



# INTERIM REPORT

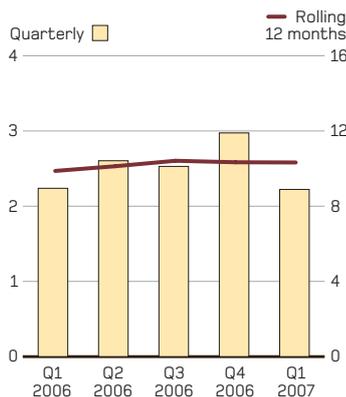
January – March 2007

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

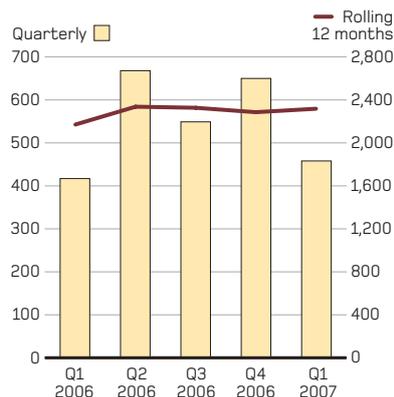
# Q1

- Group net sales for the first quarter decreased by 1 per cent to SEK 2,223 (2,238) million.
- The organic growth, excluding currency effects, amounted to 5 per cent. Exchange rate fluctuations, primarily the weaker US dollar, reduced net sales by approximately SEK 100 million.
- Operating profit increased by 10 per cent to SEK 458 (417) million and the operating margin improved to 20.6 per cent (18.6). Exchange rate fluctuations reduced operating profit by approximately SEK 55 million.
- Profit after tax increased by 21 per cent to SEK 303 (251) million.
- Sales volumes increased by 5 per cent to 5.5 million 9-litre cases (5.2).
- Sales continued to increase for ABSOLUT VODKA on the American and most other prioritized markets. Global growth for ABSOLUT VODKA was 10 per cent in terms of sales volume.
- The remaining 50 per cent of Norwegian wine and spirits distributor Amundsen AS was acquired. The company is therefore now wholly owned by V&S.
- Agreement was reached to divest Florida Distillers with effect from 1 April.

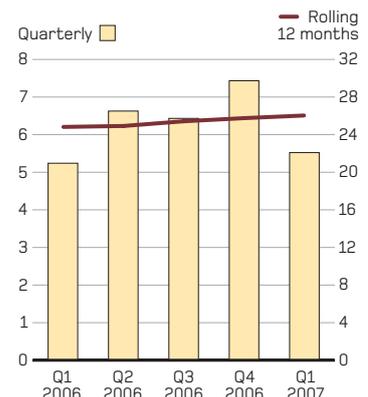
NET SALES  
SEK bn



OPERATING PROFIT  
SEK mn



SALES VOLUME  
Million 9-l cases



## KEY RATIOS FOR THE GROUP

	Q1 2007	Q1 2006	Full year 2006
Net sales, SEK mn	2,223	2,238	10,345
Operating profit, SEK mn	458	417	2,275
Profit after tax, SEK mn	303	251	1,577
Operating margin <sup>1</sup> , %	20.6	18.6	22.0
Cash flow before financing activities, SEK mn	597	-223	-74
Return on shareholders' equity <sup>2</sup> , %	24.6	26.1	22.3
Interest-bearing net liability <sup>3</sup> , SEK mn	4,825	5,320	5,267
Debt/equity ratio <sup>4</sup> , times	0.7	0.9	0.7
Equity/assets ratio <sup>5</sup> , %	39.0	35.7	40.5
Sales volume, thousand 9-litre cases	5,522	5,240	25,732
Average number of employees <sup>6</sup>	2,278	2,349	2,304

<sup>1</sup> Operating profit as a percentage of net sales.

<sup>2</sup> Net profit (rolling 12 months) as a percentage of average equity.

<sup>3</sup> Interest-bearing liabilities less interest-bearing assets, calculated at end of period.

<sup>4</sup> Interest-bearing net liability divided by equity, calculated at end of period.

<sup>5</sup> Equity as a percentage of total assets

<sup>6</sup> Average number of employees based on number of hours worked

## THE GROUP

## Market and Sales

The Group's three main markets are continuing to develop largely in line with the general trends of recent years. The market for international premium spirits brands continues to increase in North America, Europe and East Asia. The long-term trend of declining demand for traditional local spirits in Northern Europe was compensated for by recovery in Denmark and Poland primarily. Demand for wine in the Nordic region is continuing to increase.

