V&S

V&S Group
Annual Report 2007

Contents

INFORMATION IN 2008

The Annual General Meeting will take place on 12 May in Stockholm.

Quarterly reports will be published on 12 May, 20 August and 31 October.

The Annual Report, quarterly reports and a presentation of V&S Group are available in English at vsgroup.com and in Swedish at vsgroup.se.

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V&S Group in brief

V&S Group is one of the world's leading international spirits companies with sales in 126 markets. The biggest brand is ABSOLUT VODKA, the fourth largest international spirits brand in the world. V&S is the leading producer and distributor of wines and spirits in Northern Europe. Its product portfolio includes many strong international, regional and local proprietary brands, as well as agency products. The Group has wholly-owned operations in ten countries.

V&S is continuing to create growth and strengthen its profitability by:

- Developing and strengthening the ABSOLUT VODKA brand.
- Securing its position as the leading alcoholic beverage company in Northern Europe.
- Acquiring and developing spirits brands with international potential.

	BUSINESS AREAS	BRANDS	OPERATIONS
V&S ABSOLUT SPIRITS		ABSOLUT VODKA, Cruzan Rum, Frïs Vodka, Level Vodka, Plymouth Gin.	Produces and sells spirits in the premium segment on the global market. The biggest brand is ABSOLUT VODKA. The premium segment is characterized by good growth. The main markets are North America and Western Europe. V&S has one of the world's largest, most advanced production facilities in Åhus and Nöbbelöv, Sweden. The business area also has production in Plymouth, Great Britain and St Croix in the US Virgin Islands.
V&S DISTILLERS		Aalborg Akvavit, Explorer Vodka, Gammel Dansk, Luksusowa, Malteserkreuz, Minttu, O.P. Anderson, Pan Tadeusz, Polska Wódka, Tapio Viina, etc.	Produces and sells local and regional spirits brands for the North European market. The largest categories are vodka, aquavit and bitters. V&S Distillers is a leader on the Nordic spirits market, which is a rather mature market. Production takes place in Aalborg, Otterup and Svendborg in Denmark, Turku in Finland, Zielona Góra in Poland and Buxtehude in Germany.
V&S WINE		V&S: Aussie, Blossa, California, Chill Out, Opal Springs, etc. Partners: Codorníu, Gato Negro, Lindemans, Penfolds, Raimat, etc.	Produces and imports wines and fortified wines for Northern Europe, both own brands and those of international partners. The Nordic wine market, where V&S Wine is a leader, has some growth. Logistics centres are located in Stockholm in Sweden, Turku in Finland and Odense in Denmark. V&S Wine's bottling operation is managed by V&S Distillers.

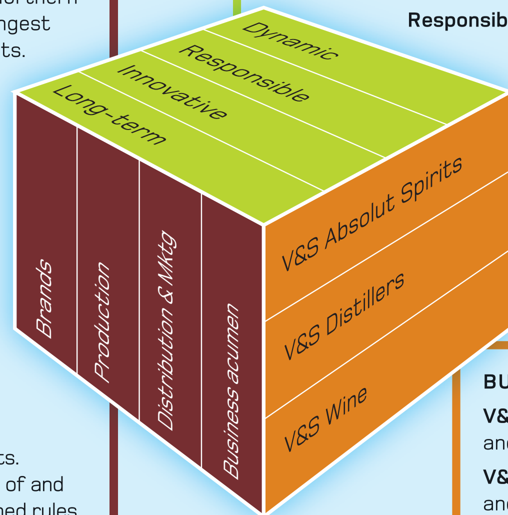
VALUE GENERATORS

Developing, acquiring and nurturing **brands** is fundamental to success. ABSOLUT VODKA is one of the industry's strongest global brands. In Northern Europe, V&S has some of the region's strongest brands in both the spirits and wine segments.

Production is the foundation of the Group's operation. This enables V&S to ensure quality and delivery capacity, as well as expertise for the development of new products. Efficiency is another important competitive tool.

Distribution and marketing have become increasingly important with stiffening competition between international brands. In addition to its own distribution in Northern Europe, V&S has part-owned distribution on most important markets.

V&S is owned by the Kingdom of Sweden and operates under full competition on all markets. This requires **business acumen**, prioritization of and an ability to generate profitability within defined rules and guidelines. V&S's profitability is on a par with the most profitable large companies in the sector.



APPROACH

V&S Group emphasizes certain Core Values in its overall approach in order to ensure competitiveness and responsible conduct.

Dynamic: Being fast, flexible and disciplined without losing focus on commercial performance.

Responsible: Setting a good example for the industry.

Innovative: Fostering an innovative spirit in which conventions are challenged in order to become a market leader.

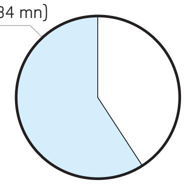
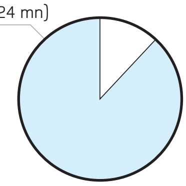
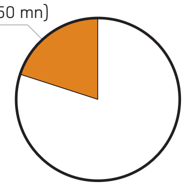
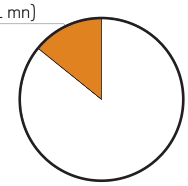
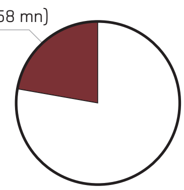
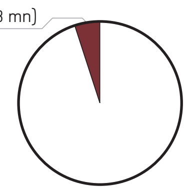
Long-term performance: Acting with endurance when investing in brands, products, markets and people, but without detracting from financial performance.

BUSINESS AREAS

V&S Absolut Spirits is responsible for ABSOLUT VODKA and the Group's other international brands.

V&S Distillers is responsible for the Group's local and regional spirits brands in Northern Europe.

V&S Wine is responsible for the sale of wine in Northern Europe.

MARKETS	DISTRIBUTION	SALES* Compared to Group total	OPERATING PROFIT* Compared to Group total
 • Production	• V&S organization in Northern Europe. • Future Brands in the United States. • Maxxium on most other important markets. • Independent distributors on other markets.	59% (SEK 6,084 mn) 	88% (SEK 2,024 mn) 
 • Production	• Own organization in Poland. • V&S organization in Nordic region. • Maxxium in Germany and for Duty Free & Travel Retail.	20% (SEK 2,050 mn) 	14% (SEK 321 mn) 
 • Logistics centre	• V&S Wine is responsible for the Group's joint distribution organization in the Nordic region. • V&S distributes its own brands as well as partners' products in the Nordic region.	22% (SEK 2,258 mn) 	5% (SEK 108 mn) 

* Business area sales and operating profit are shown before elimination for internal sales.

Significant events and key ratios

- Group operating profit rose by 1 per cent.
  Net sales remained virtually unchanged.
  Sales volume rose by 5 per cent.
- For comparable units
  – operating profit increased by 19 per cent
  – net sales increased by 7 per cent
  – sales volume rose by just over 5 per cent.
- Profit after tax for the year decreased by 7 per cent. Adjusted for a one-off tax effect in 2006, this year's profit represents a considerable improvement.
- All business areas have strengthened their profitability for comparable units.
- The Group's most important brand, ABSOLUT VODKA, continued to increase both its volumes and sales in the United States, and on most other prioritized markets. The rate of innovation related to the brand has increased.
- The takeover of the expanded range from Foster's Wine Estates was implemented throughout V&S Wine's market area.
- Non-core operations were divested: Florida Distillers, the production of industrial alcohol and of yeast and molasses alcohol in Denmark. The remaining 50 per cent of Norwegian spirits and wine distributor V&S Norway AS (formerly Amundsen AS) was acquired.
- Climate-affecting carbon dioxide emissions fell by 12 per cent per litre of product sold. In addition the Group has supported tree planting to offset 40 per cent of the carbon dioxide emissions from production.

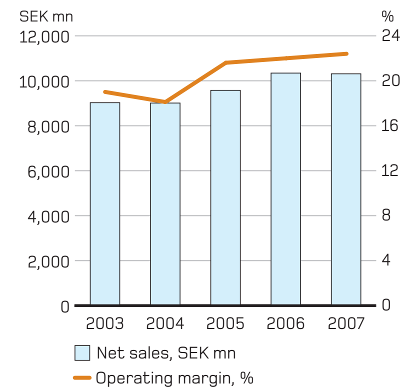
KEY RATIOS FOR THE GROUP

	2007	2006	2005
Net sales, SEK mn	10,313	10,345	9,578
Operating profit, SEK mn	2,305	2,275	2,069
Operating margin, %	22.4	22.0	21.6
Profit for the year after tax, SEK mn	1,469	1,577	1,506
Return on shareholders' equity, %	19.4	22.4	25.1
Interest-bearing net liability, SEK mn	3,447	5,308	5,153
Debt/equity ratio, times	0.4	0.7	0.7
Cash flow before financing activities, SEK mn	2,355	–74	68
Equity/assets ratio, %	46.6	40.3	40.2
Dividend/equity, %	10.6 [1]	10.5	10.6
Sales volume, million 9-litre cases	26.9	25.7	24.9
Number of employees	2,104	2,304	2,245
CO_2 emissions, kg/litre of product sold	0.46	0.52	0.55
Percentage of eco-friendly ingredients, %	49.2	45.1	42.8

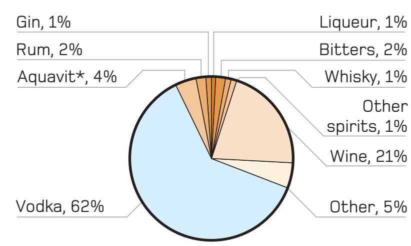
1 Board proposal.

