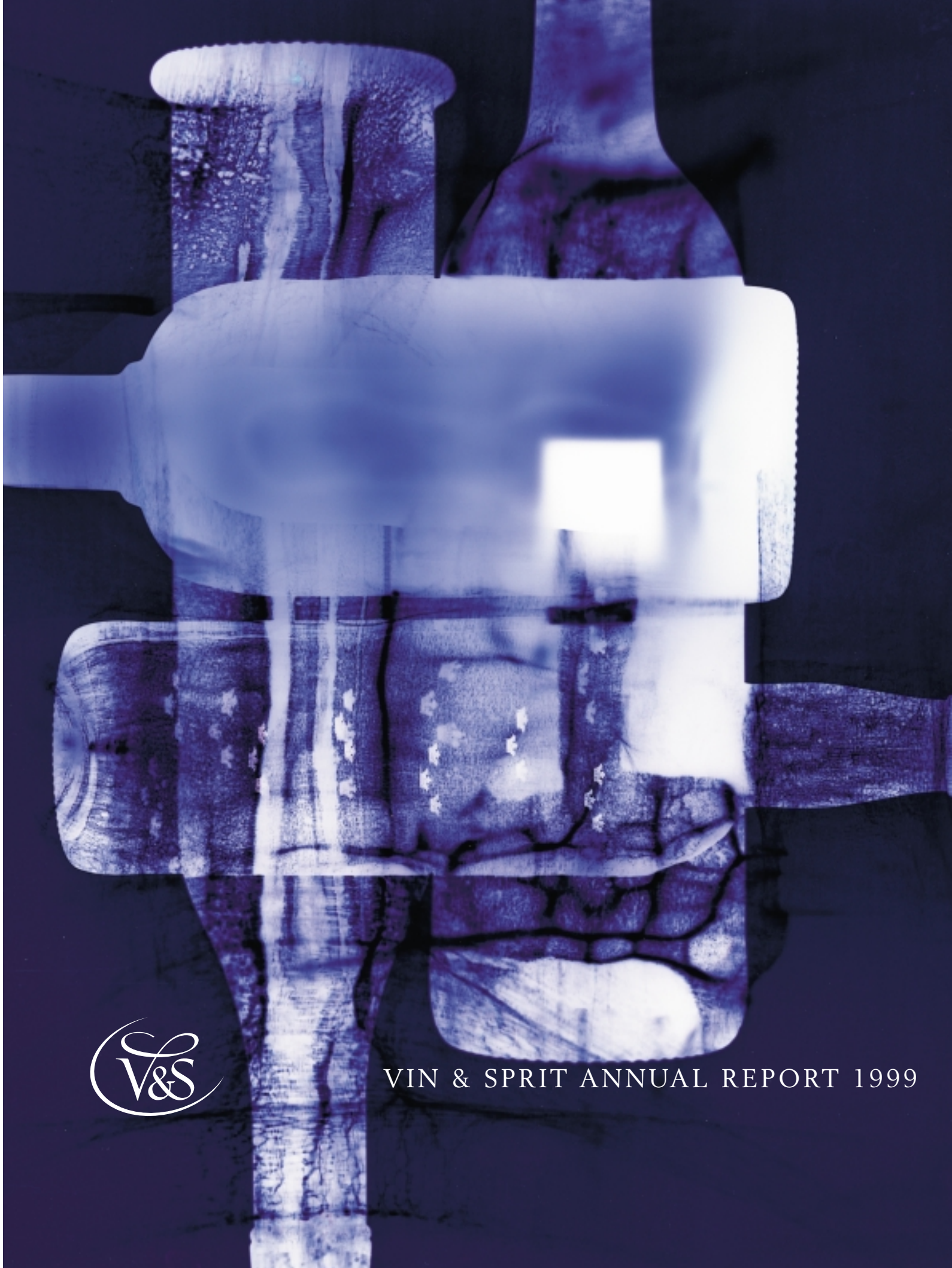

VIN & SPRIT ANNUAL REPORT 1999

The Year in Brief

New sales record for ABSOLUT VODKA: 60 million liters

Successful launch of ABSOLUT MANDRIN

Decision to close down Falkenberg plant

Acquisition of the vodka company Dynybyl in the Czech Republic

Acquisition of De Danske Spritfabrikker in Denmark

Acquisition of the whisky brand Lord Calvert for Nordic markets

Consumer service *Dryckomaten* launched on the Internet

Internal future-oriented project, Seize the Future, involving V&S employees

Revenue up 17 percent

Sales company in Norway established

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De Danske Spritfabrikker, acquired in December 1999, brought several valuable brands to V&S.

Comments from the CEO

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We need to acquire more brands and more companies to bring balance into our operations and to ensure that they have more than one leg to stand on. This is also key to our vision of becoming ‘a profitable company of world class’. Within five years, we will be one of the 10 biggest alcoholic beverage companies in the world.

TO SEIZE THE FUTURE

The final year of the millennium was an eventful and a successful one for V&S. Thanks to enormous commitment and hard work on the part of our employees, we can report the best earnings in the history of the Company. A warm "Thank you!" to everyone who worked with so much dedication! We have repositioned ourselves in many areas and continue to work on becoming a profitable, world-class alcoholic beverage company.

In 1999, a great deal of work focused on determining the future direction of the Company. The "Seize the future" project, in which most employees were involved, gave rise to lively discussions about our vision, business concepts, strategies and values. These discussions have allowed us to build a common platform for our goals and strategies.

The Seize the Future project involved V&S employees in many activities during the year.

Leading the way on environmental issues

In addition, we set out an environmental policy with the objective of making the Company a leader in all areas, including reducing the environmental impact of our operations.

For Vin & Sprit to succeed in becoming one of the world leaders in the spirits industry, we must further increase volumes and market shares. While V&S is the biggest player in the Swedish market, from an international perspective we are still small and would continue to be so even if we could increase our market shares in Sweden.

Our progress with ABSOLUT VODKA has made us increasingly dependent on a single brand. To counter this, we need to expand the other areas of our business and create balance within the Company. It was with this in mind that we acquired Dynybyl in the Czech Republic and the Lord Calvert whisky brand. The aim of bottling and selling Kron Vodka in Poland was similar, as was the acquisition of De Danske Spritfabrikker. These investments have put us well on the way to achieving our goal.

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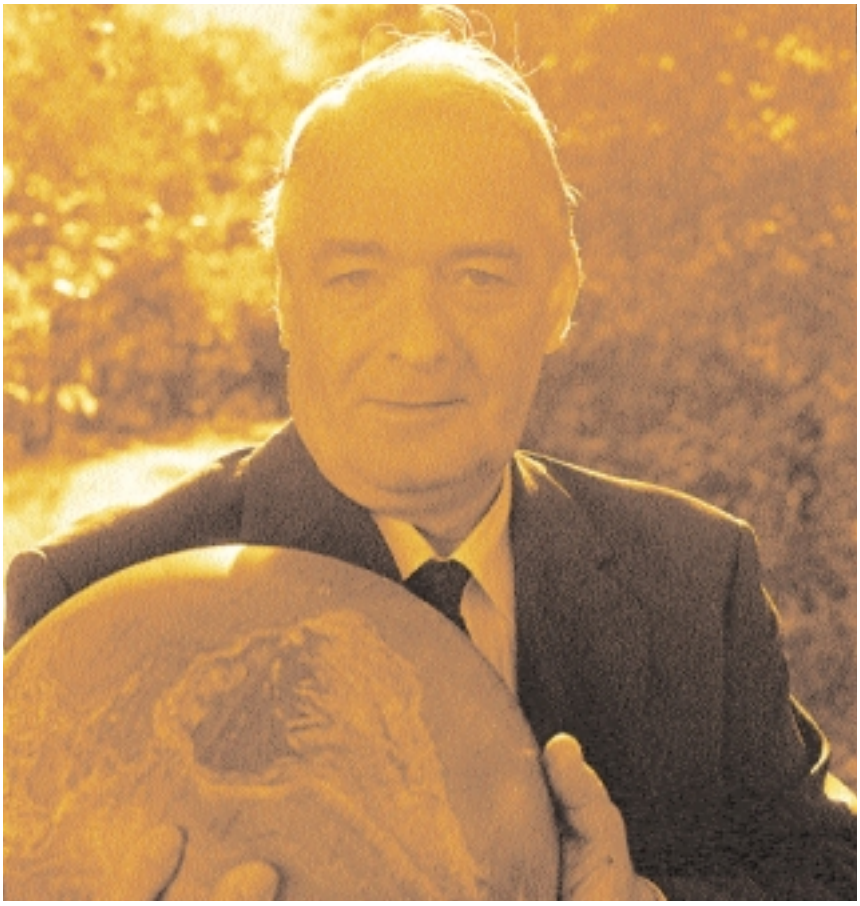

Acquisitions create better balance

But these are still not enough. We need to acquire more brands and more companies to bring balance into our operations and to ensure that they have more than one leg to stand on. This is also key to our vision of becoming "a profitable company of world class". Within five years, we will be one of the 10 biggest alcoholic beverage companies in the world.

Legal sales of alcohol in Sweden have increased, especially sales of wine. The sharp decline in spirit sales since Sweden joined the European Union has slowed, with sales in 1999 more or less unchanged. Likely causes of this are that the black market for alcohol has peaked and that many consumers have more disposable income. The abolition of duty-free sales within the EU is also likely to have contributed to leveling off the decline.

Spirit sales threatened if exemptions cease

The black market now accounts for the same volume as legal imports, in other words around 50 percent of the total Swedish market for spirits. If Sweden does not succeed in extending its exemptions to EU regulations on imports, spirit sales in Sweden will virtually stop unless the government and Riksdag decide to cut duties on spirits. The situation could deteriorate further if the EU requires Sweden to reduce its duties on wine. If this happens, sales of wine will further increase,

and legal sales of spirits will virtually cease. A major reduction in governmental revenue from duties is to be expected if this scenario happens.

The removal of duty-free sales has not changed the situation much. A major reason for this is that the ferries between Finland and Sweden sail via Åland, where duty-free sales are allowed.

Consumers choose more expensive products

The pattern of consumption in our country has not changed dramatically. However, new forms of packaging, especially bag-in-box, continue to expand, and products packaged in paperboard now account for nearly 20 percent of all wine sales. For both wine and spirits, there is a clear trend for consumers to demand more costly products.

Restructuring of the sector continues, although it taking longer than anticipated. There are still more than 300 entities who have import licenses and thus can sell to Systembolaget (the Swedish Alcohol Retailing Monopoly) as well as restaurants in Sweden.

On the international scene, consumption of spirits is largely unchanged, although the trend towards clear spirits persists. Wine consumption is largely unchanged, too, though red wines have won ground from white wines.

Players become fewer and bigger

No big changes are expected in the pattern of consumption this year, either in Sweden or internationally. Restructuring will continue, leaving fewer but bigger players both globally and nationally.

The prospects for V&S are good, at least for its international operations.

Our business concept includes nurturing and developing existing brands as well as creating and acquiring new ones. With the acquisitions completed and those planned, we are well on the way towards our objective of being one of the leading alcoholic beverage companies in the world within the next five years.

Egon Jacobsson

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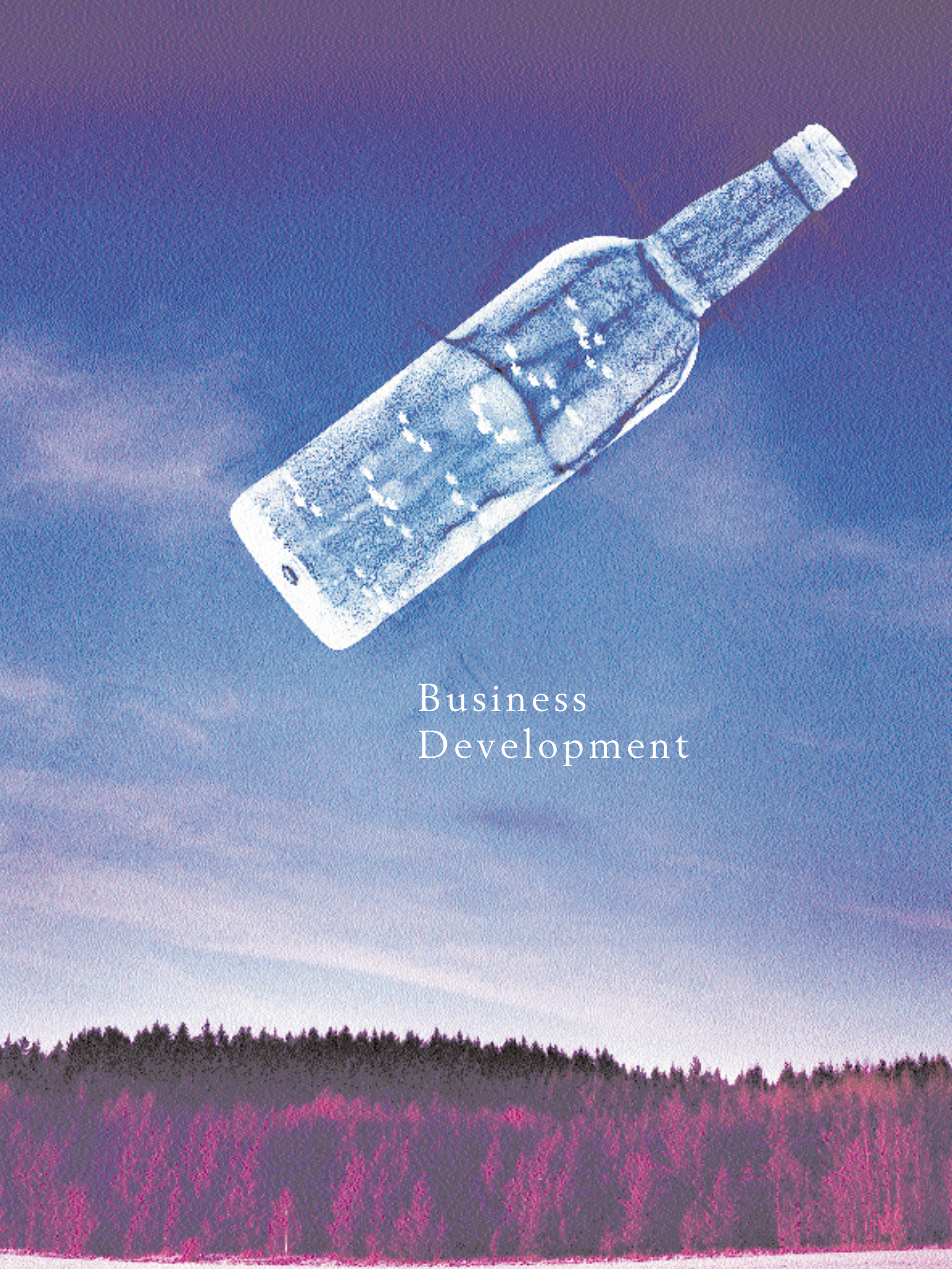
This acquisition also created the seventh largest alcoholic beverage company in Europe. The objective is to use this position to achieve efficient distribution and organization. There is also the chance of collaboration with other players to develop business activities in Europe, including eastern Europe.



