service to retail outlets. Moreover, the decision entailed the production that previously took place in Falkenberg being relocated to other production plants. The property in Falkenberg was sold at a minor profit with regard to book value.

The most significant event this year was however the proposal to sell off Seagram Spirits and Wine (Seagram). Seagram was one of the leading companies in the alcoholic beverage industry, with a very prominent position in the US market. The decision held direct consequences for V&S, which has worked successfully in many markets with Seagram as a distributor since 1994.

See significant Events after the end of the Fiscal year.

In 2000, the Polish state began selling off the national alcohol corporation that was converted into a company in 1999. V&S has been following this process closely for the past two years. As the Polish alcohol industry has not yet been consolidated and structures have not been created, V&S saw the strength

in cooperating with another experienced player. A business agreement has been entered into with German company Eckes AG, one of the biggest alcoholic beverage companies in Europe.

Significant Events After the End of the Fiscal Year

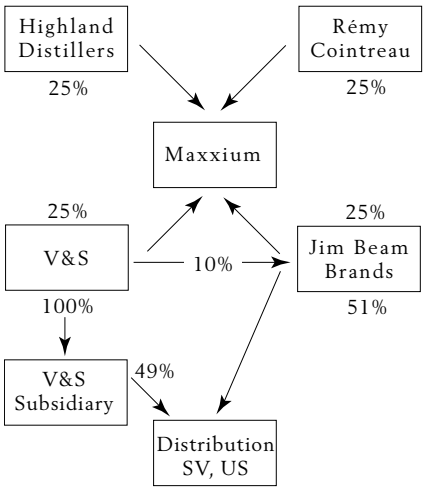
The following events took place in the Group in early 2001:

- Agreement to acquire Marli Group Oy
- Investment and part ownership in distribution company Maxxium Worldwide B.V.
- Formation of jointly-owned distribution company in the United States
- Acquisition of ten percent of Jim Beam Brands Worldwide Inc.

In the beginning of 2001, V&S realized a further stage in the structure the Company is striving to achieve in the Nordic region and northern Europe. Through the acquisition of the alcoholic beverage section of Marli Group Oy, V&S has gained a presence on the Finnish wine and spirits market, and the wines market in Denmark.

As a result of the development surrounding Seagram, comprehensive analysis work was carried out regarding possible future distribution structures. Based on the set criteria, the Board decided to enter as minority investor in international distribution company Maxxium, and to form a jointly-owned distribution company with JBB for the US market. With the aim of further strengthening the collaboration and developing market synergies, V&S has invested in ten percent of the shares in the brand and marketing company JBB. V&S thereby increases its control over the distribution chain, and the Company will benefit from the value created here.

In conjunction with acquiring shares in the US-based distribution company, the acquisition of shares in JBB, and going in as the fourth partner in Maxxium, another framework loan of USD 1 billion has been taken out. The initial short-term borrowing will be refinanced in 2001. The legal structure of the resulting constellation is shown in the following diagram:



Product Development and New Products

In a mature market, efforts to develop new products and enhance existing ones are a significant part of operations. Part of V&S's success in product development has been thanks to its sensory science laboratory, where old as well as new products are tested. The tests include, in addition to scientific analyses, tests for consumer panels and specialists. Integrated work between the Danish and Swedish companies began during 2000.

In keeping with tradition, a special Christmas aquavit was launched in Denmark for the 19th consecutive year, called Aalborg Jule Akvavit. A Christmas aquavit was also launched in the Swedish market for the seventh year in a row. The product for 2000 was called Tällbergs Festbrännvin.

In the wine business, several new V&S products were launched. The performance of the bag-in-box range was most outstanding. In 2000, the V&S brand Rabiega Rouge was voted "Wine of the Year" by Allt om Mat magazine.

In 1998, V&S was represented in the prestigious International Wine and Spirit Competition in London. This resulted in 10 medals and the distinction "Distiller of the Year". V&S also participated in 1999 and 2000, where its products received medals or were placed high in the rankings.

Environmental Impact

Based on its environmental policy, V&S works through action plans to actively contribute to a future that will encourage the sustainable use of natural resources. In 2000, a number of goals became manifest and work to develop working methods continued.

The Group operates two plants in the Parent Company in Sweden that must report on their activities, and two that must have permits in accordance with the Environment Protection Act. A subsidiary operates one plant that requires permits.

The operation at Åhus, which requires permits, is the production of crude alcohol and the distillation of alcoholic beverages, production of fruit wine, and the bottling of wine and spirits. These activities affect the environment through emissions into the air and water, noise, refuse and discharge of water into the public sewage system. The operations in Nöbbelöv that require permission produce crude alcohol. These

→

activities affect the environment through emissions into the air and water, odors, noise, discharge of water into the public sewage system, impact on the level of the water table, and raising the temperature of adjacent bodies of water. During the year 2000, an important permit has been renewed because of plans to build a feed plant to take care of draff in Nöbbelöv.

The two installations that must report on their activities are plants for mixing and bottling alcoholic beverages. During 2000, the plant in Falkenberg has been shut down and those operations have partly been concentrated at the plant in Sundsvall. Production there has increased from 10 million to 18 million liters per year. In conjunction with that, the operation's status is changing in the eyes of the Environment Protection Act, from being obligated to report on activities, to being obligated to have permits for operations.

The operations described above account for the overriding majority of the Parent Company's sales.

Operations in the subsidiary Svensk Sprit AB are an integral part of a manufacturing process controlled by the minority investor in Svensk Sprit AB, Ceramyl AB. Permits for those operations overall are held by Ceramyl AB. The permits cover the production of crude alcohol and activities that affect the environment through emissions to air and water and through noise, odors and refuse.

Work of the Board of Directors

In 2000, the Board of Directors had six ordinary board meetings. Each meeting is prepared by a working committee linked to the Board of Directors. The working committee includes the Chairman and Vice Chairman of the Board, the Ministry of Finance's representative on the Board, the Chief Executive Officer and one of the Board members appointed by the trade unions. The Board of Directors works according to a set procedure. Important matters during the year have been strategies, acquisitions and restructuring. In conjunction with the Annual General Meeting on April 14, 2000, Peter Lagerblad was appointed new Chief Executive Officer. The previous Chief Executive Officer Egon Jacobsson was elected Executive Vice Chairman. Moreover, the Board elected Rolf Cassergren Executive Vice President.

Parent Company

Invoiced sales rose by 15 percent reaching SEK 4,611 (4,007) million for 2000. Operating income after financial income and expenses and adjusted for non-recurring items grew to SEK 1,276 (1,112) million. The Parent Company's sales included SEK 7 (0) million in sales to subsidiaries. Purchases from subsidiaries equaled SEK 113 (42) million.