For definitions, see Review 1998–2007 page 109.

NET SALES AND OPERATING MARGIN

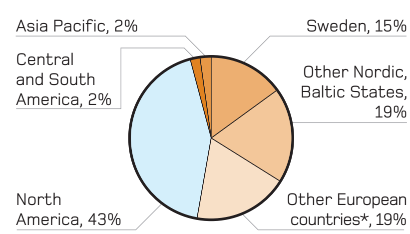


NET SALES BY PRODUCT CATEGORY



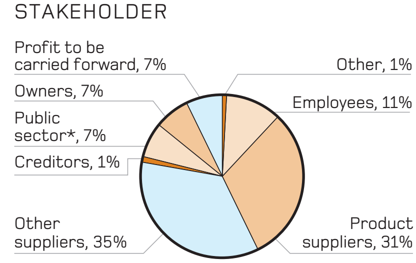
* Including other spiced spirits.

NET SALES BY GEOGRAPHICAL MARKET



* Including CIS, the Middle East and Africa.

OPERATING REVENUE BY STAKEHOLDER



* Alcohol excises not included.

Continued focus, increased profitability

2007 has been a very successful year for V&S Group. I am extremely pleased to report that V&S has improved profitability for the third consecutive year. Taking account of currency effects and divestments, operating profit increased by as much as 19 per cent. This success is due to very strong growth in sales for ABSOLUT VODKA and higher profitability on our Nordic home market.

The Group's work has focused on two main tasks during the year: continuing the powerful growth of ABSOLUT VODKA and ensuring continued growth in profitability in Northern Europe. I am pleased to say that we have enjoyed great success in both these areas.

STRONG GROWTH FOR ABSOLUT VODKA

V&S Absolut Spirits, the business area responsible for the Group's international brands, has increased the sales volume for ABSOLUT VODKA by 9 per cent. This means that in total, the brand has increased its sales volume by 26 per cent in three years. This is something we are very proud of. The market share for ABSOLUT VODKA grew in the United States, while sales volume on the vast majority of other key markets showed very strong growth.

Cruzan Rum, which was acquired in 2006, is also showing a very strong increase in sales volume. The integration of the brand into our US distribution channel has been a factor in this impressive volume growth.

Also during the year, V&S entered into a joint venture with one of China's leading spirits manufacturers. Together we will develop, produce and sell a premium range of the Chinese white spirit baijiu. The partnership has considerable future potential, since baijiu is the world's largest spirits category due to the sheer size of the Chinese market.

Despite the weak development of the US dollar, V&S Absolut Spirits is managing to increase sales as well as profitability. Above all this shows how successful ABSOLUT VODKA really is.

INCREASED FOCUS AND PROFITABILITY IN NORTHERN EUROPE

In the Nordic operation we have primarily focused on three areas. Efforts to create a more efficient Nordic production structure with fewer units has entailed the closure and relocation of a unit in Denmark, while closure of the operation in Sundsvall, Sweden, has begun.

V&S Distillers is focusing on fewer brands, and V&S Wine on V&S's brands and Nordic partners. This contributes to the rise in profitability. Areas not regarded as part of the core operation, such as industrial alcohol and yeast production, have been divested.

V&S has also taken over distribution of all Foster's wine brands on the Nordic market. The contract, which also means that V&S now fills all Foster's wine boxes for the European market, is the biggest wine deal ever signed on the Nordic market.

All of these measures, combined with excellent development for V&S on the Polish market, have jointly enabled both V&S Distillers and V&S Wine to increase their sales and their profitability.

FOCUS ON RESPONSIBILITY AND SUSTAINABLE DEVELOPMENT

V&S is committed to being the most responsible company in the industry. We support the UN Global Compact initiative and its principles which relate to human rights, working conditions, business ethics and the work environment. Part of our work on responsibility is to continue to reduce carbon dioxide emissions. In 2007 we reduced emissions per litre of product sold by 12 per cent. To complement this endeavour, V&S also decided to offset emissions from its production plants during the year by planting forest in Mexico and Mozambique.

It is important that we in the alcohol industry earn trust and appreciation for our efforts. We therefore continuously train our employees in responsibility issues. This takes the form of interactive courses for all employees, as well as special training in responsible market communication for people working in sales and marketing. We have also launched our own more detailed guidelines on how V&S should conduct itself on the market.

OUR STRATEGY REMAINS

V&S's strategies remain unchanged: continued development of the ABSOLUT brand; consolidation of V&S's position in Northern Europe; and development and

expansion of the international brand portfolio. Our strong brands are a vital asset that must be nurtured and built on. In 2008 we will be focusing on continued growth, while still actively seeking acquisitions that fit in well with our portfolio.

GROWTH AND PROFITABILITY

V&S will continue its work towards ambitious growth targets, while also further improving profitability throughout the Group.

Investments in the premium spirits brand ABSOLUT VODKA, Cruzan Rum, Level Vodka and Plymouth Gin will strengthen our positions in the United States and on other key markets in the long term.

In addition, efforts to further improve profitability in Northern Europe will primarily take the form of growth driven by a focus on fewer products and cost efficiency.

V&S WELL EQUIPPED FOR THE FUTURE

V&S is a very strong company with good profitability, strong brands and dedicated employees. In the years to come our platform – a leading position on our Northern European home market and a highly successful international brand portfolio – will give us further scope to invest for the future, both in existing operations and further acquisitions.

The process of focusing our operation will continue. The key is to focus on the right products, the right activities and the right markets. In order to be at the top and be the best, V&S has to continuously strive to develop, change and improve. Only then can we help to create added value for our owners, employees, customers, partners and consumers. V&S must always stay one step ahead of its competitors and keep in step with contemporary consumers.

Bengt Baron

> ”In order to be at the top and be the best, V&S has to continuously strive to develop, change and improve.

Operations and markets

V&S Vin & Sprit AB was founded in 1917 as a fully state-owned company to deal with the production, import, export and wholesale trade of spirits and wines in Sweden. Ever since deregulation of the Swedish market in 1995, V&S operates in full competition on all markets.

Today V&S Group is one of the world's leading spirits companies. In Northern Europe V&S is the leader in both spirits and wines.

In recent years V&S has worked according to three main strategies:

- to strengthen and evolve ABSOLUT VODKA, one of the world's leading spirits brands
- to acquire or develop further brands with global potential, in order to derive advantage from the knowledge of ABSOLUT and optimize the sales organization's brand portfolio
- to supplement and strengthen the Northern European operation, in order to consolidate the leading position and draw maximum benefit from potential economies of scale.

The business activities of V&S comprise the development, production, distribution, marketing and sale of its own brands. This primarily relates to spirits, but also wine. However, the Group does not own or operate its own vineyards. There is also an agency operation which primarily imports wine to Northern Europe, as well as some contracted production and bottling.

V&S sells to distributors and retailers. The main markets are:

- the global market for premium spirits
- the North European market for premium spirits and regional spirits brands
- the North European market for wine.

Once again, a special limited edition gift pack was launched for ABSOLUT VODKA ahead of the Christmas shopping period. The 2007 model was ABSOLUT DISCO.

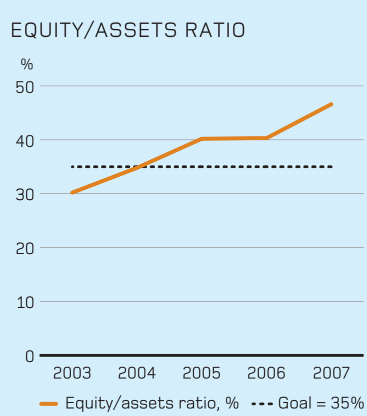
V&S in Finland and Norway was first in the Nordic region and among the first in the world to launch wine in bags. The new package reduces climate impact with 80 per cent.

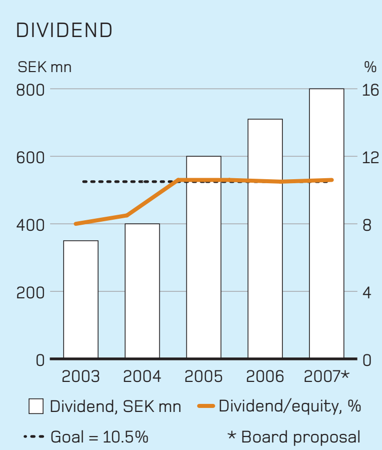
FINANCIAL GOALS

The Group's financial goals were established in 2005 and apply up to and including 2010.

- The Group's equity/assets ratio shall be 35 per cent.
- The Group's dividend shall be 10.5 per cent of average equity in the long term. When establishing the dividend, the company's financial position and expected capital needs must be taken into consideration.

The equity/assets ratio amounted to 46.6 per cent in 2007 and thereby exceeded the goal. The average share dividend over five and ten years respectively exceeded the target. The overall financial goals are translated internally to a 12.5 per cent return on adjusted capital employed for the business areas.





VALUE GENERATORS

V&S Group is organized into business areas based on the varying conditions of different product categories. At the same time however, V&S is an integrated company in which the business areas interact and benefit from each other's strengths.