Group net sales excluding alcohol excise for the first quarter totalled SEK 2,223 (2,238) million, a decline of 1 per cent. Change in exchange rates, primarily the weaker US dollar, has reduced sales by approximately SEK 100 million compared to the same period last year. For comparable units, net sales increased by 5 per cent. The improvement is attributable to V&S Absolut Spirits which continues to show strong growth, as well as V&S Distillers which has increased its net sales on several markets. In V&S Wine net sales were in line with the previous year for comparable units. Consolidated sales include

sales in the amount of SEK 166 million referring to Florida Distillers, which was divested after the end of the period.

Total Group sales volumes increased by 5 per cent to 5.5 million 9-litre cases (5.2).

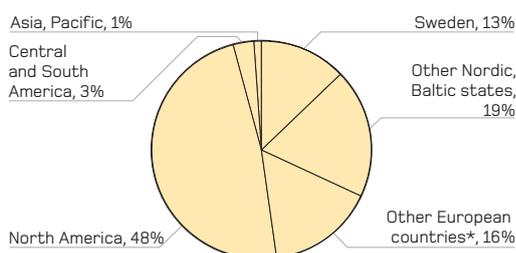
## Profit

Group operating profit for the first quarter increased by 10 per cent to SEK 458 (417) million and the operating margin improved to 20.6 per cent (18.6). In total, exchange rate fluctuations compared to the same quarter in the previous year have affected operating profit by approximately SEK -55 million. The improvement in operating profit is due to higher sales and lower costs. Operating profit includes profit amounting to SEK 22 million from Florida Distillers.

Net financial income and expenses improved to SEK -46 (-55) million. The improvement is mainly attributable to lower average net interest-bearing loans.

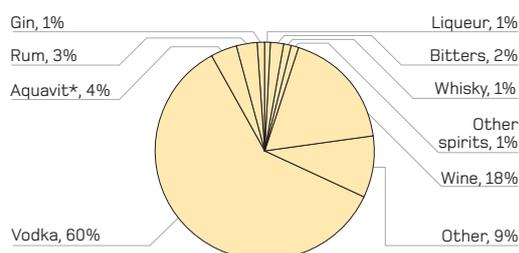
Profit for the period after tax totalled SEK 303 (251) million.

## NET SALES BY GEOGRAPHICAL MARKET



\* Including CIS, the Middle East and Africa.

## NET SALES BY PRODUCT CATEGORY



\* Including other spiced spirits.

**DEVELOPMENT BY BUSINESS AREA****V&S Absolut Spirits**

V&S Absolut Spirits encompasses global sales of ABSOLUT VODKA and the Group's international premium spirits brands.

ABSOLUT PEARS was launched during the quarter in the United States, and is gradually being launched on other markets. The launch of ABSOLUT 100, a premium vodka initially intended for the Duty Free & Travel Retail market, took place in March.

Net sales for the first quarter decreased by 3 per cent to SEK 1,284 (1,322) million. Changes in exchange rates, primarily the weaker US dollar, has affected sales by approximately SEK –80 million compared to the same period last year. For comparable units, net sales rose by 4 per cent. Sales volumes increased by 8 per cent to 2.5 million 9-litre cases (2.3).

The organic growth refer primarily to continued good development for ABSOLUT VODKA as well as Cruzan Rum. Sales of ABSOLUT VODKA in the United States increased both in terms of volume and US dollars, but decreased in Swedish kronor due to the weaker dollar exchange rate. Sales also increased on most other prioritized markets. Cruzan Rum showed good growth both in terms of volume and net sales.

Operating profit increased by 1 per cent to SEK 429 (423) million and the operating margin improved to 33 per cent (32). For comparable units, operating profit was up 15 percent. The improvement is primarily due to higher sales of ABSOLUT VODKA and good cost efficiency.

**V&S Distillers**

V&S Distillers encompasses the Group's spirits activities in Northern Europe.

Several new products were launched during the quarter, including Malteser Bitter on the German market and Aalborg Nordguld Aquavit.

In February an agreement was reached regarding the sale of industrial alcohol with effect from 1 June 2007. Spirits sales in Norwegian company Amundsen AS are included in the business area's figures from 1 January 2007, but in 2006 they were reported as part of V&S Wine.

Net sales for the first quarter increased by 14 per cent to SEK 437 (384) million. Sales volumes increased by 14 per cent to 1.2 million 9-litre cases (1.1). For comparable units, net sales increased by 12 per cent. The rise in sales volume is primarily due to a strong increase in vodka sales on the Polish market. Easter fell slightly earlier this year than last year, which has had a positive effect on sales in the Nordic countries. Most product groups, primarily vodka, enjoyed higher sales than in the same period last year.

Operating profit for the first quarter increased by 27 per cent to SEK 36 (28) million and the operating margin improved to 8 per cent (7). The increase for comparable units was 24 per cent. The improvement is primarily attributable to increased sales.