Business Development

V&S IS PREPARED FOR THE FUTURE

Even before deregulation in 1995, a key business objective of V&S was expansion. The best and most successful result of this was the development of ABSOLUT VODKA.

Alongside this development, the Company continually adjusted operations throughout the 1990s to accommodate the shrinking domestic market. This has primarily affected the market for spirits, where illegal imports and production have stolen an increasing share. At the same time, the number of players in the market has increased significantly, and possibilities for influencing market share are limited under the restrictive legislation that applies to the alcohol market in Sweden.

Long-term survival requires aggressive initiatives

Opportunities to boost earnings from operations,were previously limited, with the exception of ABSOLUT VODKA, to structural reorganization and cost-savings. This was considered inadequate for long-term survival, which is why the Board of Directors adopted a new vision for the Company in 1997: Vin & Sprit will be a profitable, world-class alcoholic beverage company.

On the basis of this vision, an aggressive strategy for growth has been developed to complement the organic growth of the business. The strategy rests on three principal objectives:

- a Nordic structure
- strong local distribution
- international brands.

Strong Nordic base sharpens competitive edge

The solid balance sheet and earnings capacity of V&S allows the Company to participate in the

Plymouth Gin, a premium brand with a long tradition, joined the V&S portfolio in February 2000.

repositioning currently taking place in the alcoholic beverage industry.

Each and every Nordic country has an alcoholic beverage company with excellent local brands, which until now has occupied a strong position in its domestic market but has been too small for an international offensive.

In December 1999, V&S acquired De Danske Spritfabrikker, which operates in Denmark and Germany. This acquisition created a strong structure for continued development of brands on the basis of qualities such as Nordic traditions.

Seventh in Europe

This acquisition also created the seventh largest alcoholic beverage company in Europe. The objective is to use this position to achieve efficient distribution and organization. There is also the chance of collaboration with other players to develop business activities in Europe, including eastern Europe.

In addition to the market position created in the Nordic region, the base centers on the Czech Republic and Poland. In May 1999, V&S acquired Dynybyl, the leading vodka producer in the Czech Republic. Dynybyl commands a market share of around 20 percent through its largest brand names, Prazska and Silver Ice. Thus the prerequisites are in place reaching a critical mass for local distribution.

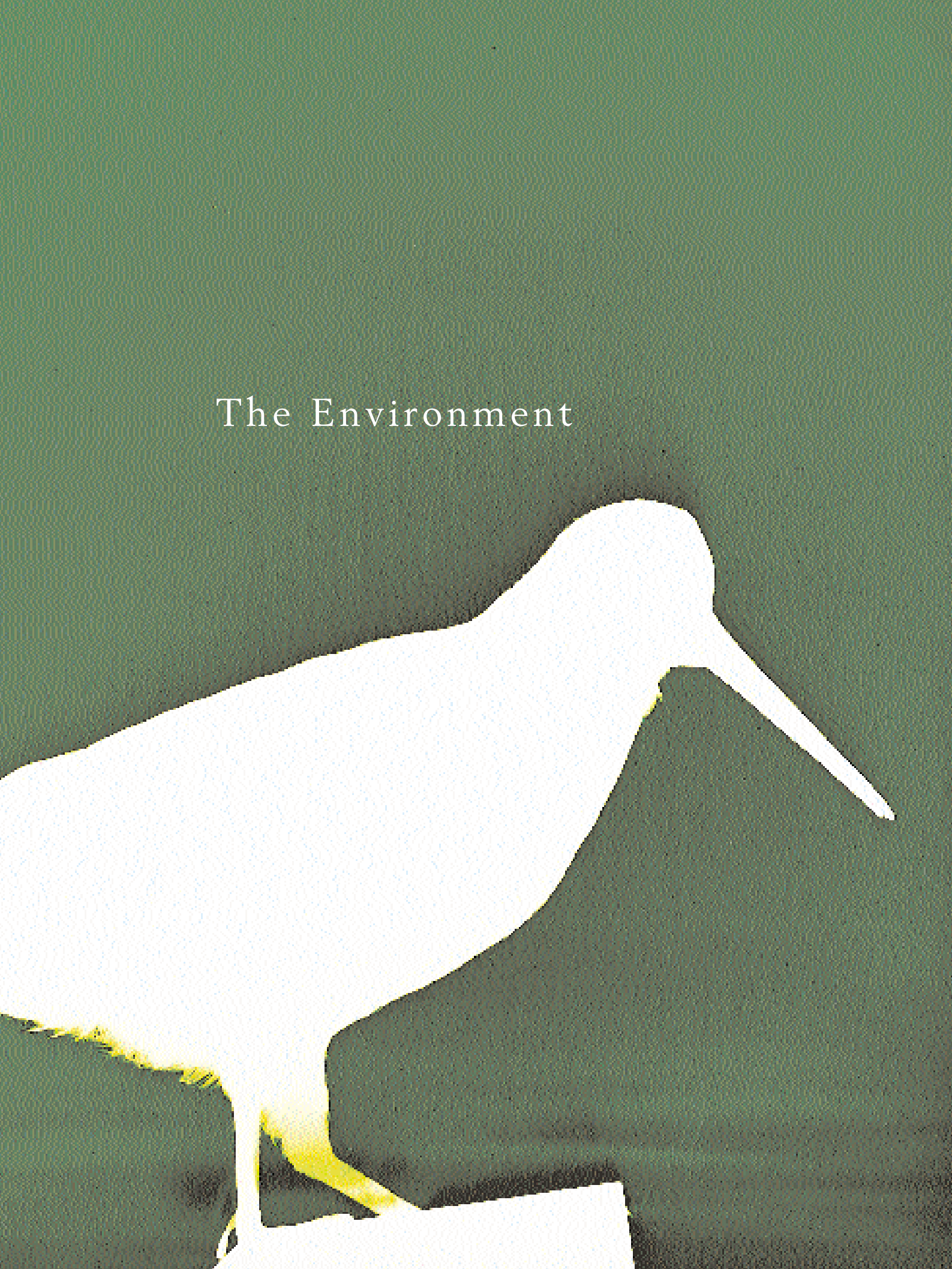
Small selection of available brands

The opportunities for growth in the global alcoholic beverage business are greatest for international brands in the premium segment. However, there are only a few brands available, and competition for these is intensifying. If a brand is to be attractive for acquisition, it has to fit into the overall V&S operation.

The V&S Group has expertise in handling and marketing brands which ranks high in the international alcohol beverage industry.

V&S is set to seize the future.

The Environment



ON THE WAY TO ACHIEVING ENVIRONMENTAL GOALS

The overall goal of the Company's environmental efforts—that Vin & Sprit will be the industry's leading company in environmental matters, too—was established firmly throughout the Company in 1999 and resulted in a great deal of interest and commitment on all levels to environmental issues. The following concrete goals are at the center of the Company's 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 training on environmental issues.

The training program was carried out at the end of the year, when all V&S employees participated in a half-day course on basic environmental issues. This was followed up with Framtidsresan (the journey to the future), a voluntary Internet-based environmental training program, designed as a contest. The program attracted roughly half of all employees, who then competed on five-person teams for environment-related study trips.

An example of an activity that aims directly to help the Company meet its environmental goals is the work carried out at The Absolut Company in Åhus. The strides being made at this facility towards increasing efficiency in energy consumption have been so successful that the Company's environmental goals for energy usage are now within reach.

Four different kinds of KRAV aquavit

Reimersholms Spirits Group now offers four different kinds of aquavit that fulfill the KRAV environmental requirements. In addition to the 1999 Christmas aquavit, Fårö Brännvin, Läckö Slottsaquavit, Stockholm Aquavit and Rånäs Brännvin all bear the KRAV symbol. The goal is for the entire range of aquavit to share this honor.

It is not possible to use KRAV ingredients to produce ABSOLUT VODKA, because demand far exceeds supply. Almost 20 percent of the autumn wheat crop produced in Skåne is used to make ABSOLUT VODKA. For this reason, the strategy is to use Sigill-labeled autumn wheat in the production of ABSOLUT VODKA, and a decision has been made to purchase a large quantity of Sigill-labeled grain.

Rail transportation replaces trucking

Efforts to find transportation solutions that can reduce the negative impact on the environment have been intensified. As a result, V&S has been able to replace an increasing portion of road transports with shipment by rail.

During the current year, these environmental efforts will continue, with the aim of reaching the Company's environmental goals. Other ongoing projects of note include corporate communications on environmental activities, the integration of environmental and quality considerations and a checklist of environmental and ethical requirements for the Company's suppliers.

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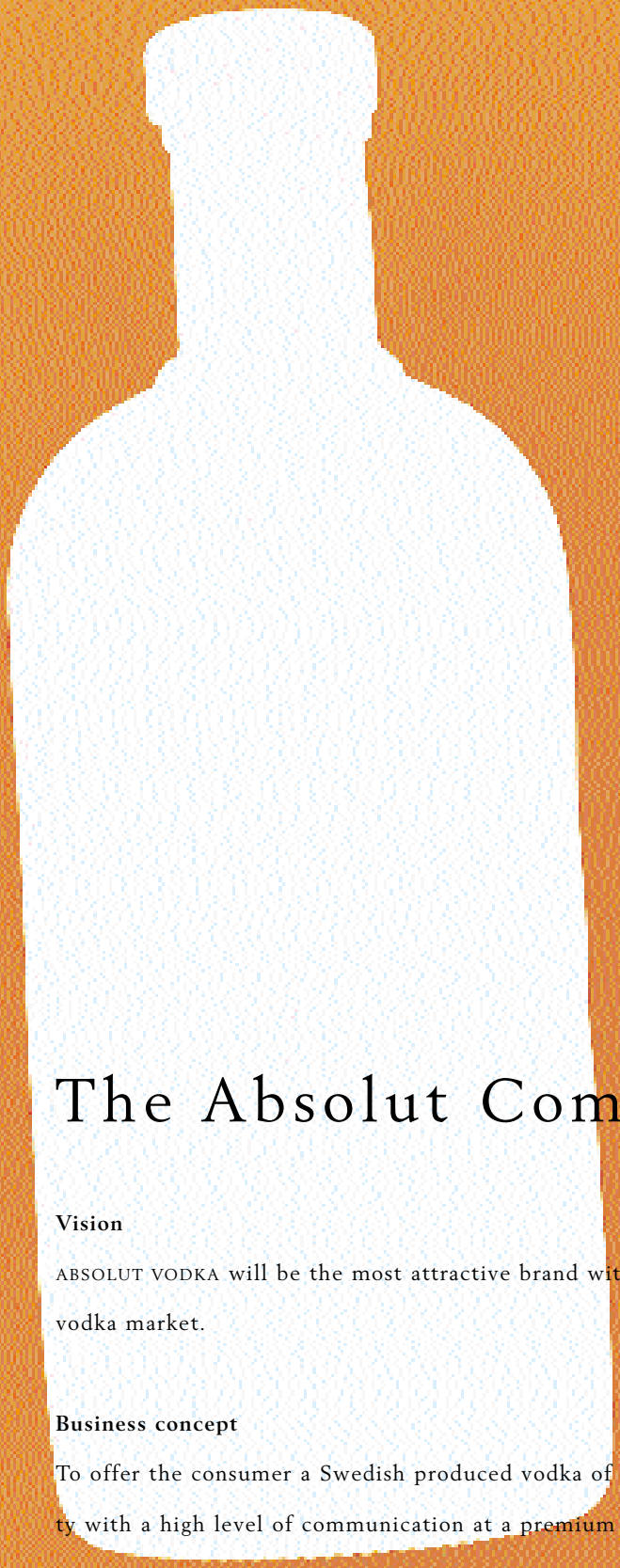
Growth was exceptionally strong in high-priority markets in Europe, where ABSOLUT VODKA expanded market shares appreciably. Developments in Germany, Great Britain, Spain, France and Italy were also quite positive, and the recovery of the Swedish market was particularly gratifying.



The Absolut Company

Vision

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

Business concept

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

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) 700 ML
IMPORTED
ABSOLUT
Country of Sweden
CITRON
IMPORTED
ABSOLUT
Country of Sweden
KURANT
IMPORTED
ABSOLUT
VODKA
IMPORTED
ABSOLUT
PEPPA
IMPORT

RAPID SUCCESS FOR ABSOLUT MANDRIN

Sales of ABSOLUT VODKA set new records, advancing 14 percent in 1999. The total sales volume for the ABSOLUT family was approximately 60 million liters (6.7 million cases), which means that ABSOLUT VODKA is now the fifth biggest international spirit brand in the world.

In Absolut's own domestic market, the United States, the brand fared particularly well, and consumer sales exceeded four million cases for the first time. Sales were also good in Canada, where they rose 20 percent. In Latin America, Mexico reported a positive trend in sales.