Brands

Brands are the foundation of the Group's operation and also comprise the interface with the consumer. Many brands have been developed within the Group, from the globally successful ABSOLUT VODKA to regionally renowned brands such as Blossa and Chill Out, while others were either included when the company was formed in 1917 or have later been added through acquisition, such as Aalborg Akvavit, Luksusowa Vodka, Gammel Dansk, Plymouth Gin and Cruzan Rum. Many of the brands in this industry are more than 100 years old, while ABSOLUT VODKA, which was launched in 1979, is a rare example of a brand that has achieved a world-leading position in a short space of time.

The brand expertise lies in developing, acquiring and fostering brands and thereby the equity they represent, but also in divesting or phasing out brands that no longer serve a satisfactory purpose in the portfolio.

Production

The role of production is to ensure that the Group's products are of a high quality and are produced at the right cost. Because spirits is a mature sector with stagnating total volumes, there is surplus capacity on the market. However, far from all production in the industry takes place on the same quality level. The capability to develop new products is also an important aspect of production expertise, from understanding how to achieve desired new taste experiences, to testing these and producing them without fluctuations in flavour or quality. Furthermore, a product like ABSOLUT VODKA places particular demands on both capacity and quality. To ensure that sales of ABSOLUT can develop smoothly, the Group has continuously invested in greater production capacity.

V&S Group's production plants belong to specific business areas, but they work closely together to achieve the best results in terms of quality and cost. The Group has also reviewed its overall production resources, thus enabling cost rationalization concentrating production to fewer plants.

Distribution and marketing

Distribution and marketing have become increasingly important competitive tools as competition stiffens between international brands. In Northern Europe V&S has its own distribution organization which handles the products of all business areas. This organization therefore has a highly competitive portfolio to offer. Outside of the Northern Europe area, the Group has invested in distribution through part ownership of Future Brands in the United States and Maxxium on many other important markets. These distribution partnerships provide V&S with a channel for its international brands to reach the market, while working with other partners makes the distribution organization competitive in the interface with retailers. Distribution via part-owned organizations not only affords V&S better control compared to independent distributors, but also gives the Group a higher share of the value chain which its products create.

In addition to the presence generated by the distribution structure, marketing expertise is also a key factor. Although conditions vary on different markets, V&S can apply its far-reaching experience of working with ABSOLUT VODKA both to new international products and in its North European operation.

Business acumen

The prioritization of and ability to generate profitability within given frames,

FUTURE BRANDS

V&S has strong distribution on the important United States market through its 49 per cent holding in Future Brands LLC, the second largest sales organization for spirits in the United States in terms of volume. The remaining 51 per cent is owned by Beam Global Spirits & Wine, Inc. In 2007, Future Brands distributed 23.7 million 9-litre cases with an invoice value of USD 1.48 billion excluding excises. The average number of employees during the year was 295.

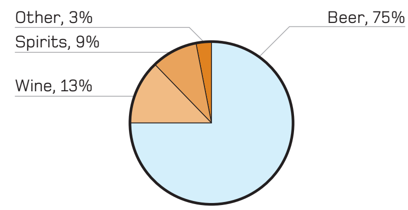
MAXXIUM

Maxxium Worldwide B.V. is a joint organization for marketing, sales and distribution of alcoholic beverages, and is owned in equal shares by V&S Group, Rémy Cointreau, The Edrington Group and Beam. Maxxium primarily markets the co-owners' leading brands. With just over 2,000 employees, Maxxium covers around 60 markets. In the latest accounting year, April 2006 – March 2007, Maxxium sold or supplied 37.6 million 9-litre cases for EUR 1,689 million excluding alcohol excise and reported a net profit after tax of EUR 31 million. Rémy Cointreau intends to terminate its contract with Maxxium from 30 March 2009.

With Gammel Dansk Asmund Special V&S is increasing its assortment of premium products in traditional categories – in this case in line with the wishes of the man behind Gammel Dansk, master blender J. K. Asmund.

ALCOHOLIC BEVERAGE CONSUMPTION WORLDWIDE

Percentage of volume 2006



Source: International Wine & Spirit Record (IWSR).

rules and guidelines is another crucial factor, especially bearing in mind V&S's historical background as a monopoly. V&S's profitability is high and increasing, fully on a par with the most profitable large companies in the sector.

APPROACH

V&S Group emphasizes certain Core Values in its overall approach in order to ensure competitiveness and responsible conduct, both within the company and in a wider context.

Dynamic: being fast, flexible and disciplined. V&S's strength lies in its ability to act swiftly and responsibly on a constantly changing market, without losing focus on commercial performance.

Responsible: V&S acts in a way that allows the company and its employees to look other people in the eye with pride and stand by what the company does. V&S shall be a role model for the industry in terms of responsibility.

Innovative: V&S fosters an innovative spirit that encourages to challenge conventions and to become leading on the market. Successful business solutions are often the result of a new approach to an existing situation.

Long-term performance: V&S has endurance – without detracting from short-term financial performance – when investing in brands, products, markets and people. V&S does not sacrifice long-term results for short-term gains.

BUSINESS AREAS

To meet the market's demands in the optimum way, V&S's operation is divided into business areas.

V&S Absolut Spirits is responsible for the development, production, distribution and marketing of ABSOLUT VODKA and for the Group's other international brands.

V&S Distillers is responsible for the development, production and marketing of the Group's Nordic, Polish and German spirits brands, and for distribution on the Polish market. It also carries out production for the V&S Wine business area and for partners. There are also some agency sales of external spirits brands.

V&S Wine is responsible for the development, marketing and sale of the Group's own wine brands, and for the import and marketing of agency brands. The business area also handles the Group's distribution in the Nordic region.

STAGNATING GLOBAL CONSUMPTION, BUT HIGHER VALUE

The alcoholic beverage industry is a mature market globally, with a stable volume development. In terms of volume it is dominated by beer with around 75 per cent, followed by wine with 13 per cent and spirits with 9 per cent.

Measured in per capita terms, consumption is stagnating. This can presumably be attributed to altered demands in work life and society, and to a higher average life expectancy, for instance. This is balanced to some extent by the fact that consumption in certain regions has increased among women, if at levels far below the average for men, and the fact that a higher standard of living enables more recreation. Even so, overall it is primarily the population increase that leads to a slight increase in total volume globally.

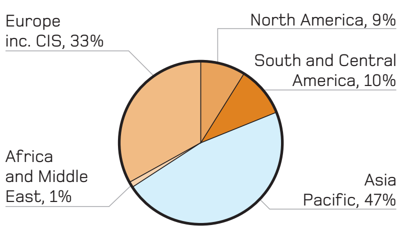
There has been a certain shift between and within the product categories. Beer has increased, primarily in markets where it previously held a weak position, such as Asia and Russia. Wine is increasing in Northern Europe but has decreased in the south. Consumption of spirits declined in the 1990s in Russia, for example, but has since been slowly picking up again.

However, the most significant change from V&S's point of view is that while consumption has stagnated in terms of volume, it is increasing in terms of value. Consumers are not consuming more, but are choosing better and more expensive products. This is generally true of markets in the West, as well as in several developing economies where a rapidly growing middle class is buying both domestic and imported products in higher price categories.

LESS CHEAP SPIRITS

Global consumption of spirits totals approximately 2.2 billion 9-litre cases. Almost half are consumed in Asia and the Pacific region. Europe including the CIS accounts for roughly one-third, and North and South America for almost all the rest.

GLOBAL SPIRITS MARKET BY REGION
Percentage of volume 2006



Source: International Wine & Spirit Record (IWSR).

A vastly predominant proportion of the volume is comprised of domestic products primarily in Asia, much of which is sold at very low prices – one or two US dollars a bottle. The world market for spirits in price categories typical in the West represents something like 15 per cent of the total volume.

This latter segment – with prices starting at around ten dollars a bottle – includes the majority of the West European and North American markets, as well as small but growing percentages of markets in post-reform and developing economies such as Eastern Europe, Russia, China, India and Brazil. V&S, like all its significant international competitors, is active in this segment.

This segment's share of global spirits consumption is increasing. This is primarily due to the rapid growth in the developing economies, but also to the fact that the segment's largest market, the United States, is showing an increase based on demographic foundations, made easier by the fact that the average alcohol consumption is lower than in Europe.

In addition, there is at the same time a shift in this segment whereby consumers are showing a preference for higher quality and price. This tendency is evident virtually everywhere, but most of all in the United States.

VODKA GROWING RAPIDLY

Another significant development within the stagnating overall volume is a shift in consumption patterns between different kinds of spirits. Vodka in particular is increasing beyond traditional vodka territories, and rum too is reaching new consumers. Both categories are also showing an upswing in the higher price segment.

Beverages with a primarily regional base, however, are showing a receding trend. This applies both to certain European beverages such as gin, genever, aquavit and pastis, and to traditional spirits in other parts of the world. The shifts are not major but can be discerned over a relatively long period.

Nevertheless, it is risky to draw any conclusions from this for the future. The popularity of different spirits has fluctuated in the past, whether due to generation shifts and changing fashions, or to different phases of economic development. At one moment it may be appealing to access previously unavailable foreign products, while later on the trend is to rediscover national traditions, particularly if domestic producers have had time to adapt to new consumer preferences. Trends can also have an effect within a category: in whisky for instance, standard products are declining while single malt and other premium products are on the increase.