The earlier steep decline in the Swedish market for legal spirits leveled off. Despite this, Swedish Customs reported an increase in imports of illegal spirits. The total volume of spirits sold through retail outlets in 2000 was 22.9 (22.8) million liters. According to a number of independent surveys, trends throughout the 1990s resulted in more than 50 percent of volumes being transferred from legal domestic sales to other channels, including illegal channels. Cross-border trade resulting from differences in alcohol tax is becoming an increasingly important issue for operations in Denmark and Sweden.

The rise in the Company's invoicing resulted from ongoing success for Absolut. Behind this trend lies more reinvestment in the brand through marketing and other activities in selected markets, as well as significant efforts from our distributors, among whom Seagram is the biggest and has the greatest worldwide presence. Production capacity has been upgraded continuously to keep pace with estimated future demand.

Foreign Affiliates

V&S Vin & Sprit AB operates a vineyard and conference center in France: V&S Domaine Rabiega. Wine production at Domaine Rabiega represents the core business activity, although acreage at the Château d´Esclans vineyard is also rented.

Proposed Disposition of Earnings

The Board of Directors and Chief Executive Officer propose that the retained earnings of SEK 1,209,344,643.88 at the disposal of the Annual General Meeting are allocated as follows.

Dividend	455 000 000:00
[500 shares * SEK 910,000 per share]	
To be carried forward to the year 2001 accounts	754 344 643:88
Total	1 209 344 643:88

Of the Group's SEK 1,216,073 thousand in non-restricted equity, it is proposed that none be transferred to restricted reserves.

For additional information on the Company's earnings and financial position, please refer to the accompanying income statements, balance sheets and notes to the financial statements.

Consolidated Income Statement

Amounts in SEK thousands	Notes	2000	1999
Net sales	2	5 711 470	4 028 574
Change in work-in-progress, finished goods and work on contract		67 361	14 622
Other operating revenues	3	36 921	28 599
		5 815 752	4 071 795
Operating Expenses			
Raw materials and supplies		-1 500 698	-945 844
Merchandise		-191 918	-195 312
Other external expenses	4	-1 843 428	-1 401 877
Costs of personnel	1	-641 373	-381 857
Value adjustments of tangible and intangible assets	5	-235 041	-85 629
Non-recurring items	6	46 113	-143 234
Operating Profit		1 449 407	918 042
Profit from financial items			
Other interest income and similar items	7	98 556	53 863
Interest expenses and similar items	8	-114 791	-7 930
Profit before Taxes		1 433 172	963 975
Taxes on net profit	10	-437 185	-273 492
Acquired minority interest	11	-59 450	–
Minority share of net profit for the year		-2 359	-295
Net Profit for the Year		**934 178**	**690 188**

Consolidated Balance Sheet

Amounts in SEK thousands	Notes	31 Dec 2000	31 Dec 1999
ASSETS			
Fixed assets			
Intangible assets			
Brands	12	1 814 076	1 132 393
Goodwill	13	664 662	493 365
		2 478 738	1 625 758
Tangible assets			
Buildings, land and land improvements	14	489 525	534 726
Machinery and technical plant	15	473 974	504 400
Equipment	16	54 538	44 787
Construction in progress and advances for tangible fixed assets	17	22 351	27 816
		1 040 388	1 111 729
Financial assets			
Other long-term holdings of securities	19	325	50
Deferred income taxes recoverable		1 455	–
Bonus from SPP	6	13 963	–
		15 743	50
Total Fixed Assets		3 534 869	2 737 537
Current Assets			
Inventories etc.			
Raw materials and supplies		238 234	251 319
Semi-finished products		15 635	21 207
Finished goods and merchandise		285 674	244 985
		539 543	517 511
Current receivables			
Accounts receivable		1 353 005	1 145 395
Other receivables		18 547	16 711
Prepaid expenses and accrued revenues	20	74 824	61 973
		1 446 376	1 224 079
Short-term investments		9 555	506 070
Cash and bank balances		181 404	2 247 083
Total Current Assets		2 176 878	4 494 743
TOTAL ASSETS		**5 711 747**	**7 232 280**

Consolidated Balance Sheet

Amounts in SEK thousands	Notes	31 Dec 2000	31 Dec 1999
LIABILITIES, PROVISIONS AND STOCKHOLDERS' EQUITY			
Stockholders' Equity	21		
Restricted equity			
Capital stock		500 000	500 000
Restricted reserves		1 217 785	1 154 092
		1 717 785	1 654 092
Non-restricted equity			
Non-restricted reserves		281 895	-181 463
Net profit for the year		934 178	690 188
		1 216 073	508 725
Total Stockholders' Equity		2 933 858	2 162 817
Minority interest		10 501	115 384
Provisions			
Provisions for pensions and similar obligations	25	36 556	146 317
Provisions for deferred tax	31	425 648	404 456
Other provisions	26	54 869	154 305
		517 073	705 078
Long-Term Liabilities			
Bank overdraft facilities	27	743 999	1 642 014
Other liabilities	28	91 921	2 031
		835 920	1 644 045
Current Liabilities			
Accounts payable		429 546	337 337
Tax payable		151 176	130 689
Payable to credit institutions		–	279 499
Other liabilities	28	653 480	1 690 020
Accrued expenses and prepaid revenues	29	180 193	167 411
		1 414 395	2 604 956
Total provisions and liabilities		2 767 388	4 954 079
TOTAL LIABILITIES, PROVISIONS AND STOCKHOLDERS' EQUITY		**5 711 747**	**7 232 280**

Pledged Assets and Contingent Liabilities, Consolidated Accounts

Amounts in SEK thousands	31 Dec 2000	31 Dec 1999
Pledged Assets	None	None
Contingent Liabilities		
Guarantees, FPG/PRI	2 631	2 555
Surety bonds, others	32	36
Guarantee to the tax authority for possible excise taxes	31 002	31 002
Other contingent liabilities	41 297	43 308
	74 962	76 901