Strong growth in high-priority markets

Growth was exceptionally strong in high-priority markets in Europe, where Absolut expanded market shares appreciably. Developments in Germany, Great Britain, Spain, France and Italy were also quite positive, and the recovery of the Swedish market was particularly gratifying.

Sales grew apace in Australia, Japan and Taiwan.

The abolition of duty-free sales within the EU led to a decline in sales volumes for ABSOLUT VODKA. Some of this volume has probably been recovered through products on which duty is charged, but naturally this is rather difficult to measure.

Strong demand for new member of the family

In July a new flavor—ABSOLUT MANDRIN—was launched in the Swedish and US markets. The reception was encouraging, and ABSOLUT MANDRIN is already the second biggest selling flavored vodka in the United States (after ABSOLUT CITRON). ABSOLUT MANDRIN will be launched in several markets in the current year.

Communication with consumers has been cultivated in form and content, with no alteration of the basic philosophy. During the year,

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tests were conducted successfully through a range of new media: film, radio and new Internet channels. ABSOLUT DJ, the Web site feature that allows visitors to create their own sound and image presentations, earned the www.absolutvodka.com Web site a great deal of recognition, including the prestigious Cannes Lion and Silver Clio awards.

ABSOLUT advertising one of the best campaigns of the century

The brand received its greatest accolade by being included on a list ranking the best advertising campaigns of the century, published by the US magazine Advertising Age. ABSOLUT VODKA placed seventh, after global brands such as Volkswagen, Nike and McDonald's.

As part of the Company's efforts to champion art, ABSOLUT ORIGINALS was developed, involving pioneering artists from various European countries and art media offering their interpretations of the brand. The artists included Damien Hirst, Chris Ofili and Dan Wolgers. A collaboration with Tom Ford, head designer at the fashion house Gucci, resulted in the ABSOLUT GUCCI collection, which was presented in the United States.

Everyone is involved in quality efforts

To satisfy increasing demand, the production capacity for ABSOLUT VODKA has been increased through investment in a new bottling line at the Åhus plant. A new line for preparing the mash was also commissioned, as was a new high-rise warehouse with greatly expanded capacity off-loading. The ABSOLUT QUALITY project permeated the organization in 1999 and created the basis for all employees to take part in long-term efforts for quality.

ABSOLUT TOKYO.

ABSOLUT GUCCI.

ABSOLUT BEAUTY.

ABSOLUT
VODKA
IMPORTED
ABSOLUT HOMAGE.

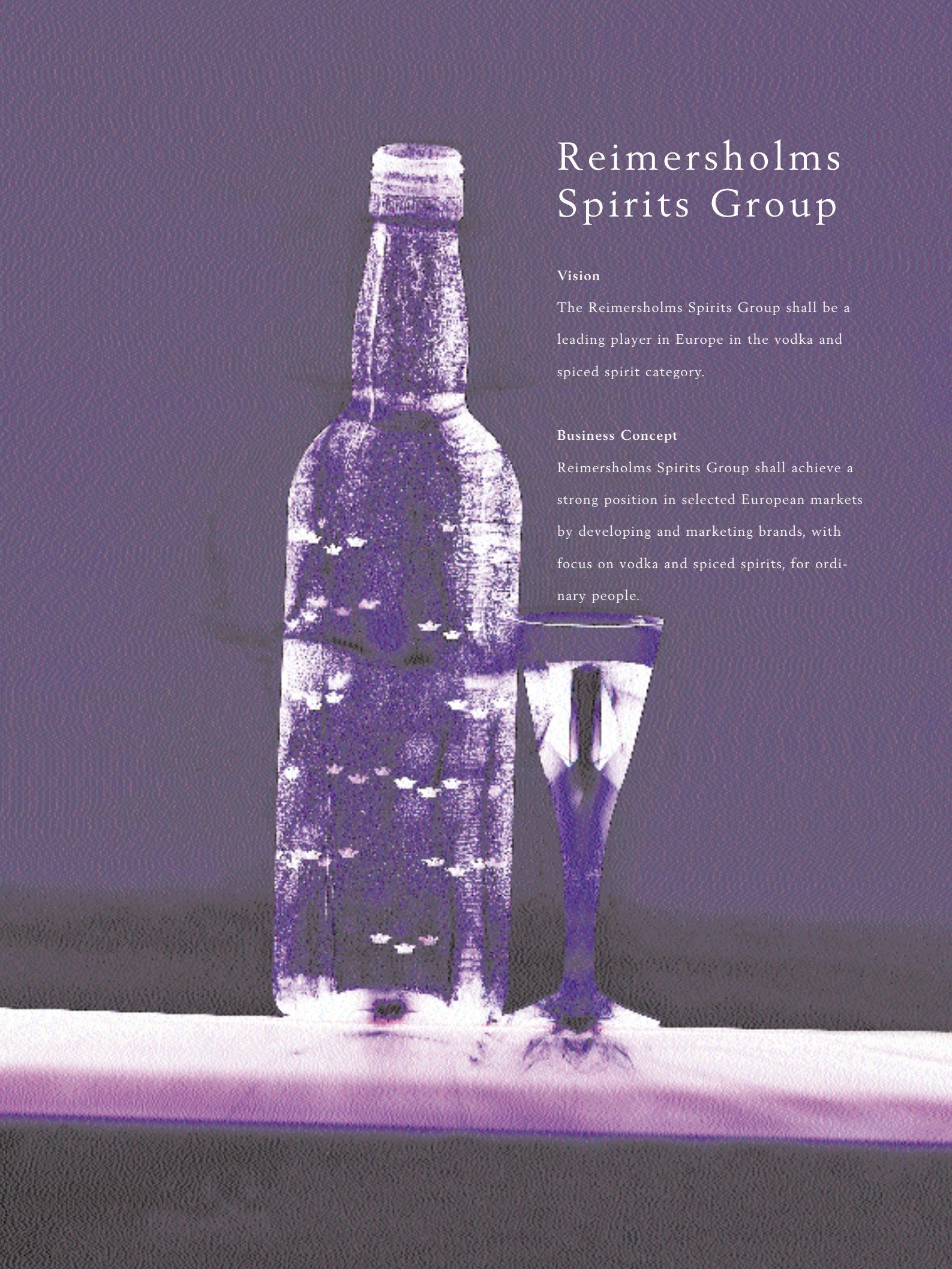
ABSOLUT HELSINKI.

ABSOLUT
MANDRIN
IMPORTED
ABSOLUT ARRIVAL.

ABSOLUT
VODKA
IMPORTED
ABSOLUT TEXAS.

ABSOLUT OSLO.

ABSOLUT WOLGERS.



Reimersholms Spirits Group

Vision

The Reimersholms Spirits Group shall be a leading player in Europe in the vodka and spiced spirit category.

Business Concept

Reimersholms Spirits Group shall achieve a strong position in selected European markets by developing and marketing brands, with focus on vodka and spiced spirits, for ordinary people.

”

In 1999, for the first time in many years the volume of spirits sales in Sweden remained unchanged, partly as a result of the abolition of duty-free sales within the EU.

V&S enjoys a strong position in the Swedish markets for vodka, aquavit, whisky, cognac and punsch.

INTERNATIONAL INITIATIVES COMPENSATE FOR DECLINING SWEDISH MARKET

In the spring of 1999, Reimersholms became a separate business area, which was a natural step linked to the strategy of stepping up the Company's rate of expansion internationally alongside Absolut Vodka. The vision that was developed through the year is for the Group to become a leading player in the vodka and flavored spirits sector in Europe.

In the Swedish spirits market, Vin & Sprit is the largest operator, supplying more than every other bottle sold through legal channels. Since the total registered volume of spirits consumed in Sweden has fallen dramatically for many years, the aim is to reduce the Company's dependence on the Swedish market. A step in that direction was taken with the acquisition of Dynybyl, a leading vodka maker in the Czech market. At the same time, the mar-

keting of Kron Vodka in Poland, begun in 1998, continued. The acquisition of the Nordic rights to the Canadian whisky label Lord Calvert strengthened the whisky portfolio and provides opportunities for further expansion in the Nordic countries neighboring Sweden.

The marketing of Sundsvall Vodka in the United States was halted, owing to lower than expected demand. Further efforts in this area are not expected to have enough potential to yield acceptable profits.

Swedish trend breaks

In 1999, for the first time in many years the volume of spirits sales in Sweden remained unchanged, partly as a result of the abolition of duty-free sales within the EU. V&S enjoys a strong position in the

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Seagram's
LORD CALVERT
IMPORTED
P. A. N.
PART NAN ANGELEN
PRODUCT OF SCOTLAND
BRUICHLADDICH
ISLAY
SINGLE MALT WHISKY
AGED 17 YEARS
43% VOL · 700 ML
BLACK·RIBBON
10
PURE MALT
SCOTCH WHISKY

MILLÉSIME
1973
COGNAC

Swedish markets for vodka, aquavit, whisky, cognac and punsch. Brands that are strong in Sweden include Renat Brännvin, Explorer Vodka, the aquavits Skåne, O.P. Anderson and Svenska Nubbar, Lord Calvert whisky, Grönstedts Cognac, Carlshamns Flaggpunsch and Xanté.

The aquavits are a part of a tradition that is several centuries old, and this product range was revitalized in the 1990s. Ongoing brand management provides dividends in the form of retained market shares in spite of intensifying competition. A nascent consumer interest in Swedish food and traditions is mirrored in the renaissance for aquavits. Svenska Nubbar, the Reimersholms line featuring an assortment of small bottles, considerably boosted sales in 1999.

Reimersholms Julsnaps—launched at Christmas for the sixth year in a row and more popular than ever—was flavored with saffron last year and sold under the name Fårö Brännvin. It was also one of the four organically certified (KRAV) products launched to date.

Position fortified in whisky segment

The purchase of Lord Calvert bolstered V&S's strong position in the whisky segment. Launches that attracted particular attention were the year's single-malt whisky, Part Nan Angelen, a 17-year Bruichladdich, and a whisky book containing information about

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XANTÉ

Svart
Vinbär

EXPLORER
EXPLORER
GRAN
EXPLORER
LINGON

DYNYBYL
pražská
vodka
0,7
40%
DYNYBYL
Silver Ice
VODKA
DRINK
COLD

whisky and a selection of small bottles.

At the forefront of the cognac segment, where sales rose 10 percent overall, is Grönstedts Cognacshus, with well-established brands. The launch of the exclusive vintage cognac Grönstedts Millésime 1973 further heightened consumer interest.

Also during the year, Heinrich Liqueur Company re-launched its Poire au Cognac in new packaging under the Xanté label. Sales success continued, and a particularly strong surge in sales made this product the third most popular liqueur in Sweden.

Tougher competition in eastern Europe

Kron Vodka, launched in Poland in 1998, fulfilled expectations in the first half of 1999. During the second half of the year, however, competition in the Polish market hardened considerably, partly owing to ongoing privatization in the spirits sector. As a result, it was not possible to achieve the expected volumes, and significant action has now been taken to strengthen Kron Vodka's position in 2000.

Since it was acquired, several changes have been initiated at Dynybyl in the Czech Republic. For example, Seagram is handling distribution, to improve the company's ability to get its products to retail outlets. In addition, a program to modernize the production unit began, and changes have been made in the product range and commercial terms. Severe price competition in the autumn had a negative impact on volumes, though.

Twelve new medals in an international competition

Exports more than doubled in 1999, and the most important markets were Nordic countries bordering Sweden and the United States. The fact that Vin & Sprit's products are also appreciated internationally was demonstrated when the Group was again awarded twelve medals in the prominent International Wine & Spirit Competition. These included gold medals for Black Ribbon whisky and Grönstedts V.O.

Future activities by Reimersholms Spirits Group will focus on long-term, consistent investment in priority brands in the Swedish market, as well as expanded sales of vodka and flavored spirits in other selected markets. In the established markets in Poland and the Czech Republic, the aim is to further strengthen positions already achieved. Continued investment in these markets is of great interest, as they show considerable potential.

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Sales of wine grew dramatically in 1999. One of the contributory factors for this was probably the hot summer, which gave rise to many more barbecues. Another factor was the opportunity for more continental drinking habits made possible by the bag-in-box system.

JEANMAIRE
CUVÉE BRUT
CHAMPAGNE
JEANMAIRE
CUVÉE BRUT
1551
BRUT
CODORNIU
Cuvée Raventós
Chapel Hill
CHARDONNAY
BRUT

ESTABLISHED BRANDS FORTIFY THEIR POSITIONS

After several turbulent years for the Swedish wine market, 1999 can be described as the year of consolidation. Systembolaget launched fewer new products, and the new wines did not achieve the same market dominance as in previous years. Hence, the list of top-selling wines stabilized, and the trend is for firmly established brands to fortify their positions.

The bag-in-box packaging seems to be the most attractive alternative to glass bottles. Other cardboard packaging (Tetra Briks, Combiblocks and the like) is also popular but is not expected to have the same long-term potential as bag-in-box, which can be kept up to 6-8 weeks after the package has been opened. In 1999, the PET bottle

also arrived in the Swedish market as an alternative form of packaging for beer and wine, so far with modest results.

Sales of wine grew dramatically in 1999. One of the contributory factors for this was probably the hot summer, which gave rise to many more barbecues. Another factor was the opportunity for more Continental drinking habits made possible by the bag-in-box system.

Hefty increase in champagne sales

The consumer trend for drinking slightly better and more expensive wines than before continued in 1999. Celebrations to mark the new millennium also appreciably contributed to sales of champagne and other sparkling wines. In December,

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sales were 37 percent higher than for the same month in 1998. The rise for the year as a whole amounted to 17 percent.

The major increases in prices on Rioja wines, which affected sales in 1998, too, have now stabilized at a level that has resulted in volumes sold being considerably lower than previously. However, we have still been unable to find a suitable alternative from a different region of Spain to compensate for this reduction. On the other hand, a new price strategy for Penfold wines enabled Vin & Sprit to offer consumers an alternative from Australia in the SEK 70 price range where Rioja wines previously were.