INCREASED MARKET INVESTMENT

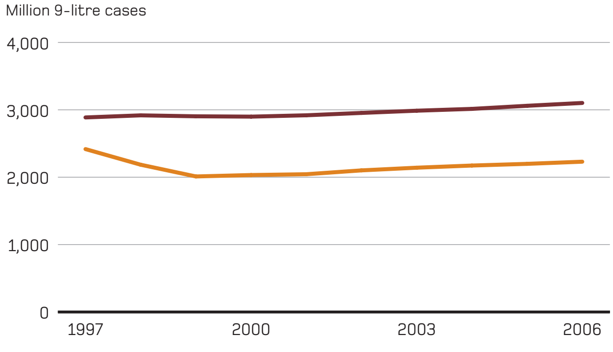
As regional beverage products lose ground, primarily locally and regionally established brands are also declining. Growth can mainly be found among internationally launched brands. This is supported by the fact that the major players are making considerable market investments in the largest international brands, aided by the advantages of having an international presence in a world of increased travel, more globalized media and so on.

Available statistics indicate that the average marketing spend for spirits brands is around 15–20 per cent of sales, which is on a par with many fast-moving consumer goods. Because the total market is stagnating, this means that the leading brands with the strongest marketing support are taking market shares.

TRENDS AFFECTING DEMAND

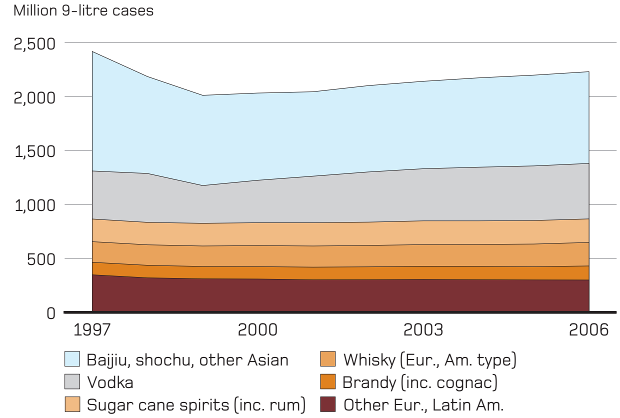
Spirits consumption has proven not to be particularly sensitive to economic fluctuations when it comes to volume, although the patterns of consumption are affected. In times of recession there tends to be less travel and eating out, while in

GLOBAL SPIRITS AND WINE MARKET
Million 9-litre cases



Source: International Wine & Spirit Record (IWSR).

GLOBAL SPIRITS MARKET BY CATEGORY
Million 9-litre cases



Source: International Wine & Spirit Record (IWSR).

times of prosperity there is an increase in consumption of more expensive products.

The long-term strong development in the United States has made that country the most important market economically and the most dynamic, and it is here the trend towards more expensive products can be most clearly seen. In recent years, solid growth in several developing economies has made a valuable contribution to the positive development of the industry.

Most of the world's leading spirits companies are European. The importance of the US market therefore means that the development of the dollar exchange rate against European currencies is having an effect on companies' financial results, at least in the short term.

Demographic development is also a vital matter. This is because per capita consumption is relatively stable, so the total market is therefore dependent on population development. Per capita consumption is also influenced by a change in the age structure. Alcohol consumption tends to be higher among young adults and decreases with age. However, this is often balanced by a desire and the financial means to consume more expensive products.

Demographics have had an effect on the US market's position. Unlike in Europe, the population has increased and this growth also encompasses young adults.

Changes in lifestyle and living patterns are of course also important. Historically speaking, alcohol consumption in different European countries has been very high during certain periods, such as early industrialization, but has subsequently declined. Other factors, such as working life demands, car-driving, health trends, eating habits and so on, influence both what and how much is consumed.

SIGNIFICANT RISKS FOR THE INDUSTRY

The greatest risk in the industry's operation is alcohol abuse, whatever the causes behind it. To maintain the industry's reputation among the general public and to ensure reasonable regulation of availability and taxation, the industry's products have to be consumed responsibly and in moderation.

Although the modern world is far removed from the 'gin mania' of 18th century England or the kind of vodka consumption evident in Northern Europe in the late 19th century, spirits companies – particularly the multinationals – have increasingly focused on information and consumer guidance in recent years in order to promote a responsible relationship with alcohol.

As mentioned above, economic fluctuations do not affect consumption volumes to any great extent. Drinking spirits is a form of luxury consumption, yet at the same time it is an 'affordable' luxury as individual purchases tend to be relatively limited. Even so, profitability can be affected if more expensive products lose market shares.

Distillation, bottling and distribution have some impact on the environment, from agriculture where the raw materials are produced, to climate-impacting and other emissions into the air and water from production plants and transport. The risk of influence due to altered energy and transport prices is not negligible. Consistent environmental work can mitigate these risks and instead generate competitive benefits both in terms of costs and consumer preferences.

Alongside energy costs, costs for agricultural ingredients and bottles have also recently increased considerably. The cost of glass and grain products may represent a lower proportion of the end product's price in the spirits industry than, say, the brewery sector, but these costs do still have an impact on the profit margin. Moreover, droughts in Australia have affected the wine harvest in one of the most important supplier countries for V&S's wine operations.

The industry's structure, with well-known, globally distributed brands and an increasing proportion of products in more expensive segments, has also

V&S Luksusowa Zielona Góra developed very positively in 2007. The sales volume in Poland was more than 30 per cent higher than in 2006.

brought about more attempted trademark infringement. Although counterfeit products can entail direct health hazards for consumers, it is difficult on some markets to convince retailers and even government authorities to tackle the problem proactively enough. Apart from the loss of income that trademark infringement entails, the danger to health of counterfeit products also involves considerable risks with regard to a brand's or company's reputation.

AN INCREASINGLY CONSOLIDATED INDUSTRY

The mature market situation and stagnating total volume that characterize the spirits industry mean that profitability can be achieved not only through premiumization, but also through organizational efficiency, by focusing on fewer, larger brands and through strength in negotiations with retailers. This has favoured the industry's evolution towards increased consolidation into fewer and larger companies.

This consolidation began in Western Europe and North America, advanced to encompass the new EU Member States, and is now showing signs of also including growth economies such as Russia, China, Brazil and India. It could be said to be both a cause and a consequence of the increasing significance of global brands.

Changes in the wholesale and retail trades also have an impact on the industry. Several countries are showing a tendency to an increasing concentration of the retail sector, and in some cases this concentration also encompasses wholesale. Consequently the industry is dealing with fewer yet stronger customers, which can not only place greater demands on range, prices, delivery terms and the like, but can also give rise to greater competition with private labels. This is another factor that is driving the industry's consolidation towards larger units with complete ranges, either through acquisition or distribution partnerships, for example.

In the same way consolidation is taking place in Northern Europe. The deregulation in Sweden, Finland and Norway in 1995 did lead to the emergence of several new producers and many new import agencies, but since then large parts of the market have been consolidated down to fewer Nordic operators and the most important international companies.

V&S'S MARKET POSITION

In the international market segment for spirits, V&S is currently the sixth largest company in terms of volume. If companies active primarily on local markets for cheap spirits are also included, V&S comes thirteenth. The comparison below refer to the segment for international spirits brands.

In V&S's biggest product group, vodka, V&S is the world's second largest producer. ABSOLUT VODKA is the world's biggest exported vodka, and the world's second largest vodka brand both in terms of volume and sales value. It is the world's second biggest spirits brand produced at one and the same plant.

V&S is the largest player in the Nordic region with vodka, aquavit and bitters brands such as Aalborg Akvavit, Reimersholms, Explorer, Gammel Dansk and smaller but often locally well-known brands in several other beverage categories.

The Group's second largest brand is Luksusowa Vodka, which is primarily sold in Poland where V&S is the fourth largest player in the industry.

V&S is also biggest in wine in Northern Europe, as well as the only one to fully integrate its operations in the Nordic region.

In addition V&S also has a strong position as number three in the world in Duty Free & Travel Retail, a segment which is vital with regard to brand-building. This is partly because of the very strong position of ABSOLUT VODKA in this market globally, but also because this type of sales is relatively important in Northern Europe, with its high national levels of alcohol excise.

INTERNATIONAL SPIRITS COMPANIES

Spirits sales 2006, million 9-litre cases

Diageo	93
Pernod Ricard	75
Bacardi-Martini	35
Beam Global	27
Brown Forman	19
V&S Group	16
Campari	13
Belvedere	11
William Grant's	8
Oak Tree	8

Volumes in 2006 distributed as per ownership structure at end of 2007.

Source: International Wine & Spirit Record (IWSR).

LARGEST SPIRITS COMPANIES REGARDLESS OF MARKET

Spirits sales 2006, million 9-litre cases

Diageo	93
Hite	77
Pernod Ricard	75
UB	61
Bacardi-Martini	35
Beam Global	27
Muller de Bebidas	25
San Miguel	23
Brown Forman	19
Suntory	19

Volumes in 2006 distributed as per ownership structure at end of 2007.

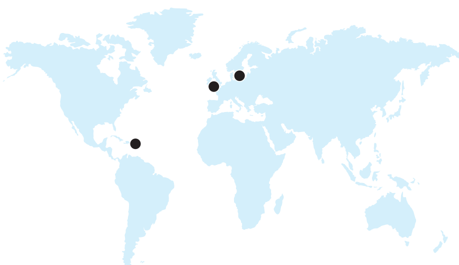
Source: International Wine & Spirit Record (IWSR).