Consolidated Cash Flow Analysis

Amounts in SEK thousands	Notes	2000	1999
Operating activities			
Profit before financial income and expenses		1 449 407	918 042
Interest received		119 907	69 571
Interest paid		-115 571	-7 930
Adjustment for items not included in cash flow			
Bonus from SPP		-13 963	–
Depreciation, amortization and write-downs		235 041	85 629
Gain/Loss on sales of fixed assets		-18 619	-1 648
Increase/Decrease in provisions		-78 971	84 216
Other items		-105 997	11 956
Tax paid		-397 530	-186 570
Cash flow from operating activities before changes in working capital		1 073 704	973 266
Cash flow from changes in working capital			
Increase in inventories		-16 975	-15 068
Increase in receivables		-205 411	-139 878
Decrease in operating liabilities		-953 424	-9 996
Cash flow from operating activities		-102 106	808 324
Investing activities			
Acquisition of intangible fixed assets	18	-752 156	-223 998
Acquisition of tangible fixed assets	14-17	-141 492	-121 289
Acquisition of businesses	30	-198 887	-343 146
Sales of fixed assets		94 305	2 585
Cash flow from investing activities		-998 230	-685 848
Financing activities			
New loans		89 250	1 642 014
Amortization of debt		-1 193 636	-153
Transferred to pension fund		-130 226	–
Dividend paid		-230 000	-840 366
Cash flow from financing activities		-1 464 612	801 495
Cash flow for the year		-2 564 948	923 971
Cash and cash equivalents, opening balance		2 753 153	1 828 921
Exchange rate difference in cash and cash equivalents		2 754	261
Cash and cash equivalents, closing balance*	30	190 959	2 753 153

* Cash and cash equivalents comprises cash on hand and bank deposits of SEK 181,404 (2,247,083) thousand and short-term investments of SEK 9,555 (506,070) thousand.

V&S Vin & Sprit AB handles a large proportion of sales and beverage taxes, which entails considerable financing activity. Beverage taxes are reported net in the cash flow analysis above. In 2000, the Group paid SEK 3,615 (3,485) million in alcoholic beverage taxes.

Parent Company Income Statement

Amounts in SEK thousands	Notes	2000	1999
Net sales	2	4 610 646	4 007 219
Change in work-in-progress, finished goods and work on contract		55 286	16 593
Other operating revenues	3	25 183	28 373
		4 691 115	4 052 185
Operating Expenses			
Raw materials and supplies		-1 112 256	-952 156
Merchandise		-145 680	-194 142
Other external expenses	4	-1 575 900	-1 381 670
Costs of personnel	1	-401 724	-377 305
Value adjustments of tangible and intangible assets	5	-81 605	-81 147
Non-recurring items	6	42 565	-143 234
Operating Profit		1 416 515	922 531
Financial Income and Expenses			
Write-down of shares in subsidiaries		-31 560	–
Other interest income and similar items	7	47 717	54 230
Interest expenses and similar items	8	-113 793	-7 703
Profit after Financial Income and Expenses		1 318 879	969 058
Appropriations			
Appropriations	9	-9 666	-251 720
Profit before Taxes		1 309 213	717 338
Taxes on net profit	10	-333 307	-246 373
Net Profit for the Year		**975 906**	**470 965**

Parent Company Balance Sheet

Amounts in SEK thousands	Notes	31 Dec 2000	31 Dec 1999
ASSETS			
Fixed Assets			
Intangible assets			
Brands	12	204 780	217 351
Goodwill	13	201 831	214 643
		406 611	431 994
Tangible assets			
Buildings, land and land improvements	14	309 172	357 989
Machinery and technical plant	15	293 949	337 095
Equipment	16	29 212	21 206
Construction in progress and advances for fixed assets	17	6 256	14 741
		638 589	731 031
Financial assets			
Shares in Group companies	18	2 668 218	1 567 915
Receivables from Group companies		6 574	7 889
Other long-term holdings of securities	19	325	50
Deferred income taxes recoverable	31	18 391	–
Bonus from SPP	6	13 963	–
		2 707 471	1 575 854
Total Fixed Assets		3 752 671	2 738 879
Current Assets			
Inventories etc.			
Raw materials and supplies		150 389	173 447
Semi-finished products		–	3 702
Finished goods and merchandise		166 559	177 678
		316 948	354 827
Current receivables			
Accounts receivable		1 105 366	916 591
Receivables from Group companies		194 658	934 193
Other receivables		13 131	7 931
Prepaid expenses and accrued revenues	20	71 224	57 403
		1 384 379	1 916 118
Short-term investments		9 555	506 070
Cash and bank balances		76 760	257 196
Total Current Assets		1 787 642	3 034 211
TOTAL ASSETS		**5 540 313**	**5 773 090**

Parent Company Balance Sheet

Amounts in SEK thousands	Notes	31 Dec 2000	31 Dec 1999
LIABILITIES, PROVISIONS AND STOCKHOLDERS' EQUITY			
Stockholders' equity	21		
Restricted equity			
Capital stock (500 shares with a par value of SEK 1,000,000 each)		500 000	500 000
Legal reserve		100 000	100 000
		600 000	600 000
Non-restricted equity			
Results to be carried forward		233 439	-4 496
Net Profit for the Year		975 906	470 965
		1 209 345	466 469
Total Stockholders' Equity		1 809 345	1 066 469
Untaxed Reserves			
Accumulated excess depreciation	22	294 520	278 744
Tax allocation reserve	24	1 177 669	1 123 685
Tax equalization reserve	23	–	60 095
		1 472 189	1 462 524
Provisions			
Provisions for pensions and similar obligations	25	36 556	146 317
Other provisions	26	47 524	148 171
		84 080	294 488
Long-Term Liabilities			
Payable to Group companies		160 111	160 112
Bank overdraft facilities	27	742 773	1 642 014
Other liabilities	28	87 484	588
		990 368	1 802 714
Current Liabilities			
Accounts payable		299 738	237 488
Payable to Group companies		7 971	6 933
Tax payable		158 238	93 557
Other liabilities	28	554 504	644 101
Accrued expenses and prepaid revenues	29	163 880	164 816
		1 184 331	1 146 895
Total provisions and liabilities		3 730 968	4 706 621
TOTAL LIABILITIES, PROVISIONS AND STOCKHOLDERS' EQUITY		**5 540 313**	**5 773 090**

Pledged Assets and Contingent Liabilities, Parent Company

Amounts in SEK thousands	31 Dec 2000	31 Dec 1999
Pledged Assets	None	None
Contingent Liabilities		
Guarantees, FPG/PRI	2 631	2 555
Surety bonds on behalf of Group companies' excise taxes	10 462	10 462
Surety bonds, others	32	36
Guarantee to the tax authority for possible excise taxes	20 540	20 540
Other contingent liabilities	11 686	4 970
	45 351	38 563