V&S supplies every third wine box

In the bag-in-box market segment, we noted continued progress, and V&S products now account for 34 percent of Systembolaget's sales.

Marqués de la Mancha (in a 5-liter wooden box), Amfora Reina Isabel, Coteaux du Languedoc, St Paulin and Killawarra have achieved the largest sales.

The Blossa range reconfirmed its leading position and now accounts for 93 percent of sales of mulled wine containing alcohol. Effective marketing of Blossa Lättglögg (non-alcoholic mulled wine), even to supermarkets, and a level of quality that gave Blossa the highest marks in several published tests explain this increase. In supermarkets and convenience stores, Blossa Lättglögg accounted for two of every three bottles of mulled wine sold.

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BLOSSA
GLÖGG
VINGLÖGG
BLOSSA
GLÖGG
VINGLÖGG
BLOSSA
GLÖGG
VINGLÖGG

JEREZ • XÉRÈS • SHERRY
OLOROSO
MEDIUM DRY
SHERRY
PRODUCE OF SPAIN
750ml
VINTRY'S
JEREZ • XÉRÈS • SHERRY
ROYAL
CREAM
GOLDEN AMOROSO
SWEET
SHERRY
PRODUCE OF SPAIN
11.5% vol.
750ml
VINTRY'S
MADEIRA
Malvoisie
PRODUCE OF PORTUGAL
VINTRY'S
285172
RED
PORT
OPORTO
PRODUCE OF PORTUGAL
20% vol.
VINTRY'S

Rabiega Rouge best value

Rabiega Rouge has received a good deal of attention during the year, and after the Swedish magazine *Allt om Mat* picked this wine as its best buy, sales skyrocketed 600 percent.

The V&S range of fortified wines (sherry, port and madeira) was assembled under the brand name Vintry's, for which the products' packaging received a makeover.

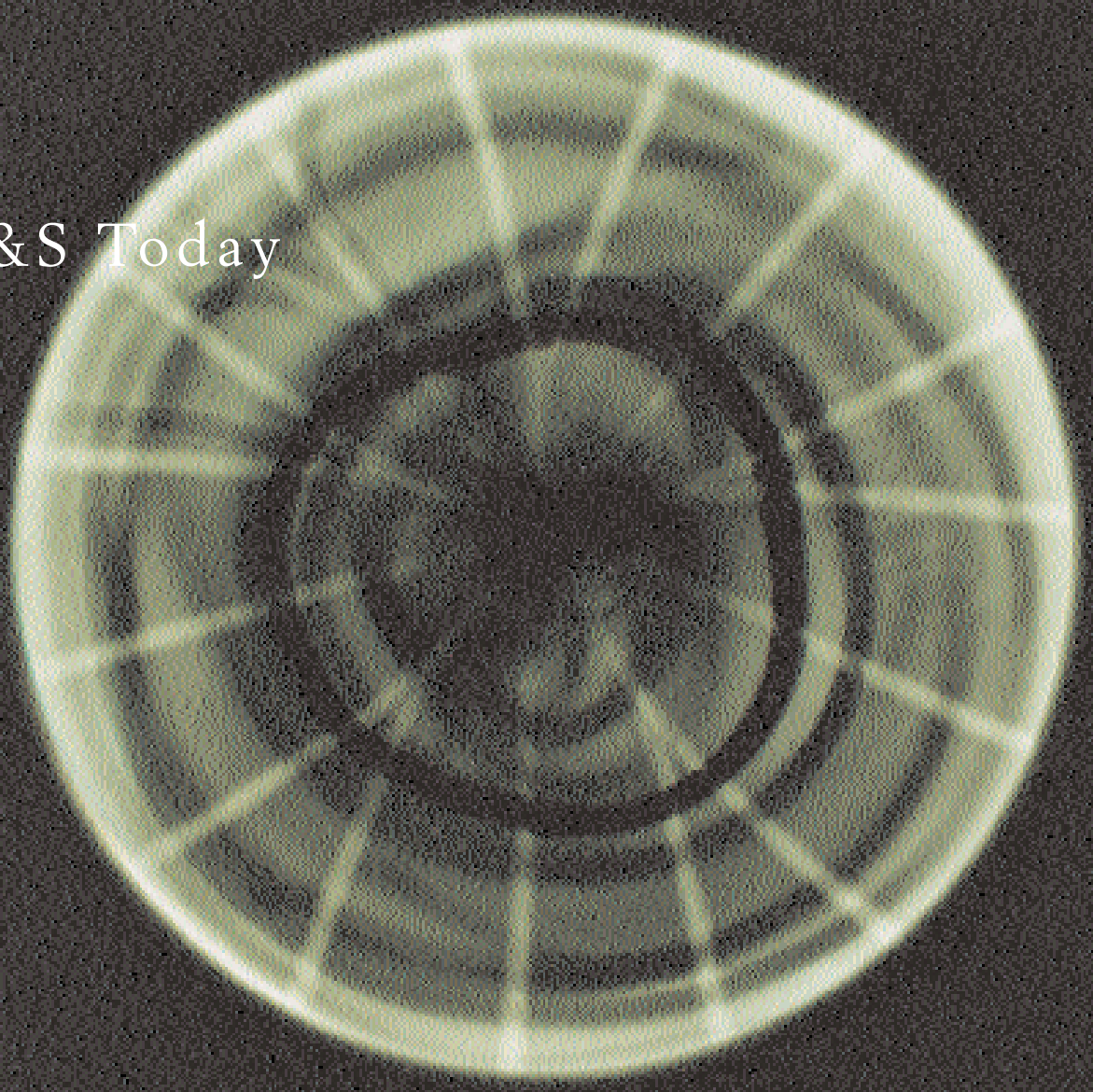
A new ally in the "hot" wine region of Sicily was linked to V&S in 1999. The producer is Settesoli, which offers a wide and interesting range. Also, a new subsidiary for wines sold on agency was started under the name of Provinum, with a section for the Norwegian market.

Spotlight on quality

Customer expectations make tough demands on product quality, but refined techniques provide wider-ranging opportunities to meet these demands. Quality assurance work intensified and now involves everyone in all links of the chain that converts the grape on the vine into wine on the consumer's table.

The development of new products also had high priority. This applies to contents as well as packaging, as our goal is to offer consumers added value.

V&S Today



Vision

Vin & Sprit 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.

Vin & Sprit is currently well on the way to becoming a world-class alcoholic beverage company. The work to achieve this goal follows three paths, aimed at becoming a strong player in the Nordic market, seeking local distribution and acquiring international brands.

At the start of 2000, the Company was operating in Sweden, Denmark, Norway, Germany, Great Britain, France, the Czech Republic and Poland. More countries are likely to be added to the list before 2000 comes to an end.

The core operations in Sweden are divided into three business areas: Wine, Reimersholms Spirits Group and The Absolut Company.

Sweden	**Vin & Sprit**
Stockholm	Head office and distribution
Åhus	Production and bottling of ABSOLUT VODKA
Nöbbelöv	Production of crude alcohol for ABSOLUT VODKA
Sundsvall	Production and bottling of vodka, aquavit, mulled wine and punsch, blending and bottling of whisky, cognac, etc.
Lidköping	Production of rectified alcohol for Reimersholms Spirits Group
Falkenberg	Production and bottling, mainly of wine (to be discontinued on June 30, 2000)
Stockholm	**Heinrich Liqueur Company**
	Marketing of Xanté and other Heinrich liqueurs
	Provinum AB
	Import and marketing of wines
	Tedeum AB
	Import and marketing of wines
	Amfora Vinhus AB
	Marketing of Wines
Denmark	**De Danske Spritfabrikker A/S**
	Production, bottling and sale of spirits, wines and yeast
Germany	**Danish Distillers GmbH**
	Production and bottling of aquavit
Great Britain	**Coates & Co Ltd**
	Production and marketing of Plymouth Gin
Norway	**Provinum A/S**
	Import of and wholesale trade in wines
France	**V&S Domaine Rabiega**
	Production and bottling of wine and a conference operation
The Czech Republic	**Dynybyl**
	Production and bottling of vodka, flavored spirits and liqueurs
Poland	Subcontracted bottling of Kron Vodka

OUR VALUES

At Vin & Sprit, we have agreed on a number of keywords as cornerstones of the values we represent. These keywords are:

- Quality
- Know-how
- Pleasure in work
- Responsibility
- Development

This naturally means that we aim to act in all situations on the basis of these concepts.

When we think about, talk about or act in relation to our surroundings (consumers, owners, business relations, employees, society in general) we do so bearing in mind these keywords. This also applies to our attitude towards alcohol and health.

The keywords are naturally related:

Pleasure in work leads to ambition and commitment, which in turn result in **responsibility,** which makes it highly probable that all levels work with **quality**, which results in good work in all areas, which leads to **development**, a concept that also includes profitability, which means that we can continuously increase and strengthen our **know-how**, which increases pleasure in work, and so on.

Alcohol and Health

Alcohol is a part of our culture, and responsible consumption of alcoholic beverages is a socially accepted part of society.

Inappropriate use of our products can produce negative consequences for the individual and for society in general.

We must therefore actively work to encourage responsible consumption of alcoholic beverages.

Employees

Each V&S employee is a unique individual, and differences in sex, age, origin and experience are assets. We take responsibility for our employees, focusing on the person as a whole.

Competent and motivated employees are a precondition for our ability to reach the goals we have set for both the company and the people who work there.

To encourage responsibility, every employee is given the opportunity to learn and to develop. Wages must be seen as good remuneration for the work done and must correspond to personal efforts.

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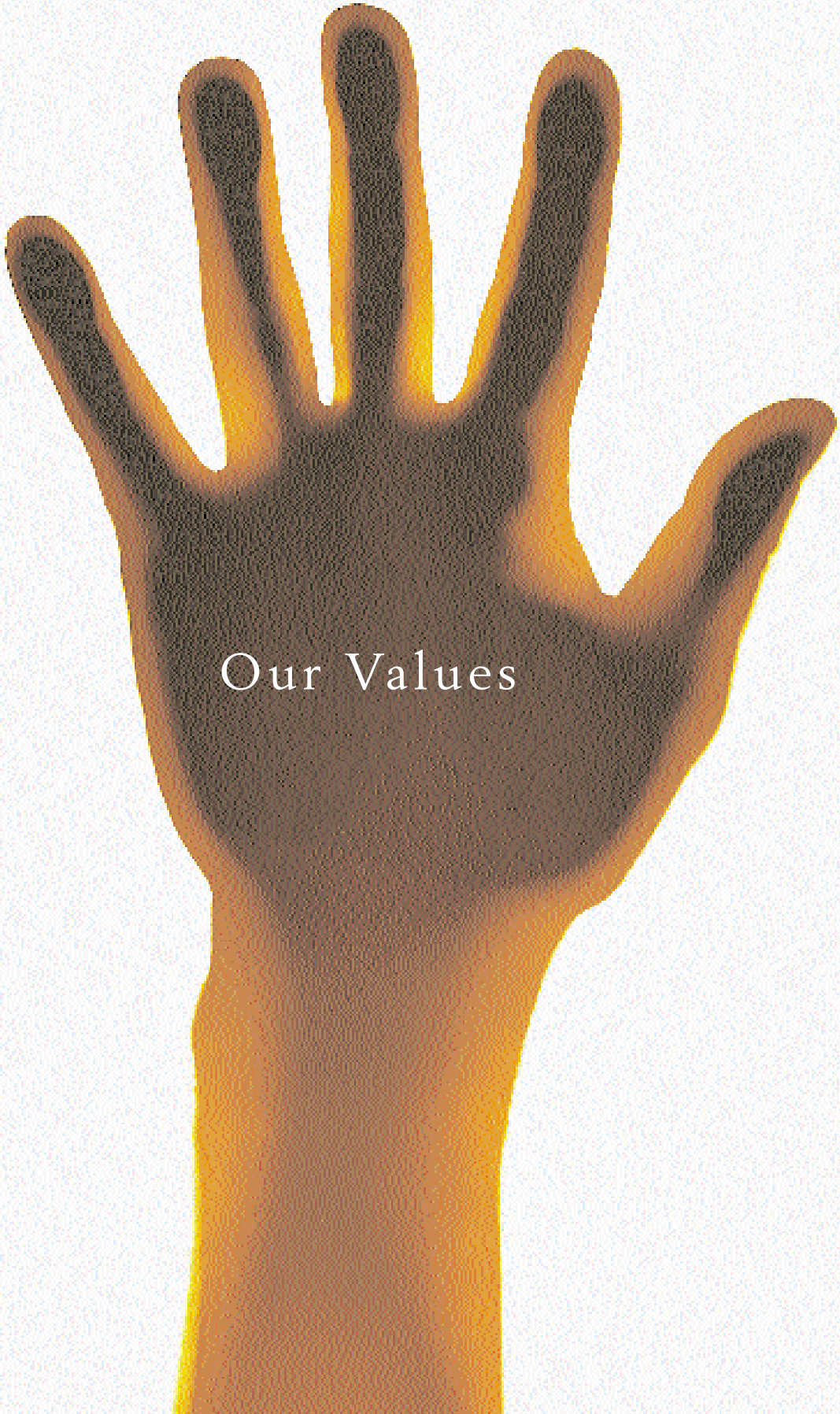

Our Values

Our employees are familiar with the responsibilities and duties associated with the work they do. Open and appropriate information about the Company's goals and performance must be available at all times.

Employees are also responsible for taking initiatives to ensure that they are well-informed and that their skills remain at a consistently high level.

Those who have been given the responsibility and trust to manage others provide clear communication, motivate their colleagues and act in a fair and ethically correct manner at all times.

Consumers

Consumers pay our wages and therefore decide our future. Hence, our products must live up to consumers' expectations, and we must remain sensitive to their needs to be able to respond quickly to new demands. Our skill and our experience are our customers' guarantee of quality.