**V&S Wine**

V&S Wine encompasses the Group's wine business, and operates in the Northern European wine market.

Sales from the previous year also include spirits sales in the Norwegian company Amundsen. The spirits sales are recognized as part of V&S Distillers from 1 January 2007.

Net sales for the first quarter decreased by 3 per cent to SEK 408 (421) million. Sales volumes also decreased slightly, amounting to 1.9 million 9-litre cases (1.9). For comparable units, net sales increased by 1 per cent. Sales in Sweden increased during the quarter despite certain products being de-listed by monopoly retailer Systembolaget. All markets apart from Sweden decreased in sales volume. This is partly due to reduced sub-contracted bottling in Denmark and lower third-party sales in Estonia. However, the early Easter did have some positive effect on sales.

The business area's operating result for the first quarter decreased to SEK –6 (–2) million. This is primarily due to lower sales in Denmark, but also to the above-mentioned change in recognition of the Norwegian spirits sales.

**INVESTMENT**

During the first quarter of the year, total Group investment amounted to SEK 147 (714) million, primarily relating to the investment in the remaining 50 per cent of Amundsen AS and capacity investments in Åhus. After the period's value adjustments and translation differences, fixed assets amounted to SEK 13,104 (12,263) million.

**CASH FLOW**

Cash flow from operating activities during the quarter amounted to SEK 709 (433) million.

Net interest-bearing loans for the Group totalled SEK 4,825 (5,320) million on 31 March, entailing a decrease of SEK 442 million since 31 December 2006. Cash and cash equivalents amounted to SEK 491 (716) million on 31 March. Together with confirmed loan promises, the Group has a liquidity reserve of SEK 4,928 (5,565) million.

**PARENT COMPANY**

Net sales for the first quarter amounted to SEK 1,249 (1,239) million. Profit after financial income and expenses totalled SEK 171 (390) million. The average number of employees during the period was 758 (759). Cash and cash equivalents including short-term investments totalled SEK 284 (433) million on 31 March.

A dividend of SEK 710 million for 2006 was established at the Annual General Meeting on 20 March. Anders Narvinger (chairman) and Eva Lindqvist (member) were elected as new members of the Board, while members Jonas Iversen, Ebbe M Loiborg, Helle Kruse Nielsen and Mats G Ringesten were re-elected. The Board also includes employee organization representatives Johan Lund and Jan Lundin, and their deputies Kent Karlsson and Roger Möller.

#### **SIGNIFICANT EVENTS AFTER THE END OF THE PERIOD**

On 1 April 2007 the sale of Florida Distillers to the French spirits company Belvédère was finalized. In 2006 the operation's sales amounted to SEK 600 million, operating profit to SEK 48 million and the number of employees to 303.

#### **GENERAL ACCOUNTING PRINCIPLES**

This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Financial Accounting Standards Council's Recommendation RR 31 Interim reporting for groups. The general accounting principles and calculation methods correspond to those used in preparing the latest Annual Report.

The Parent Company applies the same accounting principles as the Group except for the exclusions specified in RR 32 Financial reporting for legal entities.

#### **FINANCIAL REPORTING**

Interim reports will be published on 23 August and 31 October. The Year-end Report for 2007 is published on 31 January 2008.

#### **OTHER**

This interim report has not been reviewed by the company's auditors.

V&S Vin & Sprit AB (publ) is a company wholly owned by the Kingdom of Sweden. The Group, V&S Group, consists of the Parent Company and operating activities in Sweden, Denmark, Finland, Norway, Estonia, Germany, Poland, United States, US Virgin Islands, United Kingdom and Hong Kong.

**CONSOLIDATED INCOME STATEMENT**

SEK mn	Q1 2007	Q4 2006	Q1 2006	Full year 2006
Net sales	2,223	2,974	2,238	10,345
Shares in associated companies' and joint ventures' results	36	132	25	238
Other operating revenues	42	48	29	313
	<b>2,301</b>	<b>3,154</b>	<b>2,292</b>	<b>10,896</b>
Operating expenses	-1,799	-2,394	-1,822	-8,357
Depreciation/amortization and write-down of tangible and intangible assets	-44	-119	-53	-264
<b>Operating profit</b>	<b>458</b>	<b>641</b>	<b>417</b>	<b>2,275</b>
Financial income and expenses	-46	-72	-55	-281
<b>Profit before taxes</b>	<b>412</b>	<b>569</b>	<b>362</b>	<b>1,994</b>
Taxes	-109	53	-111	-417
<b>PROFIT FOR THE PERIOD</b>	<b>303</b>	<b>622</b>	<b>251</b>	<b>1,577</b>
Profit for the period attributable to:				
The parent company's shareholders	302	619	253	1,572
Minority owners	1	3	-2	5
<b>Profit per share (500 pcs)</b>	<b>0.60</b>	<b>1.24</b>	<b>0.51</b>	<b>3.14</b>