Parent Company Cash Flow Analysis

Amounts in SEK thousands	Notes	2000	1999
Operating activities			
Profit before financial income and expenses		1 416 515	922 531
Interest received		69 085	69 938
Interest paid		-113 013	-7 703
Adjustment for items not included in cash flow			
Bonus from SPP		-13 963	–
Depreciation, amortization and write-downs		81 605	81 147
Gain/Loss on sales of fixed assets	6	-20 806	-1 648
Increase in pension provisions		20 465	–
Increase/Decrease in other provisions		-70 647	91 716
Other items		-22 519	43 640
Tax paid		-286 317	-185 617
Cash flow from operating activities before changes in working capital		1 060 405	1 014 004
Cash flow from changes in working capital			
Decrease/Increase in inventories		37 879	-15 827
Decrease/Increase in receivables		544 100	-702 531
Decrease in operating liabilities		-26 310	-476 469
Cash flow from operating activities		1 616 074	-180 823
Investing activities			
Acquisition of intangible fixed assets	12	–	-223 998
Acquisition of tangible fixed assets	14-17	-80 187	-158 617
Acquisition of subsidiaries	18	-1 131 863	-1 403 925
Merger of subsidiaries	18	–	111 040
Sales of fixed assets		107 212	2 585
Cash flow from investing activities		-1 104 838	-1 672 915
Financing activities			
New loans		86 896	1 642 014
Amortization of debt		-915 363	–
Transferred to pension fund		-130 226	–
Shareholder contributions paid		-1 230	-7 657
Dividend paid		-230 000	-840 366
Cash flow from financing activities		-1 189 923	793 991
Cash flow for the year		-678 687	-1 059 747
Cash and cash equivalents, opening balance		763 266	1 822 728
Exchange rate difference in cash and cash equivalents		1 736	285
Cash and cash equivalents, closing balance*	30	86 315	763 266

* Cash and cash equivalents comprises cash on hand and bank deposits of SEK 76,760 (257,196) thousand and short-term investments of SEK 9,555 (506,070) thousand.

V&S Vin & Sprit AB handles a large proportion of sales and beverage taxes, which entails considerable financing activity. Beverage taxes are reported net in the cash flow analysis above. In 2000, V&S Vin & Sprit AB paid SEK 3,358 (3,485) million in alcoholic beverage taxes.

Accounting Principles and Notes to the Financial Statements

All amounts in SEK thousands unless otherwise specified

General Accounting Principles

Assets, Provisions and Liabilities

Assets, provisions and liabilities have been valued at purchase cost unless otherwise specified below.

Taxes

The Group's total tax consists of taxes paid and deferred taxes. Appropriations have been omitted from the consolidated income statement, and untaxed reserves from the consolidated balance sheet. The tax component of these changes is reported with the tax expense in the income statement. Deferred tax is based on the corporate tax rate in the relevant country. Deferred tax is calculated for loss carry-forwards and temporary differences.

Non-Recurring Items

The income effects of specific events and transactions of material significance are specified within the relevant income concepts.

Hedging of Commercial Transactions

For future currency streams that are based on contracts and are hedged, exchange rate differences and premiums for hedging transactions are reported in the income statement for the same period as the underlying business transaction. Exchange rate differences are included in operating profit. See the Board of Directors' Report.

Inventories

Inventories are valued at purchase cost, based on the first-in first-out principle, or actual value, whichever is lower. Valuation takes into account the risk of obsolescence. The purchase cost of internally produced semi-finished and finished goods comprises the direct production costs as well as a reasonable charge for indirect production costs.

Receivables

Receivables are entered at the amount estimated to be paid, based on individual assessments.

Receivables and Liabilities Denominated in Foreign Currency

If a receivable or liability denominated in a currency other than Swedish kronor has been hedged, the rate for the forward contract is used to value the receivable or liability. Otherwise, receivables and liabilities in foreign currencies are valued at the closing rate of exchange unless a hedge has been contracted for a specific receivable or liability in the same currency.

Revaluation of Foreign Affiliates

The temporal method was used to translate the balance sheets and income statements of the Company's foreign affiliates. The resulting translation differences are charged directly to income.

Principles for Depreciating and Amortizing Fixed Assets

Depreciation and amortization according to plan are based on the original purchase cost and the estimated economic life. Write-downs are entered when there is a permanent deterioration in value. Differences between fiscal depreciation and amortization, and depreciation and amortization according to plan are reported as untaxed reserves.

Depreciation and amortization schedules are as follows:	Group	Parent Company
Intangible Assets		
Computer programs	expensed	expensed
Brands	5-20 years	20 years
Goodwill	7-20 years	20 years
Tangible Assets		
Buildings and land improvements	40 years	40 years
Tanks	20 years	20 years
Machinery and technical plant	10 years	10 years
Equipment	3-5 years	5 years

The longer depreciation and amortization schedules for brands and goodwill are used in the acquisition of well-established brands and companies with a significant market position. Shorter depreciation and amortization schedules are used for acquisitions of brands and companies with a less strong market position. The value of brands and goodwill is re-examined annually and if necessary is written down, or the depreciation and amortization schedule adjusted.

Short-Term Investments

In accordance with the Annual Accounts Act, cash investments are valued at the lower of the purchase cost or actual value. The Company's investments consist of treasury bills, commercial papers and bonds.

Consolidated Financial Statements

The consolidated financial statements were prepared in accordance with Recommendation 1:96 of the Swedish Financial Accounting Standards Council. These financial statements comprise all companies in which the Parent Company, directly or through a subsidiary, controls more that 50 percent of the votes, or in some other way has a decisive influence, as defined by the Annual Accounts Act 1:4.

The consolidated financial statements were prepared in accordance with the purchase method. Income from during the year acquired companies has been included in the consolidated income statement as of the time of the acquisition.

Group contributions are reported in accordance with Swedish Financial Accounting Standards Council´s statement.

Translation of Foreign Affiliates

The accounts of foreign subsidiaries have been translated in accordance with the current method. When applying the current method, all assets, provisions and other liabilities are translated at the closing rate of exchange and all items in the financial statements are translated at the average exchange rate. Any translation differences are entered directly against stockholders' equity.

Note 1
Employees and Costs of Personnel

Average number of employees	2000	of which men	1999	of which men
Parent Company				
Sweden	663	67%	699	71%
France	25	64%	23	65%
Total in Parent Company	688	67%	722	68%
Subsidiaries				
Sweden	8	63%	3	33%
Czech Republic	50	30%	45	13%
Denmark	549	60%	–	
Germany	64	59%	–	
Great Britain	10	40%	–	
Norway	6	83%	1	100%
Total in subsidiaries	687	57%	49	16%
Group total	**1 375**	**62%**	**771**	**65%**

Salaries, other remuneration and social security expenses	2000		1999	
	Group	Parent Company	Group	Parent Company
Salaries	458 410	249 915	244 322	241 206
Social security expenses	107 225	97 109	92 346	91 363
Pension expenses	45 543	32 398	21 401	21 168
Other personnel expenses	30 195	22 302	23 788	23 568
Total expenses	**641 373**	**401 724**	**381 857**	**377 305**

	2000		1999	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	249 915	129 507	241 206	112 531
(pension expenses)		(32 398)[1]		(21 168)[1]
Subsidiaries	208 495	23 261	3 116	1 215
(pension expenses)		(13 145)		(232)
Group total	**458 410**	**152 768**	**244 322**	**113 746**
(pension expenses)		(21 400)[2]		(45 543)[2]

1) Of the Parent Company's pension expenses, 1,002 (744 in 1999) refers to the CEO, Vice CEO and Vice Chairman of the Board.