Our aim is to protect and develop good drinking traditions based on personal responsibility.

Consumption of our products is a pleasure that entails responsibility.

Business Relations

Our relationships with customers, suppliers and other business contacts must be conducted on the basis of professionalism, respect and good ethics.

We must strive to create long-term relationships that provide mutual benefits, satisfactory results and opportunities for growth.

Society

In addition to abiding by the laws and regulations of society, we strive to maintain good relationships with our surroundings.

Our international business is run in accordance with the regulations that apply in the different markets.

Environmental protection is a lodestar for us, and we are steadily working to minimize the impact of our operations on the environment.

Corporate Management

Egon Jacobsson, CEO (1)

Björn Carlson, Personnel (2)

Rolf Cassergren, Accounts/Finance and Business Development (3)

Anders Fredriksson, Business Area Wine (4)

Göran Lundqvist, The Absolut Company (5)

Mats Persson, Reimersholms Spirits Group (6)

Board of Directors and Auditors

Directors

Chairman **Claes Dahlbäck**, born 1947, Vice Chairman, Investor. Elected 1991, Chairman 1993. (10)

Andreas Carlgren, born 1958, Director-General, National Integration Office. Elected deputy member 1997, ordinary member 1998.

Per Olof Håkansson, born 1941, former member of Swedish parliament. Elected 1995. (4)

Egon Jacobsson, born 1940, CEO, V&S Vin & Sprit AB. Elected 1983. (8)

Anita Johansson, born 1944, member of Swedish parliament. Elected deputy member 1987, ordinary member 1992. (5)

Bo Lundgren, born 1947, Member of Parliament. Full member 1989–October 1991, 1996–December 1999. (9)

Peter Lagerblad, born 1944, Under-Secretary of State. Elected 1996. (3)

Arne Mårtensson, born 1951, CEO, Handelsbanken. Elected deputy member 1992, ordinary member 1993. (7)

Michael Sohlman, born 1944, CEO, Nobel Foundation. Elected 1996. (11)

Deputy director

Helena Starup, born 1942, Assistant Under-Secretary. 1996–September 1999.

Members appointed by the trade unions

Jan Lundin, born 1946, line employee. Elected 1998. (12)

Göran Wrangsell, born 1950, Quality Manager, Wines, V&S Vin & Sprit AB. Elected 1997. (6)

Deputy members appointed by the employee organziations

Sven-Uno Bengtsson, born 1950, Warehouse Worker, V&S Vin & Sprit AB. Elected ordinary member 1988–91, deputy member 1992–95, ordinary member 1996–97, deputy member 1998. (1)

Conny Cederström, born 1939, Warehouse Manager, V&S Vin & Sprit AB. Elected 1995. (2)

Auditors

Ernst & Young AB.
Chief Auditor, **Björn Fernström**, born 1950, Authorized Public Accountant, auditor on call. Elected 1990.

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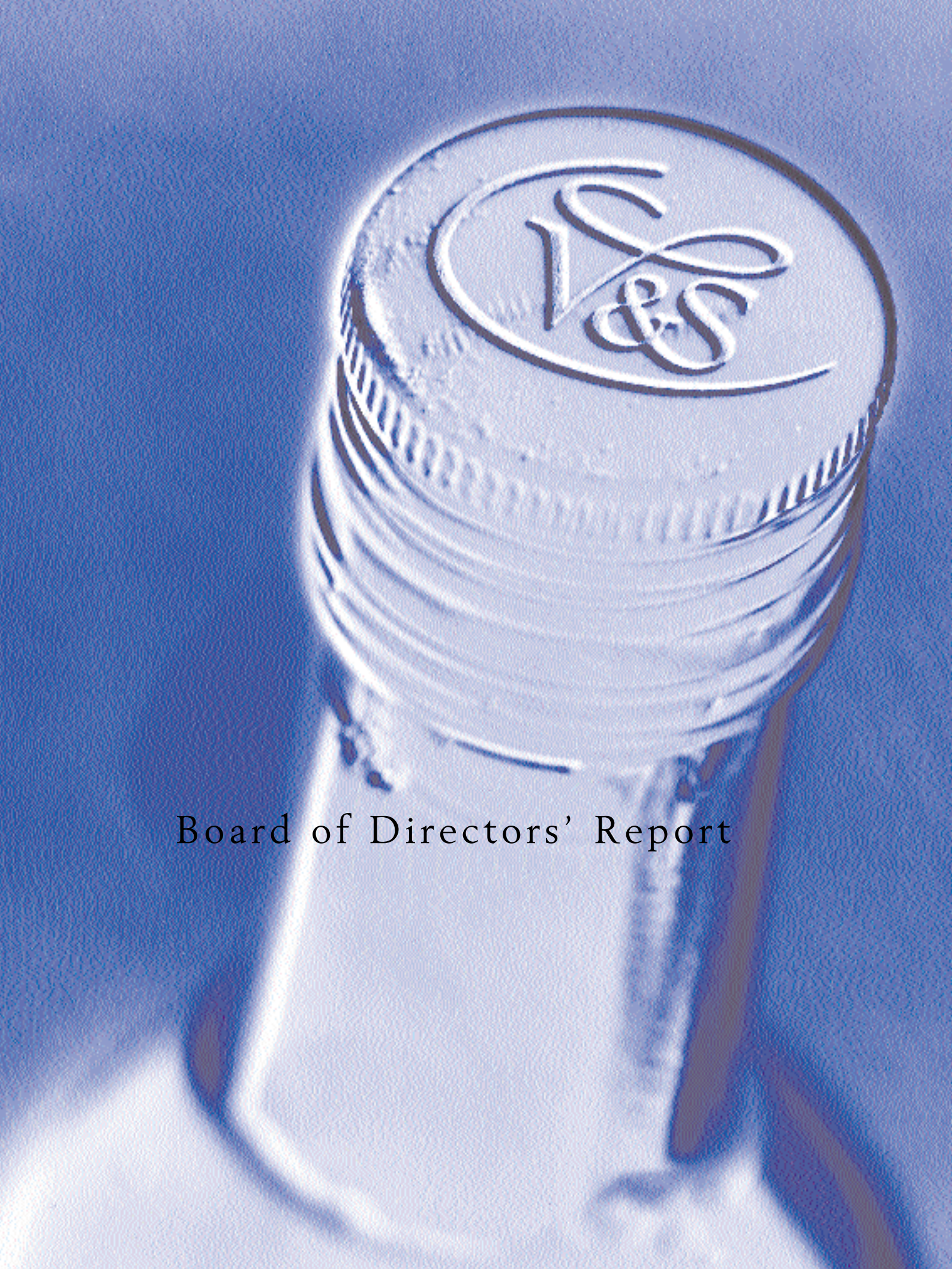


Board of Directors' Report

REVIEW OF OPERATIONS

Group

The V&S Group consists of the Parent Company V&S Vin & Sprit AB and its active subsidiaries, De Danske Spritfabrikker A/S, Danish Distillers Berlin GmbH, Dynybyl SPOL, s.r.o., Heinrich Liqueur Company AB, Svensk Sprit AB, Wydawnictwo Kron Sp.z.o.o, Tedeum Vin AB and Provinum AB. Note 17 lists the companies in the Group. Sjövik Projekt AB was merged with V&S Vin & Sprit AB in 1999.

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. Towards year-end, the acquisition of De Danske Spritfabrikker added the manufacture of cake, dry and vintner's yeast to the Group. V&S has sales in Sweden and abroad. Fiscal 1999 was the fifth year of operation in a Swedish alcoholic beverage market with deregulated sales to Systembolaget and to the hospitality industry (hotels, restaurants and catering). Even the fifth year entailed major change for the company. 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 VODKA, set new sales records. In 1999, volumes expanded 14 percent (8 percent in 1998). Part of that increase was a result of the extremely successful launch of the fourth flavor in the Absolut family, ABSOLUT MANDRIN. The other three flavors are Citron, Kurant and Peppar.

Sales and Earnings

In 1999, sales volumes reached 107.2 (97.9) million liters. This volume includes 2.6 (1.2) 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. Of total sales volumes, spirits accounted for 78.3 (67.9) million liters and wine 28.9 (30.0) million liters. The principal causes of stronger spirits sales in 1999 were the continued success of ABSOLUT VODKA, the acquisition in June 1999 of the whisky brand Lord Calvert for Scandinavian markets and the purchase of Dynybyl, the leading vodka distiller in the Czech market. In addition, Poire au Cognac, acquired prior to 1999, was renamed Xanté in 1999 and doubled its sales. Xanté is marketed through the subsidiary Heinrich Liqueur Company.

The Group's invoiced sales increased 17 percent in 1999. Thus, V&S passed the four-billion-kronor milestone, ending the year at SEK 4,029 (3,447) million in sales. Operating income after financial income and expenses and adjusted for non-recurring items also grew, to SEK 1,107 (772) million. Operating income after financial income and expenses totaled SEK 964 (1,060) million.

Restructuring costs of SEK 152 million, charged to this year's earnings, resulted from the decision to close the plant and shut down production, bottling and distribution in Falkenberg, Sweden. Provisions have been made to reserves so as to avoid additional costs burdening V&S before the plant is closed. A contributing factor in healthier earnings was the general strength of the U.S. dollar vis-à-vis the Swedish krona in 1999. This boosted earnings roughly SEK 75 million.

Number of Employees

The number of employees based on the number of hours actually worked in 1999 was 771 (698). Salaries and remuneration totaling SEK 244 (199) million were paid.

Financial Position

The Group made substantial investments in tangible and intangible fixed assets during the year. Fixed assets expanded SEK 425 million, to SEK 1,112 (687)

million. The expansion was primarily a result of brands and businesses acquired in 1999. The Group also invested in its existing businesses. Group investments, excluding acquisitions of subsidiaries and brands, totaled SEK 121 (118) million.

The V&S Group handles a large proportion of sales and beverage taxes, which entails considerable financing activity. At the end of the year, the Group floated a substantial loan to finance the acquisition of De Danske Spritfabrikker. Hence, at the turn of the century the Group became a net borrower. At December 31, total liquidity was SEK 2,753 (1,829) million. The equity/assets ratio equaled 30 percent (59 percent).

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 counterparts 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.

Significant Events

Legal sales of spirits in Sweden dropped 50 percent in the 1990s. Demand in Sweden for wine in bottles has declined sharply since the wholesale monopoly was revoked. As a consequence of these developments and prevailing market conditions, in March 1999 the Board of Directors voted to adjust production capacity in Sweden. The Board decided to shut down the factory and distribution operation in Falkenberg effective July 1, 2000.

In the future, distribution will be located in Årsta. This geographic reorganization creates opportunities to streamline handling, reduce lead times and lift the level of service to retail outlets.

The Board also decided to move the production remaining at Falkenberg to Sundsvall or to locations closer to countries where products are produced. The latter applies to bottling of wine and is determined primarily by economic conditions and the supply of bulk wines.

Fiscal year 1999 was otherwise distinguished by investment to accelerate the pace of growth.

In line with the strategies that Corporate Management and the Board of Directors have adopted, in 1999 the Group acquired the following.

– Rights to the Lord Calvert brand in the Scandinavian markets. Lord Calvert is a Canadian whisky that accounts for about 5 percent of the legal Swedish market for spirits.

– The spirits company Dynybyl SPOL. s.r.o., in the Czech Republic, mainly with the brands Prazka and Silver Ice, two brands that together account for 20 percent of the Czech market for vodka.

– De Danske Spritfabrikker (DDSF), previously named Danisco Distillers, including the brands Aalborg Akvavit, Gammel Dansk, Danzka Vodka and Frïs Vodka. The acquisition included production capacity for yeast and spirits distilled from molasses. DDSF is the leading producer of yeast in Denmark. DDSF accounted for 51 percent of all acquisitions and was effected through a designated new share issue. The acquisition analysis was prepared at December 31, 1999. The company's accounts have been consolidated from January 1, 2000.

– In addition, V&S acquired 100 percent of Danish Distillers Berlin GmbH. The company's main property is the Malteserkreutz brand, an aquavit that has about 30 percent of the German market.

These acquisitions laid a foundation for a solid Nordic alcoholic beverage company. Work continues on integrating these businesses and identifying beneficial synergies, enabling cost-effective logistics and a dynamic market organization.

Product Development and New Products

In a mature market, efforts to develop new products and enhance existing ones constitute a significant part of operations. Part of the success that V&S has achieved in its product development has been thanks to its sensory science laboratory, where old as well as new products are tested. These tests include, in addition to scientific analyses, tests for consumer panels and specialists.

During the year, the fourth flavored product in the Absolut family was launched: ABSOLUT MANDRIN. For the sixth year in a row, V&S presented an aquavit for Christmas. In 1999, the product was called Fårö Brännvin and turned out to be the most popular Christmas aquavit to date.

In the wine business, many new products from V&S were introduced. The performance of the bag-in-box range was most outstanding.

In 1998, V&S was represented in the prestigious Wine and Spirit Competition in London. This resulted in 10 medals and the distinction "Distiller of the Year." V&S also participated in 1999, when a total of 15 products either received medals or placed high in the rankings. For the year 2000 competition, V&S has established a prize for the world's best aquavit.

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 1999, a number of goals became manifest.

Environmental Impact

The Group operates in the Parent Company two plants 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 distilled 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 will have to be renewed because of plans to build a feed plant to take care of draff at Nöbbelöv.

The two installations that must report on their activities are plants for mixing and bottling alcoholic beverages. During the year 2000, when the plant in Falkenberg is shut down, those operations will be concentrated at the plant in Sundsvall. Production there will increase, from 10 million to 28 million liters per year. In conjunction with that, the operations status will change 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 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 1999, the Board of Directors had 13 board meetings. Each meeting is prepared by a working committee linked to the Board of Directors. The working committee includes the 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. During the year, Bo Lundgren resigned from the Board to accept other assignments.