V&S MARKET POSITIONS 2007

1 Exc. direct imports by supermarket chains.
2 Sales via Maxxium.

V&S Absolut Spirits

MARKETS



● Production

KEY RATIOS*

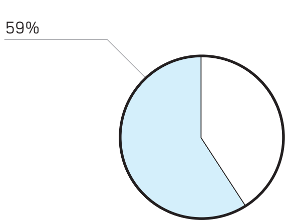
	2007	2006	2005
Net sales, SEK mn	6,084	5,882	5,402
Operating profit, SEK mn	2,024	1,914	1,757
Operating margin, %	33.3	32.5	32.5
Sales, million 9-litre cases	12.0	11.2	9.9
Number of employees	574	513	460

BRANDS

ABSOLUT VODKA, Cruzan Rum, Frïs Vodka, Level Vodka, Plymouth Gin.

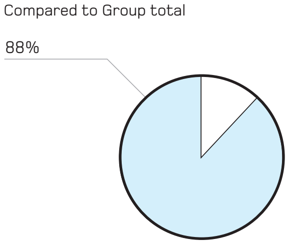
NET SALES*

Compared to Group total



OPERATING PROFIT*

Compared to Group total



* Including internal sales.

2007 was an excellent year with 9 per cent growth for the Group's biggest brand, ABSOLUT VODKA. Other brands also enjoyed success, primarily Cruzan Rum. Despite a weakened US dollar, sales increased by 3 per cent and operating profit by 6 per cent.

V&S Absolut Spirits' operations include the development, production, distribution and marketing of the Group's international premium spirits brands. The portfolio includes ABSOLUT VODKA, Cruzan Rum, Frïs Vodka, Plymouth Gin and Level Vodka.

STRATEGY

The business area's goal is to build the industry's most attractive premium portfolio and to make ABSOLUT VODKA the industry's leading international brand.

The strategies for achieving this are:

- Continued growth through innovation, a well-developed strategy for the brand portfolio and further development of ABSOLUT VODKA.
- To secure financial resources for growth through cost control and a well-considered investment strategy.
- To become a global leader by developing the organization on a par with growth and working on responsibility issues.

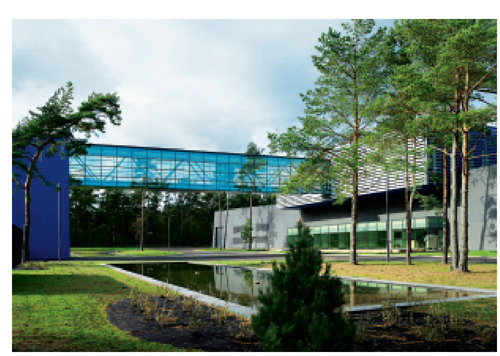
REVIEW OF OPERATIONS

Strategy work is carried out at the head office in Stockholm, in close collaboration both with relevant markets and with the business area's production units. This encompasses both developing new products and enhancing existing brands with new flavours and packages, as well as increasingly honed marketing. To supplement this there is a sensory laboratory that carries out analyses and consumer tests.

The business area is responsible for three production units. The largest is in Åhus, southern Sweden, where ABSOLUT VODKA and Level Vodka are made. The plant, one of the biggest and most advanced in the world, comprises distillation, bottling and a distribution centre that deals with the majority of the business area's stock management. Cruzan Rum is distilled in Fredriksted on St Croix in the US Virgin Islands, and Plymouth Gin is made in Plymouth on England's south-west coast, in the plant that has been used since the brand first appeared in 1793. Frïs Vodka is made at the V&S Distillers plant in Aalborg, Denmark.

Distribution on the business area's largest market, the United States, takes place through Future Brands, a distribution company co-owned with Beam Global Spirits & Wine, Inc. In Northern Europe products are distributed through V&S own organization. On most other important markets V&S's products are distributed by the Maxxium distribution partnership. In addition there are independent distributors on a few large and several small markets.

Marketing is primarily dealt with from the head office in Stockholm and via the subsidiary company The Absolut Spirits Company, Inc. in the United States. Marketing control is heavily centralized to guarantee consistency and focus, as well as responsibility for the content. In agreements with co-owned and independent distribution organizations, V&S has ensured that responsibility for marketing lies with V&S.



To meet continued growing demand for ABSOLUT VODKA, production capacity in Åhus has been increased. A new bottling plant was opened in December 2007.

ABSOLUT VODKA now comes in several flavours in addition to the original 'Blue', which accounts for a predominant percentage of sales. 2007 saw the launch of ABSOLUT PEARS, a pear-flavoured vodka, and ABSOLUT 100 with 50 per cent ABV, an exclusive new product made especially for Duty Free & Travel Retail.

MARKETPLACE

The business area focuses on three product categories – vodka, rum and gin – and on two price segments – premium and super premium.

Even though the global spirits market is stagnating, both vodka and rum are showing very good growth in the relevant price segments. This is because both vodka and rum have proven highly successful internationally thanks to their many areas of use, and because the higher price segments are growing both in the West and in many developing economies. The US market has been and remains the most important market financially. Western Europe is the next largest and there is great potential in the former Eastern Europe, Russia, China and several other countries. Traditional vodka territories such as Poland and Russia are currently showing rapid premiumization, and important rum territories could see similar development.

Global development for gin is, however, weaker. Gin can be seen as a product with a primarily regional distribution, and like other products of this kind it is losing market position. However, weak product development in the gin segment has also been a factor so there is scope to develop the premium segment.

ABSOLUT VODKA

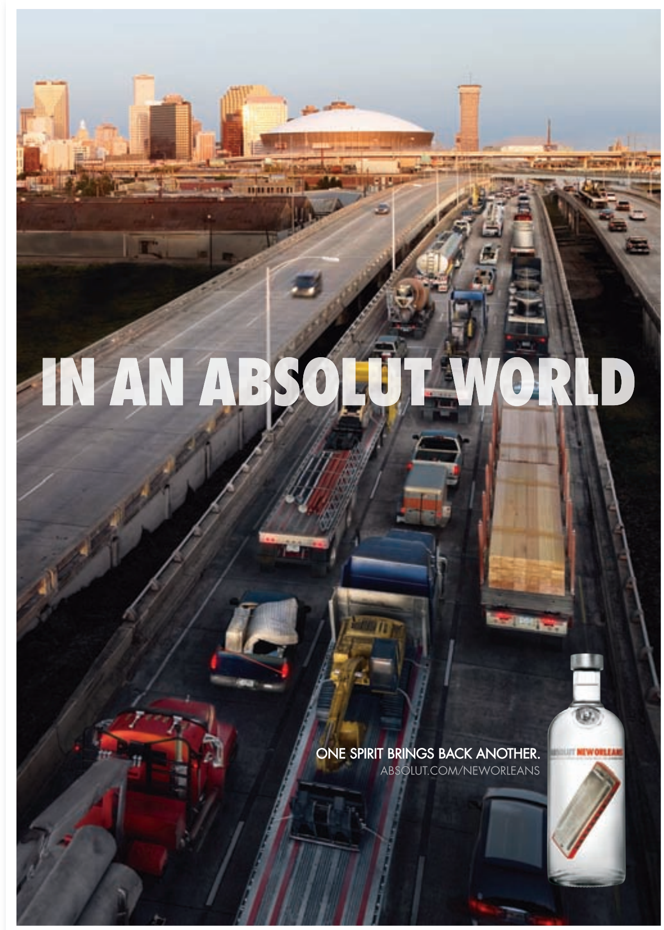
ABSOLUT VODKA, the business area's and the Group's largest brand, increased by 9 per cent during the year. The brand was originally launched to celebrate the 100th anniversary of its domestic predecessor Absolut Rent Brännvin in 1979, and it has since grown virtually every year. An important milestone was passed in November when more than 10 million 9-litre cases had been made during the year. ABSOLUT VODKA is now the world's fourth largest international spirits brand, and the most exported vodka. It is one of two launches since 1945 that have made the spirits industry's Top Ten.

The brand also enjoys a very strong position among flavoured vodkas. ABSOLUT CITRON is the world's biggest flavoured premium vodka. In the United States ABSOLUT VODKA created the premium segment for vodka and it is now the biggest imported spirits brand. On the Duty Free & Travel Retail market, which is important for brand-building, ABSOLUT VODKA is the biggest vodka.

The excellent results of 2007 were achieved through increases both on the brand's most important market, the United States, and on most the other important markets prioritized by the business area.

In the United States, sales volume rose by 122,000 9-litre cases or 2 per cent. Sales from distributor to retailer increased by 4 per cent, even though competition is very stiff and many new vodkas are constantly being launched. The powerful development is the result of conscious long-term efforts both to strengthen the Group's own marketing company – The Absolut Spirits Company, Inc. – and the distribution organization Future Brands, and to developed marketing and product launches. After a few years of stagnating market share (although at a high level) during a change of distributor, the brand is now growing again not only in absolute figures but also in terms of market share.

ABSOLUT VODKA grew even more quickly outside of the United States, by 747,000 9-litre cases or 15 per cent. This rapid growth is the result of sustained long-term market investments, which have taken ABSOLUT VODKA from being the successful newcomer, to a position of the leading or one of the leading premium vodkas on each market. For these markets too, a stronger, focused organization both in the business area and within Maxxium has been an important foundation.



2007 saw the launch of a new marketing concept, 'In an ABSOLUT world', which aims to inspire and prompt the idea of what an ABSOLUT world might look like. Pictured here is ABSOLUT NEW ORLEANS, a limited edition product that supported the rebuilding.