2) Of Group pension expenses, 2,546 (897 in 1999) refers to the CEO, Vice CEO and Board. Of this amount, bonuses account for 0 (0).

Salaries and other remuneration by country, paid to board members etc. and personnel.	2000 Board and CEO	2000 Other employees	1999 Board and CEO	1999 Other employees
Parent Company				
Sweden	6 609	236 497	3 605	231 358
France	–	6 809	–	6 243
Total in Parent Company	6 609	243 306	3 605	237 601
Subsidiaries				
- in Sweden	1 719	2 074	789	683
- outside Sweden	7 477	197 225	105	1 539
Total in subsidiaries	9 196	199 299	894	2 222
Group total	**15 805**	**442 605**	**4 499**	**239 823**

The CEO, who took up his position in April, received a monthly salary of SEK 180 thousand and the use of a company car. Pension obligations from the Company entitle the CEO to a pension equal to 70 percent of salary from the age of 60. Upon notice of termination, the CEO is entitled to severance pay of up to two years' salary. Any remuneration that the CEO earns from subsequent employment, including pension benefits, will be subtracted from the severance pay.

The former CEO, thereafter executive Vice Chairman of the Board, has received a monthly salary of SEK 195 thousand and the use of a company car. Pension obligations from the Company entitle him to a pension equal to 75 percent of salary from the age of 60.

Some members of Group Management are guaranteed pension benefits through a general pension plan, as well as individual pensions and the option to retire at the age of 60. In those cases, pension benefits equal 70 percent of salary. Upon notice of termination, some members of Group Management are entitled to severance pay of two years' salary, including the period of notice.

The Chairman of the Board is paid a fixed fee of SEK 130 thousand annually, and other members of the Board a fixed fee of SEK 65 thousand annually. Members who are also on the working committee linked to the Board of Directors receive an additional fee of SEK 18 thousand per year.

Fees and reimbursement paid to the Company's auditors

	2000	1999
Group		
KPMG		
Audit assignments	750	–
Other assignments	953	–
Ernst & Young		
Audit assignments	766	1 220
Other assignments	1 376	6 147
Price Waterhouse Coopers		
Audit assignments	–	242
Other assignments	–	115
	3 845	**7 724**
Parent Company		
KPMG		
Audit assignments	220	–
Other assignments	760	–
Ernst & Young		
Audit assignments	720	1 070
Other assignments	1 297	5 975
	2 997	**7 045**

"Audit assignments" refers to the audit of the annual report and bookkeeping records as well as a review of the administration by the CEO and Board of Directors, other tasks that are the responsibility of the Company's auditors, and other advice or assistance brought about by observations from such audits and or performance of other tasks. All other work is "other assignments".

Note 2
Net Sales by Business and Market

	2000	1999
Group		
Net sales by business		
Wines	714 136	698 537
Spirits	4 637 284	3 318 590
Other	360 050	11 447
	5 711 470	**4 028 574**
Net sales by market		
Sweden	1 274 059	1 196 804
Rest of Nordic region/Baltic States	723 770	69 448
Rest of Europe, Africa	733 118	315 817
North America	2 768 593	2 294 700
South America	144 004	113 674
Asia	67 926	38 131
	5 711 470	**4 028 574**
Parent Company		
Net sales by business		
Wines	611 980	696 452
Spirits	3 953 631	3 299 567
Other	45 035	11 200
	4 610 646	**4 007 219**
Net sales by market		
Sweden	1 217 945	1 194 776
Rest of Nordic region/Baltic States	55 174	50 121
Rest of Europe, Africa	422 942	315 817
North America	2 715 837	2 294 700
South America	139 744	113 674
Asia	59 004	38 131
	4 610 646	**4 007 219**

V&S Vin & Sprit AB focuses its operations on the market for alcoholic beverages. In some countries, alcoholic beverage taxes are levied on the sale of wine, spirits and beer. In 2000, V&S Vin & Sprit AB remitted SEK 3,358 (3,485) million in beverage taxes in Sweden. Otherwise, the Group handles alcoholic beverage tax of a lesser extent, approximately SEK 250 million.

Note 3
Other Operating Revenues

	2000	1999
Group		
Freight costs billed to customers	8 510	15 166
Sales of fixed assets	739	–
Sales of pallets and crates	5 181	–
Rental income	3 561	–
Licensing income	2 587	–
Energy contribution	1 975	–
Other	14 368	13 433
	36 921	**28 599**
Parent Company		
Freight costs billed to customers	8 510	15 166
Sales of fixed assets	672	–
Sales of pallets and crates	5 181	–
Rental income	1 270	–
Other	9 550	13 207
	25 183	**28 373**

Note 4
Leasing Fees for Operating Leases

	2000	1999
Group		
Property and premises held through operating leases		
Leasing fees paid during the fiscal year	19 233	4 941
Contractual leasing fees for years 1-4	49 634	16 995
Contractual leasing fees for years 5 and later	6 188	3 872
Equipment held through operating leases		
Leasing fees paid during the fiscal year	6 744	–
Contractual leasing fees for years 1-4	20 381	–
Contractual leasing fees for years 5 and later	34	–

Pertains to rent on four properties, three in Stockholm and one in Copenhagen, and rent for land in France. One of the agreements for property rental in Stockholm was signed in 2000. A low level of premises rental is also included. The rental contracts are index-linked and any taxes on property are excluded. Equipment refers to computer equipment in Copenhagen, for which contracts were concluded in 2000. Standard car leasing and rental of office machinery are not included.

Parent Company		
Property and premises held through operating leases		
Leasing fees paid during the fiscal year	11 460	4 941
Contractual leasing fees for years 1-4	40 525	16 995
Contractual leasing fees for years 5 and later	6 188	3 872

Pertains to rent on three properties, all located in Stockholm, and rent for land in France. One of the agreements for property rental in Stockholm was signed in 2000. The rental contracts are index-linked and any taxes on property are excluded. Standard car leasing and rental of office machinery are not included.