**CONSOLIDATED BALANCE SHEET**

SEK mn	31 Mar 2007	31 Mar 2006	31 Dec 2006
Intangible fixed assets	4,114	4,166	4,009
Tangible fixed assets	1,877	2,032	1,818
Financial fixed assets	7,113	6,065	6,995
<b>Total fixed assets</b>	<b>13,104</b>	<b>12,263</b>	<b>12,822</b>
Inventories etc.	993	1,335	955
Current receivables	2,512	2,449	3,270
Financial investments	90	-	-
Cash and cash equivalents	491	716	400
Assets held for sale	447	-	427
<b>Total current assets</b>	<b>4,533</b>	<b>4,500</b>	<b>5,052</b>
<b>TOTAL ASSETS</b>	<b>17,637</b>	<b>16,763</b>	<b>17,874</b>
Shareholders' equity attributable to the parent company's shareholders	6,883	5,972	7,232
Shareholders' equity attributable to minority owners	-	11	15
Long-term interest-bearing liabilities	3,735	4,671	3,645
Pension provisions	93	87	89
Deferred tax	2,165	1,914	2,174
Other long-term liabilities	19	6	20
Current interest-bearing liabilities	1,488	1,278	1,933
Other current liabilities	3,190	2,824	2,701
Liabilities related to assets held for sale	64	-	65
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>17,637</b>	<b>16,763</b>	<b>17,874</b>

**CONSOLIDATED CASH FLOW ANALYSIS**

SEK mn	Q1 2007	Q4 2006	Q1 2006	Full year 2006
Cash and cash equivalents at beginning of period	400	1,560	626	626
<i>Cash flow from operating activities before changes in working capital</i>	<i>500</i>	<i>387</i>	<i>287</i>	<i>1,612</i>
<i>Cash flow from changes in working capital</i>	<i>209</i>	<i>-29</i>	<i>146</i>	<i>-5</i>
Cash flow from operating activities	709	358	433	1,607
Cash flow from investing activities	-112	-75	-656	-1,681
Cash flow from financing activities	-509	-1,444	319	-146
<b>CASH FLOW FOR THE PERIOD</b>	<b>88</b>	<b>-1,161</b>	<b>96</b>	<b>-220</b>
Exchange rate difference in cash and cash equivalents	3	1	-6	-6
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<b>491</b>	<b>400</b>	<b>716</b>	<b>400</b>

**CONSOLIDATED CHANGE IN EQUITY**

SEK mn	Q1 2007	Q1 2006	Full year 2006
At beginning of period	7,247	6,886	6,886
Change in translation reserve	85	-6	-121
Change in hedging reserve	-26	1	45
Change in minority interest	-16	-549	-540
Dividend	-710	-600	-600
Profit for the period	303	251	1,577
<b>At end of period</b>	<b>6,883</b>	<b>5,983</b>	<b>7,247</b>
<b>Equity attributable to:</b>			
The parent company's shareholders	6,883	5,972	7,232
Minority owners	0	11	15

**CONSOLIDATED QUARTERLY DATA**

	Q1 2007	Q4 2006	Q3 2006	Q2 2006	Q1 2006
Net sales, SEK mn	2,223	2,974	2,529	2,604	2,238
Operating profit, SEK mn	458	641	549	668	417
Operating margin <sup>1</sup> , %	20.6	21.6	21.7	25.7	18.6
Sales volume, thousand 9-litre cases	5,522	7,433	6,432	6,627	5,240

<sup>1</sup> Operating profit as a percentage of net sales.

**CONSOLIDATED SEGMENT DATA**

Q1	Net sales (SEK mn)		Operating profit (SEK mn)		Volumes (thousand 9-l. cases)	
	2007	2006	2007	2006	2007	2006
V&S Absolut Spirits	1,284	1,322	429	423	2,532	2,344
V&S Distillers	437	384	36	28	1,238	1,090
V&S Wine	408	421	-6	-2	1,863	1,897
Other and eliminations	94	111	-1	-32	-111	-91
	<b>2,223</b>	<b>2,238</b>	<b>458</b>	<b>417</b>	<b>5,522</b>	<b>5,240</b>

**EXCHANGE RATES**

Q1	Closing day rate		Average rate	
	2007	2007	2006	2006
USD/SEK	7.0139	7.0088	7.7883	7.7778
EUR/SEK	9.3422	9.1868	9.4173	9.3539
DKK/SEK	1.2539	1.2328	1.2623	1.2535
PLN/SEK	2.4160	2.3638	2.3972	2.4405

Stockholm, 27 April 2007

Bengt Baron  
Chief Executive Officer