Although the brand is sold virtually worldwide, the business area has concentrated its efforts to a number of defined priority markets, which has led to double-digit percentage growth.

Intensified product development

The rate of innovation has intensified. A pear-flavoured vodka, ABSOLUT PEARS, was launched initially in the United States during the spring, and the next new flavour, ABSOLUT MANGO, was announced towards the end of the year.

A new product, ABSOLUT 100, was launched initially in Duty Free & Travel Retail. It is a 50 per cent ABV non-flavoured vodka with a new packaging and image.

Again in 2007, a special package was launched ahead of the Christmas shopping period. ABSOLUT DISCO was launched globally and met with excellent response.

For the first time ever V&S launched a flavoured limited edition vodka, ABSOLUT NEW ORLEANS, with all profits going to help rebuild the city of New Orleans. The initiative attracted extensive attention.

In addition the brand has maintained momentum with the introduction of a brand new marketing concept, 'In an ABSOLUT world'. It ventures further from several decades of consistent, successful marketing based around the characteristic shape of the bottle. A shift has also been made from traditional advertising to more interactive marketing.

CRUZAN RUM

Cruzan Rum, the business area's second largest brand which was acquired around late 2005/early 2006, grew during its first year as a fully integrated part of the V&S organization to 779,000 9-litre cases, an increase of 19 per cent. Sales from distributors to retailers increased by 23 per cent.

The increase is partly evidence of the brand's and the category's strong situation, but also a result of the fact that the process of integrating the brand in V&S's strengthened organization was completed in 2006, and that the new organization and new marketing could therefore produce full dividends in 2007.

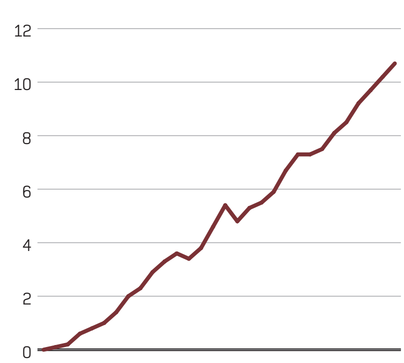
ABSOLUT MANGO, a mango-flavoured premium vodka, is being launched in early 2008.

ABSOLUT VODKA
TOP TEN MARKETS
Thousand 9-litre cases

	2007	2006
USA	5,027	4,905
Canada	377	337
Spain	343	250
Great Britain	324	216
Germany	319	273
Mexico	313	285
Greece	265	248
Poland	262	207
Israel	218	213
Sweden	162	148
Total volume globally	10,731	9,862

The global volume includes both taxed and tax-free sales.

ABSOLUT VODKA
VOLUMES 1979–2007
Million 9-litre cases



Cruzan Rum launched a new flavour during the year: Black Cherry Rum.

Plymouth Gin achieved the highest score in a martini test conducted by the New York Times.

Level Vodka is a super premium vodka that evolved from ABSOLUT VODKA.

This success was achieved primarily in the United States, the brand's most important market.

Cruzan Rum offers a wide range of both dark (aged) and white rum as well as flavoured varieties, which puts it in a unique position compared to many competitors. The range was expanded during the year with the launch of Cruzan Black Cherry.

The brand was introduced in Spain, Europe's most important rum market, during the year. Cruzan Rum is already sold through V&S organization in Northern Europe.

FRÏS VODKA

Frïs Vodka is a quality vodka in the standard segment. The brand, which became part of the Group in 1999 when V&S acquired De Danske Spritfabrikker, is distinguished by a special distillation method and is sold in the United States.

Distribution was not integrated into Future Brands until 2006, which led to some volume loss around the transition period. However, in 2007 integration in the extended V&S organization has yielded good dividends in double-digit percentage growth.

PLYMOUTH GIN

Despite a declining gin category, Plymouth Gin has consolidated its position through a conscious focal shift on two main markets, Great Britain and the United States. Plymouth Gin is also sold in Duty Free & Travel Retail and through V&S organization in Northern Europe.

The refocusing, which also entailed a new bottle and altered price positioning, aims to muster marketing power in the markets with the best potential, thereby also raising the product's profitability.

For Plymouth Gin too, the results of the strengthened organization are evident in double-digit percentage growth in the United States.

LEVEL VODKA

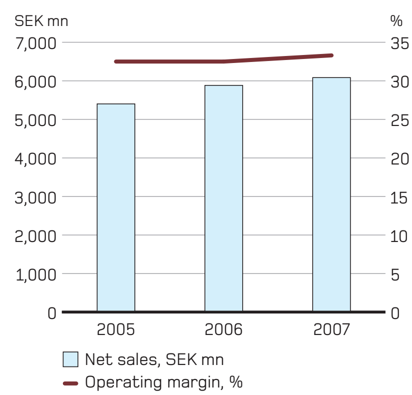
2004 saw the launch of Level Vodka, a super premium vodka that evolved from ABSOLUT VODKA. Level Vodka immediately achieved higher volumes than any other new product in the super premium segment in the United States, and is now one of the five largest in the category, depending on how the category is delimited.

The brand is currently in the build-up phase, and market investments in the United States and other markets are continuing.

SICHUAN TCX LIQUOR SALES CO. LTD.

A new joint venture was founded during the year with JianNanChun, one of China's major spirits producers. The aim is to jointly launch premium products in the Chinese white spirit category, baijiu. The first product was launched in spring 2008.

NET SALES AND OPERATING MARGIN



SALES AND RESULTS

Net sales increased by 3 per cent to SEK 6,084 (5,882) million. Excluding the effect of the weaker US dollar and Danzka Vodka which was divested in 2006, net sales rose by 9 per cent.

Sales volume increased by 8 per cent to 12.0 (11.2) million 9-litre cases. For comparable units, volume growth amounted to 9 per cent.

Operating profit increased by 6 per cent to SEK 2,024 (1,914) million. The lower dollar exchange rate had an adverse impact on profit of around SEK –155 million. Excluding currency effects, operating profit increased by 15 per cent.

V&S Distillers

MARKETS

● Production

KEY RATIOS*

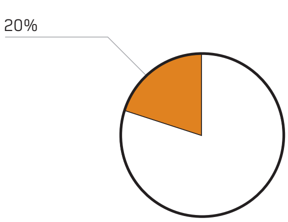
	2007	2006	2005
Net sales, SEK mn	2,050	1,948	2,033
Operating profit, SEK mn	321	284	264
Operating margin, %	15.7	14.6	13.0
Sales, million 9-litre cases	6.1	5.6	5.8
Number of employees	957	993	1,118

BRANDS

Aalborg Akvavit, Explorer, Gammel Dansk, O.P. Anderson, Luksusowa, Malteserkreuz, Minttu, Polska Wódka, Pan Tadeusz, Tapio Viina, etc.

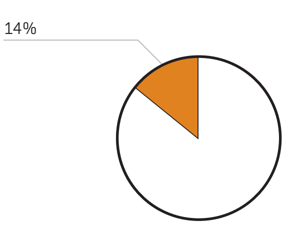
NET SALES*

Compared to Group total



OPERATING PROFIT*

Compared to Group total



* Including internal sales.

The business area's tremendous success on the Polish market, coupled with a continued focus on the product portfolio, production organization and sales efforts, led to a growth in sales of 5 per cent and an increase in operating profit of 13 per cent.

V&S Distillers' operations include the development, production, distribution and sale of a wide range of spirits in Northern Europe. The main categories are vodka, aquavit and bitters, where V&S enjoys a very strong position. In addition V&S is a significant player in several other spirits categories, with many regionally well-known proprietary brands. The business area encompasses many of the most traditional spirits brands in Northern Europe.

The business area also has some agency operations, as well as production for other business areas and external customers.

V&S Distillers' biggest brands are Luksusowa Vodka with 1.5 million 9-litre cases, and Aalborg Akvavit, which reached 0.7 million 9-litre cases in 2007.

STRATEGY

V&S Distillers' ambition is to improve profitability on a mature and primarily stagnating market. The strategy builds on three main points:

- Developing the brand portfolio to win market shares in the three most important categories.
- Driving these categories' development on the market based on the business area's knowledge of the markets and production.
- Strengthening internal processes such as production, distribution and sales, and developing a dynamic organization in order to increase efficiency and retain the position as the most cost-effective organization on the market.

REVIEW OF OPERATIONS

For several years now the business area has worked according to a function-based organization which integrates the old country-based organizations. The market organization is divided according to product categories, and the production organization is integrated between the countries where V&S Distillers is present.

Development work has focused on the one hand on striving to reduce the number of products and units, in order to cut production and distribution costs and to focus the sales work. This process aims to reduce the current almost 750 stock-keeping units to around 300. On the other hand the process has been endeavouring to develop the range as consumer preferences change. This had led for instance to the launch of spirits with lower alcohol content, as well as premium products in the aquavit and bitters categories.

Production has taken place at eight plants, one of which was closed during the year and another is being closed.

The business area's largest spirits production plant is in Zielona Góra, Poland, where all of V&S's Polish brands are blended and bottled. In Denmark distillation and blending take place in Aalborg, and bottling in Svendborg. In Finland, blending and bottling take place in Turku. In Sweden spice extracts, etc, are made at the V&S Absolut Spirits plant in Åhus. Blending and bottling have to date taken place in Sundsvall, but that plant is being closed down and the operation relocated to the business area's other production units. Malteserkreuz is manufactured in Buxtehude outside Hamburg, Germany. The operation in Grenaa, Denmark which manufactured yeast and molasses alcohol was divested in November 2007. Production of industrial alcohol in Denmark was sold earlier during the year.