Note 5
Value Adjustments of Tangible and Intangible Assets

	2000	1999
Group		
Brands	-73 902	-6 919
Goodwill	-51 703	-13 807
- amortization component	*-23 940*	–
Buildings and land improvements	-24 922	-11 282
- depreciation component	*-3 942*	–
Machinery and technical plant	-68 553	-47 244
- depreciation component	*-3 540*	–
Equipment, tools and installations	-15 961	-6 377
- depreciation component	*-1 478*	–
	-235 041	**-85 629**
Parent Company		
Brands	-12 571	-6 647
Goodwill	-12 812	-12 812
Buildings and land improvements	-9 986	-10 980
Machinery and technical plant	-39 855	-44 474
- depreciation component	-3 540	–
Equipment, tools and installations	-6 381	-6 234
	-81 605	**-81 147**

Note 6
Non-Recurring Items

	2000	1999
Group		
Bonus from SPP	30 561	–
Costs of restructuring, closing down Falkenberg	20 552	-152 134
Provision/reversal of provisions for disputes	-5 000	8 900
	46 113	**-143 234**
Parent Company		
Bonus from SPP	27 013	–
Costs of restructuring, closing down Falkenberg	20 552	-152 134
Provision/reversal of provisions for disputes	-5 000	8 900
	42 565	**-143 234**

Bonus from SPP has been entered as income: MSEK 30,561 in the Group and MSEK 27,013 in the Parent Company. During 2000, 6,593 has been paid out in the Group and 5,825 in the Parent Company. Thereafter, the whole Group's receivable was transferred to the Parent Company which then used 691 for payment. The remaining amount, 23,277, of which 13,963 is reported as a long-term receivable, is expected to be used in the next three years. The amount is computed at the present value.

The income reported under "Costs of restructuring, closing down Falkenberg" this year, pertains to profits from the sale of property which was not valued at the corresponding amount in last year's costs reserve for the closure.

Note 7
Other Interest Income and Similar Items

	2000	1999
Group		
Other interest income	98 547	53 854
Dividend paid	9	9
	98 556	**53 863**
Parent Company		
Interest income, Group companies	10 930	512
Other interest income	36 778	53 709
Dividend paid	9	9
	47 717	**54 230**

Note 8
Interest Expenses and Similar Items

	2000	1999
Group		
Interest portion of pension expense for the year	-3 840	-6 112
Interest expenses	-110 951	-1 818
	-114 791	**-7 930**
Parent Company		
Interest expenses, Group companies	-112	-36
Interest portion of pension expense for the year	-3 840	-7 668
Interest expenses	-109 841	1
	-113 793	**-7 703**

Note 9
Appropriations

	2000	1999
Difference between depreciation reported and according to plan		
- Buildings and land improvements	-4 638	-6 619
- Machinery and equipment	-11 139	-86 156
Tax allocation fund for the year	-53 984	-219 040
Reversal of tax equalization reserve	60 095	60 095
	-9 666	**-251 720**

Note 10
Taxes on Net Profit

	2000	1999
Group		
Tax paid	-418 017	-246 391
Deferred tax	-19 168	-27 101
	-437 185	**-273 492**
Parent Company		
Tax paid	-350 998	-246 373
Estimated tax on Group contribution	-700	–
Deferred tax	18 391	–
	-333 307	**-246 373**

Note 11
Acquired Minority Interest

Acquired minority interest refers to the minority's proportion of the income for De Danske Spritfabrikker A/S during the period 1 January 2000 to the point at which V&S acquired the minority interest on September 29, 2000.

Note 12
Brands

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	1 139 890	223 998
New acquisitions	717 848	–
Acquired through corporate acquisitions	2 816	–
Reclassifications	12 607	–
Translation difference for the year	26 450	–
	1 899 611	223 998
Accumulated amortization according to plan		
At the beginning of the year	-7 497	-6 647
Acquired through corporate acquisitions	-796	–
Reclassifications	-601	–
Amortization according to plan for the year	-73 902	-12 571
Translation difference for the year	-2 739	–
	-85 535	-19 218
Residual value at year-end according to plan	**1 814 076**	**204 780**

Note 13
Goodwill

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	537 014	256 243
Acquired through corporate acquisitions	1 905	–
Acquisition of businesses	226 106	–
Reclassifications	-12 607	–
Translation difference for the year	7 965	–
	760 383	256 243
Accumulated amortization according to plan		
At the beginning of the year	-43 649	-41 600
Acquired through corporate acquisitions	-313	–
Reclassifications	601	–
Amortization according to plan for the year	-27 763	-12 812
Translation difference for the year	-657	–
	-71 781	-54 412
Accumulated amortization		
At the beginning of the year	–	–
Amortization for the year	-23 940	–
	-23 940	–
Residual value at year-end according to plan	**664 662**	**201 831**

Note 14
Buildings, Land and Land Improvements

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	845 368	644 654
New acquisitions	28 112	20 826
Acquired through corporate acquisitions	6 186	–
Sales and disposals	-209 763	-209 399
Reclassifications	1 466	–
Translation difference for the year	5 712	–
	677 081	456 081
Accumulated depreciation according to plan		
At the beginning of the year	-193 427	-169 450
Acquired through corporate acquisitions	-469	–
Sales and disposals	32 576	32 527
Translation difference for the year	-1 314	–
Depreciation on purchase cost according to plan for the year	-20 980	-9 986
	-183 614	-146 909
Accumulated write-downs		
At the beginning of the year	-117 215	-117 215
Sales and disposals	117 215	117 215
Write-downs for the year	-3 942	–
	-3 942	–
Residual value at year-end according to plan	**489 525**	**309 172**
Tax-assessed value of buildings and land (in Sweden)	174 954	172 439
Properties held under financial leases included in the above	None	None

Note 15
Machinery and Technical Plant

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	1 316 179	1 093 329
New acquisitions	85 460	46 697
Acquired through corporate acquisitions	1 977	–
Reclassifications	-5 559	-5 517
Sales and disposals	-296 274	-292 075
Translation difference for the year	6 148	–
	1 107 931	842 434
Accumulated depreciation according to plan		
At the beginning of the year	-593 008	-550 385
Acquired through corporate acquisitions	-825	–
Reclassifications	–	8 123
Sales and disposals	36 228	33 632
Reclassifications	8 155	–
Depreciation on purchase cost according to plan for the year	-65 013	-36 315
Translation difference for the year	-3 032	–
	-617 495	-544 945
Accumulated write-downs		
At the beginning of the year	-218 771	-205 849
Sales and disposals	205 849	205 849
Write-downs for the year	-3 540	-3 540
	-16 462	-3 540
Residual value at year-end according to plan	**473 974**	**293 949**
Machinery held under financial leases included in the above	None	None