Parent Company

The business activities of V&S Vin & Sprit AB are organized in three business areas—ABSOLUT VODKA, Reimersholms Spirits Group and V&S Wine—but managed as a single company.

Invoiced sales rose 16 percent reaching SEK 4,007 (3,447) million for 1999. Operating income after financial income and expenses and adjusted for non-recurring items grew, to SEK 1,112 (802) million. Operating income after financial income and expenses totaled SEK 923 (1,124) million. The Parent Company's total sales included SEK 0 (6) million in sales to subsidiaries. Purchases from subsidiaries equaled SEK 42 (54) million.

The steep decline in the Swedish market for legal spirits leveled off in the last year of the millennium. The total volume of spirits sold through retail outlets in 1999 was 22.7 (22.7) 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.

The rise in the Company's invoicing resulted from ongoing success for ABSOLUT VODKA. 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.

Outlook for the Future

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

Profit before minority interests (SEK million)

	Pro forma 1999	Actual 1999
Net sales	5,100	4,029
Profit after depreciation and amortization	1,018	1,061
Profit after financial income and expense	968	964

Foreign Affiliates

V&S Vin & Sprit AB operates a vineyard and conference center in Provence: V&S Domaine Rabiega. Wine production at Domaine Rabiega represents the core business activity, although acreage at the Chateau 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 466,468,849.17 at the disposal of the Annual General Meeting are allocated as follows.

Dividend	230,000
[500 shares * SEK 460,000 per share]	
To be carried forward to the year 2000 accounts	236,469
Total	466,469

Of the Group's SEK 508,725 thousand in non-restricted equity, the Board and CEO propose 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	1999	1998
Net sales	2	4,028,574	3,446,889
Change in work-in-progress, finished goods and work on contract		14,622	1,301
Other operating revenues	3	28,599	31,025
		4,071,795	3,479,215
Operating Expenses			
Raw materials and supplies		-945,844	-863,979
Merchandise		-195,312	-179,158
Other external expenses	4	-1,401,877	-1,266,298
Costs of personnel	1	-381,857	-317,342
Value adjustments of tangible and intangible assets	5	-85,629	-130,660
Non-recurring items	6	-143,234	287,271
Operating Profit		918,042	1,009,049
Financial Income and Expenses			
Other interest income and similar items	7	53,863	61,849
Interest expenses and similar items	8	-7,930	-11,259
Profit before Taxes		963,975	1,059,639
Taxes on net profit	10	-273,492	-197,312
Minority interest		-295	-797
Net Profit for the Year		**690,188**	**861,530**

Consolidated Balance Sheet

Amounts in SEK thousands	Notes	1999	1998
ASSETS			
Fixed Assets			
Intangible assets			
Brands	11	1,132,393	–
Goodwill	12	493,365	229,777
		1,625,758	229,777
Tangible assets			
Buildings, land and land improvements	13	534,726	342,891
Machinery and technical plant	14	504,400	284,933
Equipment	15	44,787	25,133
Construction in progress and advances for fixed assets	16	27,816	34,265
		1,111,729	687,222
Financial assets			
Other long-term holdings of securities	18	50	288
Other long-term receivables		–	10
		50	298
Total Fixed Assets		2,737,537	917,297
Current Assets			
Inventories etc.			
Raw materials and supplies		251,319	170,207
Semi-finished products		21,207	2,003
Finished goods and merchandise		244,985	169,019
		517,511	341,229
Current receivables			
Accounts receivable		1,145,395	767,206
Other receivables		16,711	7,402
Prepaid expenses and accrued revenues	19	61,973	55,341
		1,224,079	829,949
Short-term investments		506,070	1,809,651
Cash and bank balances	26	2,247,083	19,270
Total Current Assets		4,494,743	3,000,099
TOTAL ASSETS		**7,232,280**	**3,917,396**

Consolidated Balance Sheet

Amounts in SEK thousands	Notes	1999	1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Stockholders' Equity	20		
Restricted equity			
Capital stock		500,000	500,000
Restricted reserves		1,154,092	972,851
		1,654,092	1,472,851
Non-restricted equity			
Non-restricted reserves		-181,463	-21,164
Net profit for the year		690,188	861,530
		508,725	840,366
Total Stockholders' Equity		2,162,817	2,313,217
Minority Interest		115,384	1,332
Provisions			
Provisions for pensions and similar obligations	24	146,317	184,072
Provisions for deferred tax	30	404,456	339,255
Other provisions	25	154,305	26,200
		705,078	549,527
Long-Term Liabilities			
Bank Overdraft Facilities	26	1,642,014	–
Other liabilities	27	2,031	2,184
		1,644,045	2,184
Current Liabilities			
Accounts payable		337,337	232,187
Tax payable		130,689	33,055
Payable to credit institutions		279,499	–
Other liabilities	27	1,690,020	666,842
Accrued expenses and prepaid revenues	28	167,411	119,052
		2,604,956	1,051,136
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**7,232,280**	**3,917,396**

Pledged Assets and Contingent Liabilities, Consolidated Accounts

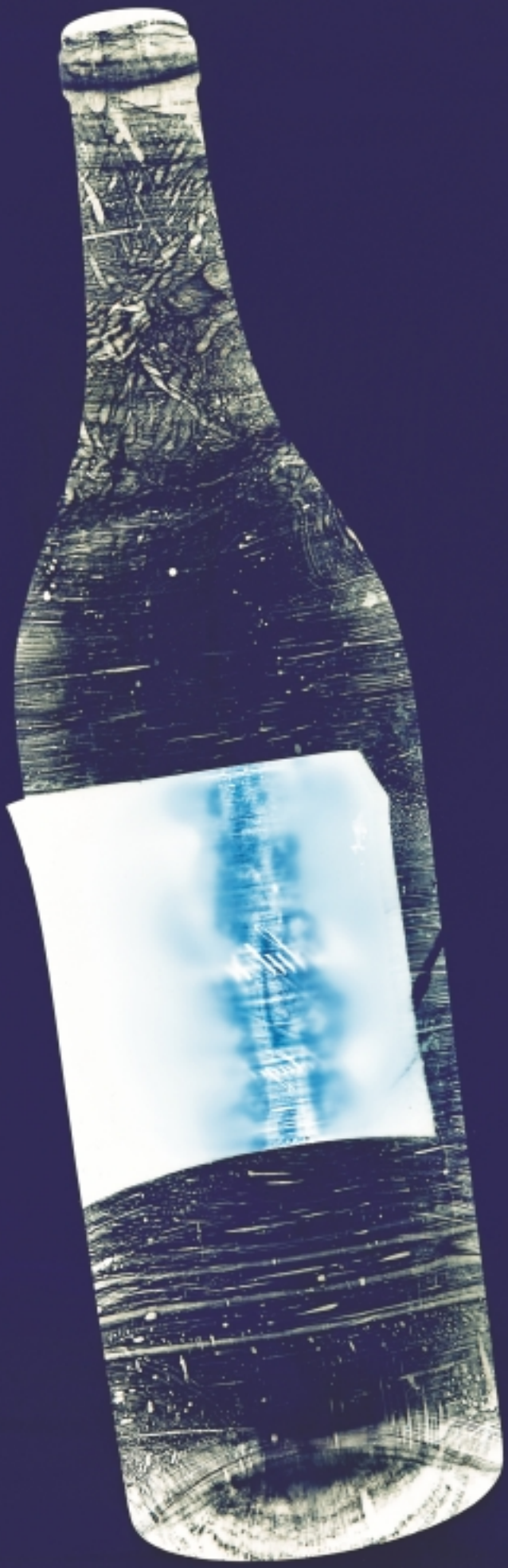
Amounts in SEK thousands	Notes	1999	1998
Pledged Assets		None	None
Contingent Liabilities			
Guarantees, FPG/PRI		2,555	2,676
Surety bonds, others		36	39
Guarantee to the tax authority for possible excise taxes		31,002	30,703
Other contingent liabilities		43,308	4,987
		76,901	**38,405**

Consolidated Cash Flow Analysis

Amounts in SEK thousands	Notes	1999	1998
Operating activities			
Profit before financial income and expenses		918,042	1,009,049
Interest received		69,571	45,665
Interest paid		-7,930	-11,259
Adjustment for items not included in cash flow			
Depreciation, amortization and write-downs		85,629	130,660
Gain/Loss on sales of fixed assets		-1,648	-315,130
Increase/Decrease in provisions		84,216	-24,425
Other items		11,956	-9,832
Tax paid		-186,570	-150,185
Cash flow from operating activities before changes in working capital		973,266	674,543
Cash flow from changes in working capital			
Increase/Decrease in inventories		-15,068	2,347
Increase/Decrease in receivables		-139,878	20,871
Decrease/Increase in operating liabilities		-9,996	52,040
Cash flow from operating activities		808,324	749,801
Investing activities			
Acquisition of intangible fixed assets	17	-223,998	-904
Acquisition of tangible fixed assets	13-16	-121,289	-116,774
Acquisition of businesses	29	-343,146	–
Sales of fixed assets		2,585	488,607
Cash flow from investing activities		-685,848	370,929
Financing activities			
New loans		1,642,014	–
Amortization of debt		-153	-3,561
Dividend paid		-840,366	-415,000
Cash flow from financing activities		801,495	-418,561
Cash flow for the year		923,971	702,169
Cash and cash equivalents, opening balance		1,828,921	1,126,752
Exchange rate differences in cash and cash equivalents		261	–
Cash and cash equivalents, closing balance *	26	2,753,153	1,828,921

* Cash and cash equivalents comprises cash on hand and bank deposits of SEK 2,247,083 (19,270) thousand and short-term investments of SEK 506,070 (1,809,651) thousand.

The Vin & Sprit Group 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 1999, V&S Vin & Sprit AB remitted SEK 3,485 (3,604) million in alcoholic beverage taxes.



Parent Company Income Statement

Amounts in SEK thousands	Notes	1999	1998
Net sales	2	4,007,219	3,447,075
Change in work-in-progress, finished goods and work on contract		16,593	-880
Other operating revenues	3	28,373	27,561
		4,052,185	3,473,756
Operating Expenses			
Raw materials and supplies		-952,156	-881,604
Merchandise		-194,142	-178,873
Other external expenses		-1,381,670	-1,242,814
Costs of personnel	1	-377,305	-310,660
Value adjustments of tangible and intangible assets	5	-81,147	-110,782
Non-recurring items	6	-143,234	374,507
Operating Profit		922,531	1,123,530
Financial Income and Expenses			
Other interest income and similar items	7	54,230	65,831
Interest expenses and similar items	8	-7,703	-12,975
Profit after Financial Income and Expenses		969,058	1,176,386
Appropriations			
Appropriations	9	-251,720	-108,829
Profit before Taxes		717,338	1,067,557
Taxes on net profit	10	-246,373	-196,043
Net Profit for the Year		**470,965**	**871,514**

Parent Company Balance Sheet

Amounts in SEK thousands	Notes	Dec. 31, 1999	Dec. 31, 1998
ASSETS			
Fixed Assets			
Intangible assets			
Brands	11	217,351	–
Goodwill	12	214,643	227,455
		431,994	227,455
Tangible assets			
Buildings, land and land improvements	13	357,989	298,725
Machinery and technical plant	14	337,095	278,865
Equipment	15	21,206	24,081
Construction in progress and advances for fixed assets	16	14,741	34,265
		731,031	635,936
Financial assets			
Shares in Group companies	17	1,567,915	275,030
Receivables from Group companies		7,889	19,826
Other long-term holdings of securities	18	50	288
Other long-term receivables		–	10
		1,575,854	295,154
Total Fixed Assets		2,738,879	1,158,545
Current Assets			
Inventories etc.			
Raw materials and supplies		173,447	167,978
Semi-finished products		3,702	2,003
Finished goods and merchandise		177,678	169,019
		354,827	339,000
Current receivables			
Accounts receivable		916,591	765,310
Receivables from Group companies		934,193	373,983
Other receivables		7,931	4,944
Prepaid expenses and accrued revenues	19	57,403	55,080
		1,916,118	1,199,317
Short-term investments		506,070	1,809,651
Cash and bank balances	26	257,196	13,077
Total Current Assets		3,034,211	3,361,045
TOTAL ASSETS		**5,773,090**	**4,519,590**

Parent Company Balance Sheet

Amounts in SEK thousands	Notes	Dec. 31, 1999	Dec. 31, 1998
LIABILITIES AND STOCKHOLDERS' EQUITY			
Stockholders' Equity	20		
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			
Retained losses		-4,496	-27,754
Net Profit for the Year		470,965	871,514
		466,469	843,760
Total Stockholders' Equity		1,066,469	1,443,760
Untaxed Reserves			
Accumulated excess depreciation	21	278,744	173,731
Tax allocation reserve	23	1,123,685	904,645
Tax equalization reserve	22	60,095	120,191
		1,462,524	1,198,567
Provisions			
Provisions for pensions and similar obligations	24	146,317	184,072
Other provisions	25	148,171	18,700
		294,488	202,772
Long-Term Liabilities			
Payable to Group companies		160,112	229,237
Bank overdraft facilities	26	1,642,014	–
Other liabilities	27	588	567
		1,802,714	229,804
Current Liabilities			
Accounts payable		237,488	221,900
Payable to Group companies		6,933	409,823
Tax payable		93,557	32,801
Other liabilities	27	644,101	664,164
Accrued expenses and prepaid revenues	28	164,816	115,999
		1,146,895	1,444,687
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**5,773,090**	**4,519,590**

Pledged Assets and Contingent Liabilities, Parent Company

Amounts in SEK thousands	Dec. 31, 1999	Dec. 31, 1998
Pledged Assets	None	None
Contingent Liabilities		
Guarantees, FPG/PRI	2,555	2,676
Surety bonds on behalf of Group companies' excise taxes	10,462	10,163
Surety bonds, others	36	39
Guarantee to the tax authority for possible excise taxes	20,540	20,540
Other contingent liabilities	4,970	4,987
	38,563	38,405

Parent Company Cash Flow Analysis

Amounts in SEK thousands	Not	1999	1998
Operating activities			
Profit before financial income and expenses		922,531	1,123,530
Interest received		69,938	49,647
Interest paid		-7,703	-12,975
Adjustment for items not included in cash flow			
Depreciation, amortization and write-downs		81,147	110,782
Gain/Loss on sales of fixed assets		-1,648	-382,207
Increase/Decrease in provisions		91,716	-31,925
Other items		43,640	-24,611
Tax paid		-185,617	-142,306
Cash flow from operating activities before changes in working capital		1,014,004	689,935
Cash flow from changes in working capital			
Increase/Decrease in inventories		-15,827	1,324
Increase in receivables		-702,531	-253,191
Decrease/Increase in operating liabilities		-476,469	365,395
Cash flow from operating activities		-180,823	803,463
Investing activities			
Acquisition of intangible fixed assets	11	-223,998	-240,267
Acquisition of tangible fixed assets	13-16	-158,617	-169,331
Acquisition of subsidiaries	17	-1,403,925	-964
Merger of subsidiaries	17	111,040	331,758
Sales of fixed assets		2,585	385,844
Cash flow from investing activities		-1,672,915	307,040
Financing activities			
New loans		1,642,014	–
Shareholder contributions paid		-7,657	–
Dividend paid		-840,366	-415,000
Cash flow from financing activities		793,991	-415,000
Cash flow for the year		-1,059,747	695,503
Cash and cash equivalents, opening balance		1,822,728	1,127,225
Exchange rate differences in cash and cash equivalents		285	-
Cash and cash equivalents, closing balance *	26	763,266	1,822,728

* Cash and cash equivalents comprises cash on hand and bank deposits of SEK 257,196 (13,077) thousand and short-term investments of SEK 506,070 (1,809,651) 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 1999, V&S Vin & Sprit AB remitted SEK 3,485 (3,604) 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 tax 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 for the year 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 each type of item in the income statement.