V&S Distillers has its own sales organization in Poland, Sweden and Denmark. In Finland, Norway and Estonia sales take place via V&S Wine.

V&S Distillers has identified 15 brands with high growth potential: Luksusowa Vodka, Polska Wódka, Pan Tadeusz, Explorer Vodka, Renat, Tapio Viina, Suomi Viina, Aalborg Akvavit, Brøndums, O.P. Anderson, Reimersholms, Gammel Dansk, 1-ENKELT, Malteserkreuz Aquavit, Malteser Bitter and Minttu.

For the entire Nordic area there is a joint distribution organization with V&S Wine. In Germany and the Duty Free & Travel Retail sector, distribution and sales take place via Maxxium. There is also some export of Luksusowa Vodka and Aalborg Akvavit primarily to North America and Western Europe.

In Poland, Denmark, Estonia and Germany, sales to consumers take place via the retail trade. In Sweden, Finland and Norway alcohol retail takes place via national monopolies. In all countries, sales to restaurants and bars take place either directly or via whole salers. Marketing direct to consumers is prohibited in Norway and Finland, and severely restricted in Sweden and Poland.

MARKETPLACE

The business area's largest market is Poland. The total market in 2007 amounted to approximately 33 million 9-litre cases, over 90 per cent of which were vodka. If the years of reformation leading up to EU entry were characterized by insecurity and low purchasing power, recent times have seen a strong development not only in the total market but primarily in the standard and premium segments.

The total Nordic market for spirits, estimated at around 12 million 9-litre cases including unregistered cross-border trade, is primarily a stagnating market. The minor changes that do occur in total volumes have less impact than the shift in consumer preferences which have led to a long-term declining trend for both aquavit and bitters. However, there were signs in 2007 that this trend has been bucked for aquavit at least. The vodka category has performed better.

The principal competitors in Poland are French-owned Belvedere and US listed company CEDC. In the Nordic region the main ones are Finnish Altia and Arcus of Norway. The major international spirits companies with a presence in the Nordic countries, such as Diageo, Pernod Ricard and Bacardi, compete primarily in certain segments only.

All the Nordic markets are characterized by extensive cross-border trade due to the large price differences which spring from dramatic variation in alcohol excise taxes. Both Duty Free & Travel Retail, which also includes some cross-border trading stores in Germany, and the market in Estonia therefore have a significant proportion of their sales to consumers in the Nordic region. There is also extensive cross-border trade between the Nordic countries themselves. For example Systembolaget, the Swedish Alcohol Retail Monopoly, is estimated to sell less than half the spirits consumed in Sweden, probably under 40 per cent.

Unfortunately this extensive cross-border trading also brings with it a considerable amount of illegal activity, both in the form of illegal production and illegally selling on legally purchased products.

Although the players on the Nordic markets can to some extent compensate

Snapas – the new Scandinavian cuisine with classic aquavit, or 'snaps'.

Some of the launches during the year: Aalborg Nordguld Aquavit, Gammel Dansk Asmund Special, Malteser Bitter and Minttu Black.


The classic Gammel Dansk Bitter Dram is bottled at the V&S factory in Svendborg.

for cross-border trade through presence in the neighbouring countries, the situation is still difficult for example for traditional national products.

V&S DISTILLERS' FOCUS

The business area's three prioritized categories are vodka, aquavit and bitters. V&S has a clear leading position in these categories. Work focuses on 15 priority brands.

In addition there are brands in many other categories, mainly proprietary but also some agency brands. Several hold a very strong local position.

An important aspect of V&S Distillers' operation is to sell the Group's international premium brands through its sales organization in the market area, including ABSOLUT VODKA.

Vodka

V&S Distillers is the market leader for vodka in Sweden and Duty Free & Travel Retail, number two in Finland and four in Poland.

The business area's biggest brand Luksusowa Vodka, which is primarily sold in Poland, was launched in a further flavour, cranberry, under the name Luksusowa Zurawina. As well as Luksusowa, Polska Wódka is also performing well, as is Pan Tadeusz, and ABSOLUT VODKA in the premium segment.

In Sweden ABSOLUT VODKA and Explorer Vodka dominate the market, and Renat also enjoys a strong position. In Finland V&S has domestic brands such as Tapio Viina, Suomi Viina and others.

Aquavit

V&S Distillers is the market leader for aquavit in Denmark, Sweden, Germany and the Duty Free & Travel Retail market. In Norway V&S is number two, while in other territories in the region aquavit is a small spirits category.

The biggest brand is Aalborg Akvavit. The Aalborg family of products comes in a wide range of flavours in Denmark, while it is mainly Aalborg Jubileums Akvavit and to some extent Aalborg Taffel Akvavit that are sold internationally. German Malteserkreuz is also part of the Aalborg brand.

Sweden's leading aquavit is O.P. Anderson, which is also exported to the neighbouring countries. There are also many classic aquavits and other spiced spirits such as Skåne, Östgöta Sädes and Herrgårds, sold under the Reimersholms brand.

The renewal of the aquavit portfolio has continued during the year. Aalborg Jubileums Akvavit has been given a new design. Aalborg Nordguld Aquavit, a premium product for lovers of aquavit, has been launched. Two new flavours of the previously introduced series of Aalborg Frisk, with a lower alcohol content, were launched: Mynta (mint) and Krondild (dill). The Emma Brøndum range of mild aquavit flavours has been supplemented with Emma Brøndums Hyldeblomsterbrændevin (elderflower).

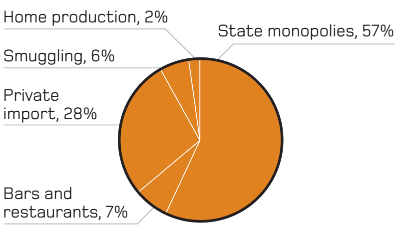
In keeping with tradition, a new Christmas aquavit was launched on the Swedish market, and the Danish Christmas product Aalborg Jule Akvavit now has a new bottle.

Development is taking place in close interplay with concepts such as the new Scandinavian cuisine, 'Snapas' (aquavit or 'snaps' and tapas) and other strategies, in order to restore aquavit to the role it has historically enjoyed in Scandinavia as a component of festive and other special meals.

1-ENKELT, one of the growth brands in the bitters category.

SPIRITS CONSUMPTION
BY PURCHASE CHANNEL

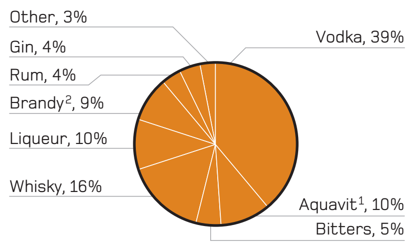
Totalled volumes in 2007 for Sweden, Finland and Norway



Source: V&S, based on assessments by national authorities.

SPIRITS MARKET
BY PRODUCT CATEGORY

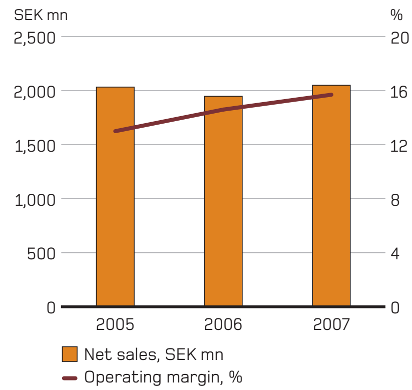
Totalled volumes in 2007 for Sweden, Finland, Norway and Denmark



1 Including other spiced spirits.
2 Including cognac and armagnac.

Source: National statistics, IWSR and V&S.

NET SALES AND OPERATING MARGIN



Bitters

V&S Distillers is the market leader in Denmark with the national gem Gammel Dansk, as well as 1-ENKELT and Nordsø Bitter. During the year, Gammel Dansk Asmund Special was launched to add a prestige product to the category.

Gammel Dansk is also sold on the relatively large German bitter market, although it only has a modest market position. To strengthen the position in Germany, Malteser Bitter was launched during the year.

Sales of bitters are limited on other markets in the area. However, Gammel Dansk is available in the neighbouring countries and enjoys good sales volumes in Duty Free & Travel Retail.

Classic

This category encompasses brands that have a strong local position, such as Grönstedts Cognac which has roughly half of the Swedish cognac market. Grönstedts National 2007 was launched during the year. Canadian whisky Lord Calvert is the biggest whisky on the Swedish market, and the Scotch Black Ribbon also holds a strong position. Gin Lubuski stands out in Poland with a market share of over 50 per cent.

Finnish peppermint liqueur Minttu, originally sold in Finland and Estonia, has since been extended to Sweden and Duty Free & Travel Retail. Minttu Black was launched during the year, a flavoured version of the successful peppermint liqueur.

Apart from Finland, the Lapponia liqueurs are sold in the Duty Free & Travel Retail market and also exported to Russia and other countries.

Agency brands

The principal agency brands was Xanté, which V&S both produced and sold on behalf of the brand owner.

SALES AND RESULTS

Net sales increased by 5 per cent to SEK 2,050 (1,948) million. Sales volume increased by 10 per cent to 6.1 (5.6) million 9-litre cases. The improvement is attributable to Poland. Sales on other markets fell, particularly in Denmark.