Note 16
Equipment

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	120 282	80 938
New acquisitions	25 243	14 113
Sales and disposals	-3 883	-1 569
Reclassifications	5 486	9 008
Translation difference for the year	1 247	–
	148 375	102 490
Accumulated depreciation according to plan		
At the beginning of the year	-75 495	-59 732
Sales and disposals	3 266	958
Reclassifications	-4 592	-8 123
Depreciation on purchase cost according to plan for the year	-14 503	-6 381
Translation difference for the year	-1 055	–
	-92 379	-73 278
Accumulated write-downs		
At the beginning of the year	–	–
Write-downs for the year	-1 458	–
	-1 458	–
Residual value at year-end according to plan	**54 538**	**29 212**
Equipment held under financial leases included in the above	None	None

Note 17
Construction in Progress and Advances for Fixed Assets

	Group	Parent Company
At the beginning of the year	27 816	14 741
New acquisitions	2 677	–
Sales and disposals	-3 544	-3 544
Reclassifications	-4 941	-4 941
Translation difference for the year	343	–
	22 351	**6 256**

Note 18
Shares in Group Companies

	Parent Company
Accumulated purchase cost	
At the beginning of the year	1 567 915
Purchases	1 131 863
	2 699 778
Accumulated amortization	
At the beginning of the year	–
Amortization for the year	-31 560
	-31 560
Book value at year-end	2 668 218

Purchases pertain to the acquisition of the remaining share items in De Danske Spritfabrikker A/S and Tedeum Vin AB, as well as the purchase of 50 percent of the shares in Coates & Co Ltd. Amortization has taken place for the shares in Dynybyl SPOL, s.r.o.

Specification of Parent Company and Group holdings of shares in Group companies

Subsidiary /Co. reg. no./Reg'd office	Shareholding pctg.	Book value
De Danske Spritfabrikker A/S, Denmark	100,0	1 842 729
A/S Dansk Gaeringindustri, Denmark	100,0	
Frïs Skandia A/S, Denmark	100,0	
Danish Distillers Berlin GmbH, Germany	100,0	443 742
Coates & Co Ltd, Great Britain	50,0	201 262
Dynybyl SPOL s.r.o., Czech Republic	100,0	11 702
Wydawnictwo Kron Sp.z.o.o, Poland	100,0	4 181
Rabiega Negociant, France	100,0	71
Provinum AB, 556335-1229, Stockholm	100,0	160 000
Provinum A/S, Norway	100,0	
Provinum ApS, Denmark	100,0	
Svensk Sprit AB, 556036-0579, Lidköping	92,0	110
Amfora Vinhus AB, 556481-1460, Stockholm	100,0	100
Tedeum Vin AB, 556243-3564, Stockholm	100,0	3 391
The Xanté Company AB, 556477-6994, Gothenburg	51,0	520
Dormant companies	100,0	410
		2 668 218

Note 19
Other Long-Term Holdings of Securities

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	50	50
Assets acquired	275	275
Book value at year-end	**325**	**325**

Specification of Parent Company and Group holdings of shares and participations

Associated companies /Co. reg. no./Reg'd office	Shareholding quantity	pctg.	Book value Group	Book value Parent Company
Directly held				
Åhus Stuveriintressenter AB 556039-8256, Kristianstad	880	7,0%	–	–
V&S Pension fund			50	50
Brf Selen, Sundsvall			275	275
Hemfjällsbyn i Sälen co-op 716413-0804, Sälen	3		–	–
Shares in tenant-owner associations	8		–	–
			325	325

Note 20
Prepaid Expenses and Accrued Revenues

	31 Dec 2000	31 Dec 1999
Group		
Prepaid insurance premiums	1 988	2 384
Prepaid rent	1 857	–
Prepaid pension payments	9 875	5 390
Prepaid marketing expenses	45 031	27 710
Accrued interest income	389	5 618
Other items	15 684	20 871
	74 824	**61 973**
Parent Company		
Prepaid insurance premiums	609	1 411
Prepaid rent	1 309	–
Prepaid pension payments	9 843	5 390
Prepaid marketing expenses	45 031	27 710
Accrued interest income	363	5 618
Other items	14 069	17 274
	71 224	**57 403**

Note 21
Stockholders' Equity

	Capital stock	Restricted reserves	Non-restricted equity
Group			
At the beginning of the year	500 000	1 154 092	508 725
Dividend paid			-230 000
Transfer between restricted and non-restricted equity		7 657	-7 657
Net profit for the year			934 178
Translation difference for the year		56 036	10 827
At year-end	**500 000**	**1 217 785**	**1 216 073**

The Group's stockholders' equity has been affected by the translation differences arising during the application of the current method. The total translation difference for stockholders' equity since the beginning of 1999 amounts to SEK 66,641 million.

	Capital stock	Legal reserve	Profit brought forward
Parent Company			
At the beginning of the year	500 000	100 000	466 469
• Dividend			-230 000
• Shareholder contributions			-1 230
• Group contributions, net			-2 500
• Estimated net tax on Group contributions		–	700
Net profit for the year			975 906
At year-end	**500 000**	**100 000**	**1 209 345**

Note 22
Accumulated Excess Depreciation

	31 Dec 2000	31 Dec 1999
Buildings and land improvements	84 378	79 741
Machinery and equipment	210 142	199 003
	294 520	**278 744**

Note 23
Tax Equalization Reserve

	31 Dec 2000	31 Dec 1999
Tax equalization reserve	–	60 095
	–	**60 095**

Note 24
Tax Allocation Reserve

	31 Dec 2000	31 Dec 1999
Tax allocation reserve, provision in 1995 taxes	–	259 316
Tax allocation reserve, provision in 1996 taxes	182 786	182 786
Tax allocation reserve, provision in 1997 taxes	166 102	166 102
Tax allocation reserve, provision in 1998 taxes	132 841	132 841
Tax allocation reserve, provision in 1999 taxes	163 600	163 600
Tax allocation reserve, provision in 2000 taxes	219 040	219 040
Tax allocation reserve, provision in 2001 taxes	313 300	–
	1 177 669	**1 123 685**

Note 25
Provisions for Pensions and Similar Obligations

	31 Dec 2000	31 Dec 1999
Group and Parent Company		
Pensions secured by PRI Fund	126 258	–
Less: Capital in the pension fund	-126 668	–
	-410	**–**
Pension debt in accordance with Swedish law on safeguarding of pension commitments		
PRI	5 273	127 723
Other pensions	31 283	18 594
	36 556	**146 317**

In the last quarter of 1999, V&S Vin & Sprit AB formed a pension fund and paid in SEK 130,226 thousand. Compensation amounting to SEK 4,500 thousand has been paid by the fund to V&S Vin & Sprit AB.