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.

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 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.

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	40 years	40 years
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

Merger

In 1999, Sjövik Projekt AB, company registration number 556482-8506, was merged with the Parent Company. The date of the merger was October 7, 1999.

Summary balance sheets at the date of the merger:

	Sjövik Projekt AB
Current assets	111
Total assets	111
Stockholders' equity	111
Total liabilities and shareholders' equity	111

The merger was retroactive from January 1, 1999, so the income statement for the period January 1–October 7, 1999, has been reported in the Parent Company. The loss arising from the merger, SEK -233 thousand, has been charged directly to stockholders' equity in the Parent Company.

Short-Term Investments

In accordance with the Annual Accounts Act, cash investments are valued at the lower of purchase cost or actual value. The company's investments consist of treasury bills, commercial paper 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 than 50 percent of the votes or in some other way has a decisive influence, as defined by the Annual Accounts Act. The accounts of foreign subsidiaries have been translated based on the current method.

Note 1

Employees and Costs of Personnel

Average number of employees	1999	of which men	1998	of which men
Parent Company				
Sweden	699	71%	672	70%
France	23	65%	23	70%
Total in Parent Company	722	68%	695	70%
Subsidiaries				
Sweden	3	33%	3	100%
Czech Republic	45	13%	–	
Poland	0		–	
Norway	1	100%	–	
Total subsidiaries	49	16%	3	100%
Group total	**771**	**65%**	**698**	**70%**

Following corporate acquisitions in December, the Group employed 1,352 persons full-time on an annual basis, located in Sweden, Denmark, the Czech Republic, Germany, Norway, France and Poland.

Salaries, other remuneration and social security expenses	1999		1998	
	Group	Parent Company	Group	Parent Company
Salaries	244,322	241,206	199,222	196,553
Social security expenses	92,346	91,363	65,692	64,981
Pension expenses	21,401	21,168	34,237	30,945
Other personnel expenses	23,788	23,568	18,191	18,181
Total expenses	**381,857**	**377,305**	**317,342**	**310,660**

	1999		1998	
	Salaries and remuneration	Social security expenses	Salaries and remuneration	Social security expenses
Parent Company	241,206	112,531	196,553	95,926
(pension expenses)		(21,168)[1]		(30,945)[1]
Subsidiaries	3,116	1,215	2,669	4,003
(pension expenses)		(232)		(3,292)
Group total	**244,322**	**113,746**	**199,222**	**99,929**
(pension expenses)		(21,400)[2]		(34,237)[2]

1) Of the Parent Company's pension expenses, 744 (760 in 1998) refers to the CEO.

2) Of Group pension expenses, 896 (3,146 in 1998) refers to Group presidents. Of this amount, bonuses account for 0 (2,141).

Salaries and other remuneration by country, paid to board members and personnel	1999		1998	
	Board and CEO	Other employees	Board and CEO	Other employees
Parent Company				
Sweden	3,605	231,358	2,761	188,522
France	–	6,243	–	5,270
Total in Parent Company	3,605	237,601	2,761	193,792
Subsidiaries				
- in Sweden	789	683	1,356	1,313
- outside Sweden	105	1,539	–	–
Total in subsidiaries	894	2,222	1,356	1,313
Group total	**4,499**	**239,823**	**4,117**	**195,105**

The CEO received a monthly salary of SEK 185 thousand and the use of a company car. Pension obligations from the company entitle the CEO to a pension equal to 75 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. Some members of Corporate 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 Corporate Management are entitled to severance pay of two years' salary, including the period of notice.

Since July 1, the Chairman of the Board has been paid a fixed fee of SEK 25 thousand quarterly, and other members of the Board a fixed fee of SEK 13 thousand quarterly.

The pension insurance company SPP has notified V&S that it is entitled to a refund of SEK 29 million. The Company has adhered to generally accepted accounting principles by not recognizing this as revenue.

Fees and reimbursement paid to the Company's auditors

	Group	Parent Company
Ernst & Young		
Audit assignments	860	710
Other assignments	6,147	5,975
PriceWaterhouseCoopers		
Audit assignments	242	–
Other assignments	115	–
	7,364	**6,685**

"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 "assignments."

Note 2
Net Sales by Business and Market

	1999	1998
Group		
Net sales by business		
Wines	698,537	652,689
Spirits	3,318,590	2,782,275
Other	11,447	11,925
	4,028,574	**3,446,889**
Net sales by market		
Sweden	1,196,804	1,034,451
Abroad	2,831,770	2,412,438
	4,028,574	**3,446,889**
Parent Company		
Net sales by business		
Wines	696,452	652,689
Spirits	3,299,567	2,782,275
Other	11,200	12,111
	4,007,219	**3,447,075**
Net sales by market		
Sweden	1,194,776	1,034,637
Abroad	2,812,443	2,412,438
	4,007,219	**3,447,075**

V&S Vin & Sprit AB focuses its operations on the market for alcoholic beverages. In Sweden, alcoholic beverage taxes are levied on the sale of wine, spirits and beer. In 1999, V&S Vin & Sprit AB remitted SEK 3,485 (3,604) million in beverage taxes.

Note 3
Other Operating Revenues

	1999	1998
Group		
Freight costs billed to customers	15,166	11,649
Materials sold to recycling	–	4,510
Other	13,433	14,866
	28,599	**31,025**
Parent Company		
Freight costs billed to customers	15,166	11,649
Materials sold to recycling	–	4,510
Other	13,207	11,402
	28,373	**27,561**

Note 4
Leasing Fees for Operating Leases

	1999	1998
Group and Parent Company		
Assets held through operating leases		
Leasing fees paid during the fiscal year	4,941	1,582
Contractual leasing fees for years 1–4	16,995	16,856
Contractual leasing fees for year 5 and later	3,872	6,177

Pertains to rent on two properties, both located in Stockholm (Årstadal and Lunda), and rent for land in France.

Note 5
Value Adjustments of Tangible and Intangible Assets

	1999	1998
Group		
Brands	-6,919	–
Goodwill	-13,807	-13,091
Buildings, land and land improvements	-11,282	-12,689
Machinery and technical plant	-47,244	-97,619
- depreciation component	–	*-46,886*
Equipment, tools and installations	-6,377	-7,261
	-85,629	**-130,660**
Parent Company		
Brands	-6,647	–
Goodwill	-12,812	-12,812
Buildings, land and land improvements	-10,980	-8,878
Machinery and technical plant	-44,474	-82,366
- depreciation component	–	*-33,964*
Equipment, tools and installations	-6,234	-6,726
	-81,147	**-110,782**

Note 6
Non-Recurring Items

	1999	1998
Group		
Costs of restructuring, closing down Falkenberg	-152,134	–
Write-down on inventory of returnable bottles	–	-7,700
Sales of property	–	315,783
Costs of sales	–	-15,812
Estimated cost of land reclamation	–	-5,000
Reversal of provisions for disputes	8,900	–
	-143,234	**287,271**
Parent Company		
Costs of restructuring, closing down Falkenberg	-152,134	–
Write-down on inventory of returnable bottles	–	-7,700
Sales of property	–	382,207
Reversal of provisions for disputes	8,900	–
	-143,234	**374,507**

Note 7
Other Interest Income and Similar Items

	1999	1998
Group		
Other interest income	53,854	61,840
Dividend paid	9	9
	53,863	**61,849**
Parent Company		
Interest income, Group companies	512	4,077
Other interest income	53,709	61,745
Dividend paid	9	9
	54,230	**65,831**

Note 8
Interest Expenses and Similar Items

	1999	1998
Group		
Interest portion of pension expense for the year	-6,112	-8,445
Other	-1,818	-2,814
	-7,930	**-11,259**
Parent Company		
Interest expenses, Group companies	-36	-2,090
Interest portion of pension expense for the year	-7,668	-7,126
Other	1	-3,759
	-7,703	**-12,975**

Note 9
Appropriations

	1999	1998
Difference between depreciation reported and according to plan		
- Buildings and land improvements	-6,619	-8,385
- Machinery and equipment	-86,156	3,061
Tax allocation reserve for the year	-219,040	-163,600
Reversal of tax equalization reserve	60,095	60,095
	-251,720	**-108,829**

Note 10
Taxes on Net Profit

	1999	1998
Group		
Tax paid	-246,391	-183,464
Deferred tax	-27,101	-13,848
	-273,492	**-197,312**
Parent Company		
Tax paid	-246,373	-183,285
Deferred tax	–	-12,758
	-246,373	**-196,043**

Note 11
Brands

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	–	–
New acquisitions	1,138,531	223,998
Reclassifications	1,359	–
	1,139,890	223,998
Accumulated amortization according to plan		
At the beginning of the year	–	–
Reclassifications	-578	–
Amortization according to plan for the year	-6,919	-6,647
	-7,497	-6,647
Residual value at year-end according to plan	**1,132,393**	**217,351**

Note 12
Goodwill

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	259,033	256,243
Acquired through corporate acquisitions	12,294	–
Acquisition of businesses	265,890	–
Translation difference for the year	-203	–
	537,014	256,243
Accumulated amortization according to plan		
At the beginning of the year	-29,256	-28,788
Acquired through corporate acquisitions	-586	–
Amortization according to plan for the year	-13,807	-12,812
	-43,649	-41,600
Residual value at year-end according to plan	**493,365**	**214,643**

Note 13

Buildings, Land and Land Improvements

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	618,866	557,307
New acquisitions	9,424	5,434
Acquired through corporate acquisitions	193,974	–
Merger of subsidiaries	–	58,808
Reclassifications	23,104	23,105
	845,368	644,654
Accumulated depreciation according to plan		
At the beginning of the year	-158,760	-141,367
Acquired through corporate acquisitions	-23,385	–
Merger of subsidiaries	–	-17,103
Depreciation on purchase cost according to plan for the year	-11,282	-10,980
	-193,427	-169,450
Accumulated write-downs		
At the beginning of the year	-117,215	-117,215
	-117,215	-117,215
Residual value at year-end according to plan	**534,726**	**357,989**
Tax-assessed value of buildings and land (in Sweden)	283,736	281,593
Properties held under financial leases included in the above	None	None

Note 14

Machinery and Technical Plant

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	1,030,665	1,006,482
New acquisitions	104,489	104,044
Acquired through corporate acquisitions	198,222	–
Merger of subsidiaries	–	775
Reclassifications	775	–
Divestment and retirement	-17,972	-17,972
	1,316,179	1,093,329
Accumulated depreciation according to plan		
At the beginning of the year	-526,961	-521,768
Acquired through corporate acquisitions	-34,660	–
Merger of subsidiaries	–	-422
Reclassifications	-423	–
Divestment and retirement	16,280	16,279
Depreciation on purchase cost according to plan for the year	-47,244	-44,474
	-593,008	-550,385
Accumulated write-downs		
At the beginning of the year	-218,771	-205,849
	-218,771	-205,849
Residual value at year-end according to plan	**504,400**	**337,095**
Machinery held under financial leases included in the above	None	None

Note 15
Equipment

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	81,434	79,278
New acquisitions	3,523	3,267
Acquired through corporate acquisitions	39,461	–
Merger of subsidiaries	–	794
Divestment and retirement	-2,002	-1,626
Reclassifications	-2,134	-775
	120,282	80,938
Accumulated depreciation according to plan		
At the beginning of the year	-56,301	-55,197
Acquired through corporate acquisitions	-16,009	–
Merger of subsidiaries	–	-561
Divestment and retirement	1,981	1,626
Reclassifications	1,211	634
Depreciation on purchase cost according to plan for the year	-6,377	-6,234
	-75,495	-59,732
Residual value at year-end according to plan	**44,787**	**21,206**
Equipment held under financial leases included in the above	None	None

Note 16
Construction in Progress and Advances for Fixed Assets

	Group	Parent Company
At the beginning of the year	34,265	34,265
Acquired through corporate acquisitions	12,803	–
Investments	3,853	3,581
Reclassifications	-23,105	-23,105
	27,816	**14,741**