Note 26
Other Provisions

	31 Dec 2000	31 Dec 1999
Group		
Restructuring costs for shutting down Falkenberg plant	34 024	138 671
Estimated cost of land reclamation	10 000	5 000
Estimated debts to customers for returnable bottles outstanding	6 346	–
Provision for disputes in progress	3 500	4 500
Other provisions	999	6 134
	54 869	**154 305**
Parent Company		
Restructuring costs for shutting down Falkenberg plant	34 024	138 671
Estimated cost of land reclamation	10 000	5 000
Provision for disputes in progress	3 500	4 500
	47 524	**148 171**

Note 27
Bank Overdraft Facilities

	31 Dec 2000	31 Dec 1999
Group		
Credit limit granted	1 889 793	1 831 646
Unused credit	-1 145 794	-189 632
Used credit	**743 999**	**1 642 014**
Parent Company		
Credit limit granted	1 888 567	1 831 646
Unused credit	-1 145 794	-189 632
Used credit	**742 773**	**1 642 014**

Note 28
Other Liabilities, Long-Term and Short-Term

	31 Dec 2000	31 Dec 1999
Group		
Alcoholic beverage taxes	468 488	537 103
Value-added tax	143 005	176 808
Debt to Danisco A/S	–	888 078
Long-term debt	87 284	–
Other	46 624	90 062
	745 401	**1 692 051**
Parent Company		
Alcoholic beverage taxes	426 024	489 145
Value-added tax	117 900	138 329
Long-term debt	87 284	–
Other	10 780	17 215
	641 988	**644 689**

Note 29
Accrued Expenses and Prepaid Revenues

	31 Dec 2000	31 Dec 1999
Group		
Vacation pay and related liability	14 569	21 053
Accrued personnel costs	24 840	20 354
Accrued employer's social security contributions	7 204	7 101
Income tax on pension premiums	3 916	3 060
Marketing expenses and royalties	86 516	69 369
Other items	43 148	46 474
	180 193	**167 411**
Parent Company		
Vacation pay and related liability	14 375	20 916
Accrued personnel costs	22 071	20 354
Accrued employer's social security contributions	7 034	6 954
Income tax on pension premiums	3 916	3 060
Marketing expenses and royalties	79 136	69 204
Other items	37 348	44 328
	163 880	**164 816**

Note 30
Additional Information for the Cash Flow Analysis

According to the acquisition analysis, the value of assets and liabilities acquired was as follows:

Fixed assets	204 845
Liquid funds	2 588
Other current assets	4 878
Long-term liabilities	-7 642
Current liabilities	-3 194
Purchase price paid	201 475
Liquid funds in the companies acquired	-2 588
Effect on the Group's liquid funds	198 887

Note 31
Provisions for Deferred tax

	31 Dec 2000	31 Dec 1999
Group		
Deferred tax on untaxed reserves	413 303	409 690
Deferred tax liability on temporary differences	30 736	38 100
Deferred tax benefit on temporary differences	-18 391	-44 423
Other	–	1 089
	425 648	**404 456**
Parent Company		
Deferred tax benefit on temporary differences	-18 391	–
	-18 391	

Temporary differences arise when the tax effective value of an asset or liability differs from the value reported in the accounts. Deferred tax is based on the corporate tax rate in the relevant country.

Stockholm

March 14, 2000

Claes Dahlbäck
Chairman

Anders Björck

Egon Jacobsson

Anita Johansson

Christina Liffner

Ebbe M Loiborg

Jan Lundin
Employee representative

Curt Malmborg

Arne Mårtensson

Kurt Nilsson
Employee representative

Peter Lagerblad
Chief Executive Officer

Our auditors´ report was submitted on March 14, 2001

KPMG
Owe Eurenius
Authorized Public Accountant

Ernst & Young AB
Björn Fernström
Authorized Public Accountant

Audit Report

To the general meeting of
the shareholders of
V&S Vin & Sprit AB

Corporate identity
number 556015-0178

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the board of directors and the managing director of V&S Vin & Sprit AB for the year 2000. These accounts and the administration of the company are the responsibility of the board of directors and the managing director. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain reasonable assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the board of directors and the managing director, as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the managing director. We also examined whether any board member or the managing director has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts and the consolidated accounts have been prepared in accordance with the Annual Accounts Act and, thereby, give a true and fair view of the company's and the group's financial position and results of operations in accordance with generally accepted accounting principles in Sweden.

We recommend to the general meeting of shareholders that the income statements and balance sheets of the parent company and the group be adopted, that the profit for the parent company be dealt with in accordance with the proposal in the administration report and that the members of the board of directors and the managing director be discharged from liability for the financial year.

Stockholm, March 14, 2001

KPMG
Owe Eurenius
Authorized Public Accountant

Ernst & Young AB
Björn Fernström
Authorized Public Accountant

Key Ratios for the Group

Five-Year Summary			2000	1999	1998	1997	1996
Yield Ratios							
Return on stockholder's equity	1)	%	37,3	35,9	26,5	27,6	20,8
Return on total assets	2)	%	23,1	20,2	21,3	20,4	16,8
Earnings Ratios							
Operating income/sales	3)	%	24,5	26,6	20,5	19,9	15,5
Costs of personnel/sales	4)	%	11	9	9	9	9
Capital Turnover							
Turnover rate of capital	5)	times/year	0,88	0,72	0,94	0,96	0,94
Sales/employee	6)	SEK mn	4,2	5,2	4,9	4,4	4,2
Working Capital							
Working capital/sales	7)	%	23	48	48	36	35
Cash and bank balances/sales	8)	%	26	57	43	32	31
Inventories/sales	9)	%	9	11	10	11	13
Liquidity and Equity/Assets							
Acid-test ratio	10)	%	116	153	253	200	154
Equity/assets ratio	11)	%	51,4	29,9	59,0	54,9	50,0
Growth							
Change in sales		%	42	17	7	2	-22
Change in total assets		%	21	85	15	3	-7

Definitions

1) Income[x)] after depreciation and amortization according to plan plus net interest income/expenses less standard tax (28 percent) as a percentage of average stockholders' equity.

2) Income[x)] after depreciation and amortization according to plan plus financial income as a percentage of average total assets.

3) Operating profit[x)] after depreciation and amortization according to plan as a percentage of sales.

4) Total salaries plus social security expenses as a percentage of sales.

5) Sales divided by average total assets.

6) Sales divided by average number of employees.

7) Current assets less average current liabilities as a percentage of sales.

8) Average cash and bank balances, including short-term investments, as a percentage of sales.

9) Average inventories as a percentage of sales.

10) Current assets less inventories as a percentage of current liabilities.

11) Stockholders' equity as a percentage of total capital employed.

x) Adjusted this year for the closure expenses in Falkenberg and SPP refunds by SEK +51 million, and adjusted last year for the closure expenses in Falkenberg by SEK -152 million.

op.
NATURAL
SPIRIT WITH
AQUAVIT
IMPORTED
SWEDEN

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