Note 17

Shares in Group Companies

	Parent Company
Accumulated purchase cost	
At the beginning of the year	275,030
Purchases	1,403,925
Deducted because of merger	-111,040
Book value at year-end	1,567,915

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

Subsidiary/Co. reg. no./Reg'd. office	Shareholding pctg.	Book value
De Danske Spritfabrikker A/S, Denmark	51.0	916,720
A/S Dansk Gaeringindustri, Denmark	100.0	
Frïs Skandia A/S, Denmark	100.0	
Danish Distillers GmbH, Germany	100.0	443,742
Dynybyl SPOL, s.r.o, Czech Republic	100.0	43,263
Wydawnictwo Kron Sp.z.o.o, Poland	100.0	200
Provinum Distribution AB, 556335-1229, Stockholm	100.0	160,000
Provinum A/S, Norway	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	91.0	2,850
Heinrich Liqueur Company AB, 556477-6994, Gothenburg	51.0	520
Dormant companies	100.0	410
		1,567,915

Note 18
Other Long-Term Holdings of Securities

	Group	Parent Company
Accumulated purchase cost		
At the beginning of the year	288	288
Assets acquired	50	50
Assets divested	-288	-288
Book value at year-end	**50**	**50**

Specification of Parent Company and Group holdings of shares and participations

Associated companies /co. reg. no., reg'd. office	Shareholding quantity	Shareholding 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
Hemfjällsbyn i Sälen co-op				
716413-0804, Sälen	3		–	–
Shares in tenant-owner associations	8		–	–
			50	**50**

Note 19
Prepaid Expenses and Accrued Revenues

	Dec. 31, 1999	Dec. 31, 1998
Group		
Prepaid insurance premiums	2,384	717
Prepaid pension payments	5,390	5,775
Accrued interest income	5,618	21,335
Other items	48,581	27,514
	61,973	**55,341**
Parent Company		
Prepaid insurance premiums	1,411	672
Prepaid pension payments	5,390	5,775
Accrued interest income	5,618	21,335
Other items	44,984	27,298
	57,403	**55,080**

Note 20
Stockholders' Equity

	Capital stock	Restricted reserves	Non-restricted equity
Group			
At the beginning of the year	500,000	972,851	840,366
Dividend paid			-840,366
Transfer between restricted and non-restricted equity		181,470	-181,470
Net profit for the year			690,188
Translation difference for the year		-229	7
At year-end	**500,000**	**1,154,092**	**508,725**

	Capital stock	Legal reserve	Retained earnings
Parent Company			
At the beginning of the year	500,000	100,000	843,760
• Dividend			-840,366
• Gain/Loss on merger			-233
• Shareholder contributions, net			5,265
• Group contributions			-12,922
Net profit for the year			470,965
At year-end	**500,000**	**100,000**	**466,469**

Note 21
Accumulated Excess Depreciation

	Dec. 31, 1999	Dec. 31, 1998
Buildings and land improvements	79,741	72,976
Machinery and equipment	199,003	100,755
	278,744	**173,731**

12,238 was assumed in conjunction with the merger.

Note 22
Tax Equalization Reserve

	Dec. 31, 1999	Dec. 31, 1998
Tax equalization reserve	60,095	120,191
	60,095	**120,191**

Note 23
Tax Allocation Reserve

	Dec. 31, 1999	Dec. 31, 1998
Tax allocation reserve, provision in 1995 taxes	259,316	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	–
	1,123,685	**904,645**

Note 24
Provisions for Pensions and Similar Obligations

	Dec. 31, 1999	Dec. 31, 1998
Group and Parent Company		
PRI	127,723	133,785
Other pensions	18,594	50,287
	146,317	**184,072**
Including credit insurance through FPG/PRI	146,317	184,072

Note 25
Other Provisions

	Dec. 31, 1999	Dec. 31, 1998
Group		
Estimated debt to clients for returnable bottles outstanding	–	7,700
Restructuring costs for shutting down Falkenberg plant	138,671	–
Estimated cost of land reclamation	5,000	5,000
Provision for disputes in progress	4,500	13,500
Other provisions	6,134	–
	154,305	**26,200**
Parent Company		
Estimated debt to clients for returnable bottles outstanding	–	7,700
Restructuring costs for shutting down Falkenberg plant	138,671	–
Estimated cost of land reclamation	5,000	–
Provision for disputes in progress	4,500	11,000
	148,171	**18,700**

Note 26
Bank Overdraft Facilities

	Dec. 31, 1999	Dec. 31, 1998
Group and Parent Company		
Credit limit granted	1,831,646	60,000
Unused credit	-189,632	-60,000
Used credit	**1,642,014**	**–**

Note 27
Other Liabilities, Long-Term and Short-Term

	Dec. 31, 1999	Dec. 31, 1998
Group		
Alcoholic beverage taxes	537,103	502,371
Value-added tax	176,808	149,337
Debt to Danisco A/S	888,078	–
Other	90,062	17,318
	1,692,051	**669,026**
Parent Company		
Alcoholic beverage taxes	489,145	502,371
Value-added tax	138,329	149,677
Other	17,215	12,683
	644,689	**664,731**

Note 28
Accrued Expenses and Prepaid Revenues

	Dec. 31, 1999	Dec. 31, 1998
Group		
Vacation pay and related liability	21,053	19,226
Accrued employer's social security contribution	7,101	5,407
Severance payments and contractual pensions	–	2,416
Marketing expenses and royalties	69,369	46,854
Other items	69,888	45,149
	167,411	**119,052**
Parent Company		
Vacation pay and related liability	20,916	19,137
Accrued employer's social security contribution	6,954	5,355
Severance payments and contractual pensions	–	2,416
Marketing expenses and royalties	69,204	46,854
Other items	67,742	42,237
	164,816	**115,999**

Note 29
Additional Information for the Cash Flow Analysis

During the year, the following companies were acquired: Dynybyl SPOL, s.r.o, Danish Distillers Berlin GmbH and De Danske Spritfabrikker A/S with the subsidiaries A/S Dansk Gaeringsindustri and Frïs Skandia A/S.

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

Fixed Assets	1,566,983
Liquid funds	1,985,219
Other current assets	408,834
Longterm liabilities	-166,489
Current liabilities	-1,466,182
Purchase price paid	2,328,365
Liquid funds in the companies acquired	-1,985,219
Effect on the Group's liquid funds	343,146

Note 30
Provisions for Deferred Tax

	Dec. 31, 1999	Dec. 31, 1998
Group		
Deferred tax on untaxed reserves	409,690	339,129
Deferred tax liability on temporary differences	38,100	–
Deferred tax benefit on temporary differences	-44,423	–
Other	1,089	126
	404,456	**339,255**

Temporary differences arise when the tax effective value of an asset or liability differs from the value reported in the accounts.

Stockholm,
February 21, 2000

Claes Dahlbäck
Chairman

Andreas Carlgren

Per Olof Håkansson

Anita Johansson

Peter Lagerblad

Jan Lundin
Employee representative

Arne Mårtensson

Michael Sohlman

Göran Wrangsell
Employee representative

Egon Jacobsson
Chief Executive Officer

My auditor's report was
submitted on February 21, 2000

Björn Fernström
Authorized Public Accountant

Auditor's Report

To the Annual General Meeting of
V&S Vin & Sprit AB

Company registration number
556015-0178

I have examined the annual report, consolidated financial statements, accounts and management of the company by the Board of Directors and Chief Executive Officer for V&S Vin & Sprit AB for fiscal 1999. The Board of Directors and CEO are responsible for the accounting records and management of the company. My responsibility is to express an opinion on the annual report, consolidated financial statements and management of the company based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in Sweden. Those standards require that I plan and perform the audit to obtain reasonable assurance that the annual report and the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounting records. An audit also includes assessing the accounting principles and their application by the Board of Directors and the CEO as well as evaluating the overall disclosure of the annual report and consolidated financial statements. To be able to recommend that the stockholders' meeting discharge the Directors and the CEO from liability for the year, I have examined material decisions, actions and circumstances in the company to determine whether or not the CEO or any Member of the Board could be liable to pay compensation to the company. I have also examined whether or not any Member of the Board or the CEO has in some other way acted contrary to the Companies Act, the Annual Accounts Act or the company's articles of incorporation. I believe that my audit provides a reasonable basis for the opinions I state below.

The annual report and the consolidated financial statements were prepared in compliance with the Annual Accounts Act and thus present a true and fair view of the earnings and financial position of the company and the Group in accordance with accounting principles generally accepted in Sweden.

I recommend that the stockholders' meeting adopt the income statement and balance sheet for the Parent Company and the Group, allocate the earnings of the Parent Company in accordance with the proposal in the Board of Directors' Report and discharge the Board of Directors and the CEO from liability for the year.

Stockholm, February 21, 2000

Björn Fernström
Authorized Public Accountant

Key Ratios for the Group

Five-Year Summary			1999	1998	1997	1996	1995
Yield Ratios							
Return on stockholder's equity	1)	%	35.9	26.5	27.6	20.8	26.1
Return on total assets	2)	%	20.2	21.3	20.4	16.8	17.3
Earnings Ratios							
Operating income/sales	3)	%	26.6	20.5	19.9	15.5	14.6
Costs of personnel/sales	4)	%	9	9	9	9	8
Capital Turnover							
Turnover rate of capital	5)	times/year	0.72	0.94	0.96	0.94	0.95
Sales/employee	6)	SEK mn	5.2	4.9	4.4	4.2	4.5
Working Capital							
Working capital/sales	7)	%	48	48	36	35	30
Cash and bank balances/sales	8)	%	57	43	32	31	29
Inventories/sales	9)	%	11	10	11	13	14
Liquidity and Equity/Assets							
Acid-test ratio	10)	%	153	253	200	154	171
Equity/assets ratio	11)	%	29.9	59.0	54.9	50.0	51.4
Growth							
Change in sales		%	17	7	2	-22	-32
Change in total assets		%	85	15	3	-7	-30

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.

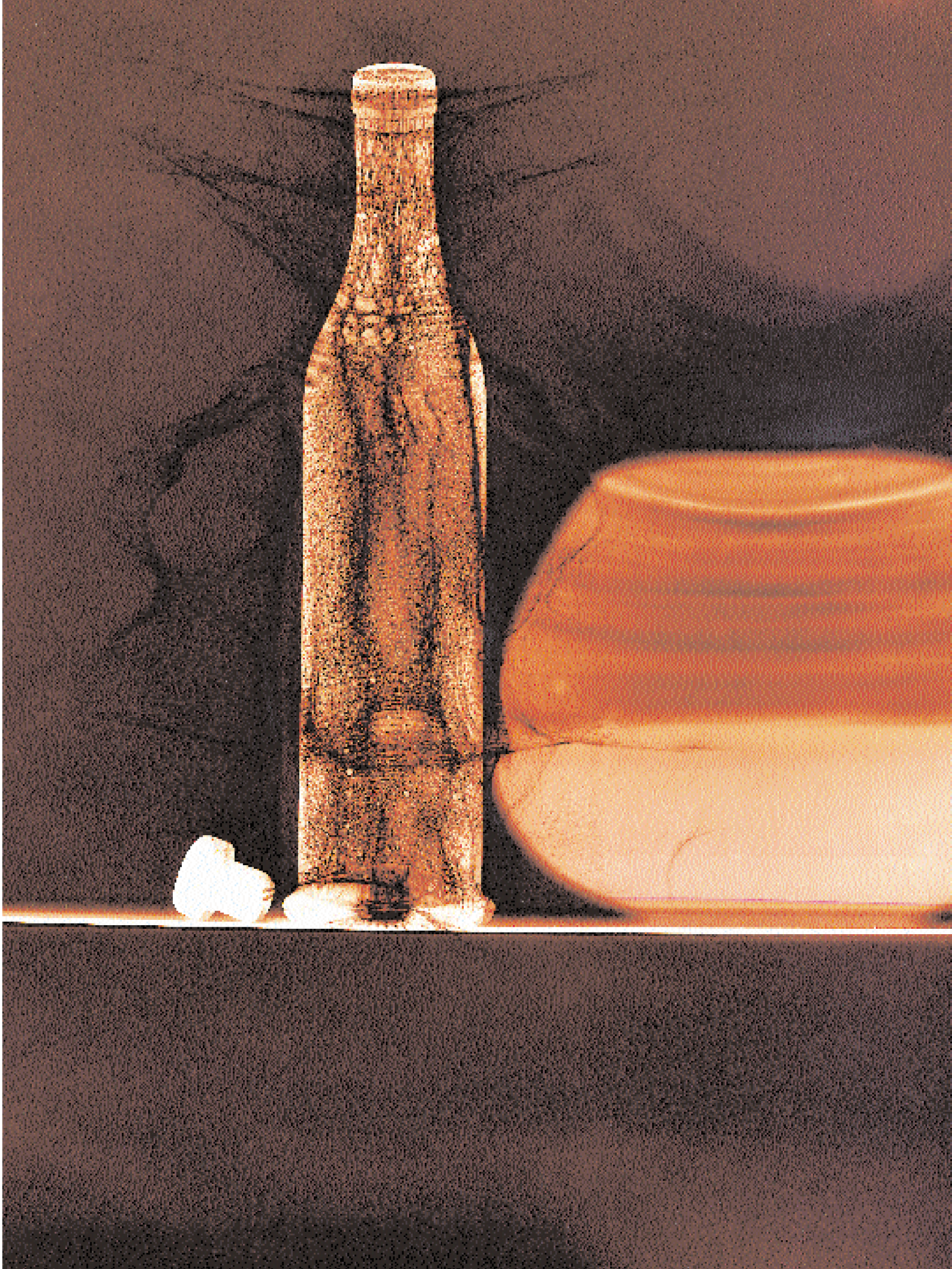
8) Average cash and bank balances, including short-term investments, as a percentage of sales.

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) The 1999 figures are adjusted for costs of SEK -152 million for shutting down Falkenberg, and the 1998 figures for capital gains of SEK 291 million on properties.



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