Operating profit increased by 13 per cent to SEK 321 (284) million. For comparable units, operating profit improved by 7 per cent. This is due both to increased sales in Poland and to cost rationalization, primarily in Sweden.

Grönstedts Cognac is a century-old brand with an extremely strong market-leading position in Sweden.

V&S Wine

MARKETS

● Logistics Centres

KEY RATIOS*

	2007	2006	2005
Net sales, SEK mn	2,258	2,159	2,212
Operating profit, SEK mn	108	112	72
Operating margin, %	4.8	5.2	3.3
Sales, million 9-litre cases	9.3	9.5	9.7
Number of employees	446	430	521

V&S BRANDS

Aussie, Blossa, California, Chill Out, Opal Springs, etc.

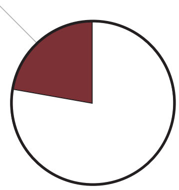
PARTNER BRANDS

Codorníu, Gato Negro, Lindemans, Penfolds, Raimat, etc.

NET SALES*

Compared to Group total

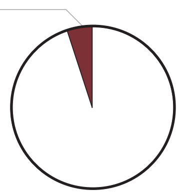
22%



OPERATING PROFIT*

Compared to Group total

5%



* Including internal sales.

Improved cost efficiency and a continued focus on strong brands and selected partners have contributed to higher profitability for comparable units. Meanwhile volumes have fallen slightly but sales increased by 5 per cent as a result of a better price mix.

V&S Wine's operations include the development, production, import, distribution and sale of proprietary brands and the import, distribution and sale of agency products. Operations encompass grape as well as fruit and berry wines, along with fortified wines and special products such as mulled wine. V&S owns no vineyards but produces its own brands from bulk-imported wine, as well as through production of fruit and berry wines and mulled wine.

Sales volumes are distributed quite evenly between V&S brands and partners' brands.

The business area also carries out bottling and has some production of base wines for other brand owners.

V&S Wine's biggest proprietary brand is Chill Out with 530,000 9-litre cases. Number two is Blossa with 517,000 9-litre cases.

STRATEGY

To strengthen profitability in import and agency operations, the business area is based on the following strategies:

- A superior, well-focused product portfolio and brand-building.
- Superior customer and market relations on each market.
- The most efficient product flow.

REVIEW OF OPERATIONS

The business area encompasses previously acquired companies that have been integrated into a cohesive structure. This integration has now been completed with the acquisition of the remaining 50 per cent of V&S Norway (formerly Amundsen AS).

Within the business area there are central functions responsible for the development and marketing of proprietary brands, as well as for co-ordination of Nordic Partners with whom the business area works on all of its markets. Responsibility for local partners lies within each market. The organization for logistics is also integrated.

V&S Wine's operation encompasses a very high number of stock items. Focusing on those with the best profitability or

V&S's co-operation with Foster's was extended in 2007 to also include filling of all Foster's bag-in-box wines for the European market. Filling began at the V&S plant in Svendborg towards the end of 2007.

The brand 35 South from Viña San Pedro, Chile.

In late 2006 an agreement was signed with Foster's Wine Estates, whereby V&S Wine now distributes all Foster's wine brands within the V&S Wine market area.

assessed potential is an important aspect of development work. This includes own brands as well as agency products.

V&S Wine also works proactively to develop existing and new brands in order to meet consumer preferences and market conditions. This can relate to anything from contents to packaging and marketing, or actively phasing out existing or finding new partners.

Production primarily comprises bottling but also manufacture of mulled wine and fruit and berry wines. V&S Distillers manages production for V&S Wine.

V&S Wine has its own sales organization for Sweden, Denmark, Finland, Norway, Estonia and Duty Free & Travel Retail. On some of these markets it is shared with V&S Distillers. V&S Wine deals with all distribution in the Nordic region for its own operation, but also for V&S Distillers. Distribution is structured around logistics centres in Odense in Denmark, Stockholm in Sweden and Turku in Finland. Almost all transport to and from the logistics centres is dealt with by independent contractors, as are transport and warehousing in Norway and Estonia.

In Denmark and Estonia sales to consumers take place via the retail trade. In Sweden, Finland and Norway alcohol retail takes place via national monopolies. In all countries, sales to restaurants and bars take place either directly or via wholesalers.

MARKETPLACE

The total annual volume of registered wine sales in V&S Wine's market area is approximately 50 million 9-litre cases. With both legal and illegal import from countries outside the market area, primarily Germany, total consumption in the region is an estimated 20 per cent higher. Even between countries in the market area there is extensive cross-border trade, mainly Norwegians buying from Sweden.

This makes it the world's ninth largest wine market and the world's fourth largest import market for wine.

Approximately one-third of the region's sales volume relates to Denmark, where per capita consumption is considerably higher than in the rest of the Nordic region. Sweden with its higher population constitutes a market of roughly the same size. Finland and Norway each account for about one-eighth of the region's total sales volume.

Wine consumption in the region has risen more or less unabatedly for several years, the exception being Denmark where consumption has remained largely unchanged, although at a higher level per capita.

Red and white wines dominate sales. Other products – i.e. rosé, sparkling and fortified wines, fruit and berry wines and mulled wine – jointly make up around 10 per cent.

Both the price range and the average price vary slightly between the countries. There is a low-price segment in Denmark and Estonia that is not as prominent in the other territories. Throughout the market area, a very high proportion of volumes are sold within a relatively limited price range, and there is intense competition within this range.

When it comes to type of packaging, there has been an extremely rapid development towards bag-in-box and tetra, which now account for two-thirds of wine sales in Sweden, over half in Norway, and around one-third in Finland and Denmark.

The European wine market has traditionally been characterized by the strong identity of regions and grape varieties, while brands have been relatively weak. This is now changing.

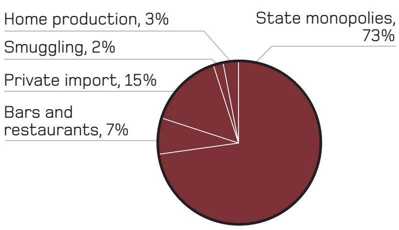
V&S Wine is the market leader in Sweden, Denmark and Duty Free & Travel Retail, number two in Finland, three in Norway (number one as a single company) and three in Estonia. The principal competitors are Altia of Finland, Swedish company Fondbergs and Norwegian Arcus, all of which have a presence in several Nordic countries, although with no major integration between territories. The private imports of supermarket chains dominate competition in Denmark.

V&S WINE'S FOCUS

Development has been good on most of V&S Wine's markets. Volumes have risen strongly in Sweden and Norway, and in Duty Free & Travel Retail. In Finland volumes are largely unchanged but with a better price mix. In Estonia volumes have fallen sharply since V&S Eesti ended agency sales of brewery products, which previously accounted for the predominant part of the operation, to focus entirely on V&S's products.

WINE CONSUMPTION BY PURCHASE CHANNEL

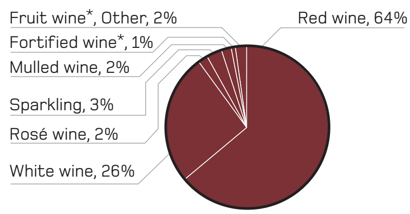
Totalled volumes in 2007 for Sweden, Finland and Norway



Source: V&S, based on assessments by national authorities.

WINE MARKET BY PRODUCT CATEGORY

Totalled volumes in 2007 for Sweden, Finland, Norway and Denmark



* Excluding mulled wine.

Source: National statistics, IWSR and V&S.

For the Spanish Codorníu Group, V&S sales include cava as well as the well-known Raimat wines.

In Denmark, with its stagnating total consumption and fragmented, retail-driven market structure, V&S has lost volumes both in the regular wine operation and in the bottling business the company has carried out for retail chains' private labels. The latter is a low-margin operation that has only a minor effect on operating profit, although it does impact significantly on the volume figures. Restructuring of the Danish operation has therefore continued with the aim of focusing on profitable products and reducing costs.

Partners

In late 2006 an agreement was signed with Foster's Wine Estates, whereby V&S Wine now distributes all Foster's wine brands within the V&S Wine market area. The transition was complete by August and is already having an impact, as seen for example in volume development in Sweden and Norway. The impact on the 2008 results ought therefore to be even greater.

The partnership with Foster's was extended to also include filling of all Foster's bag-in-box volumes for the European market.

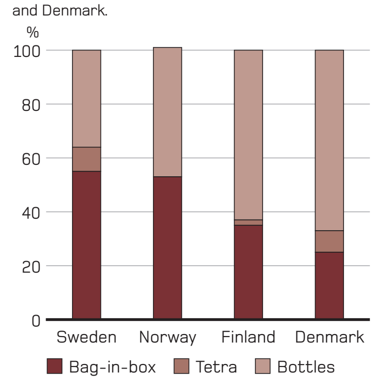
The partnership with Viña San Pedro, which has primarily related to the Gato wines, has been supplemented with more products and a focus on higher price categories. In Finland a new Gato Negro packaging was launched, a tetra with a screw cap.

The Spanish Codorníu Group, which has a cava of the same name as well as Raimat wines and other products, along with The Company of Wine People and its selection of South African wines, are other Nordic Partners with which V&S Wine has developed collaborations during the year. Among other things, a new plastic packaging was introduced in Finland and Norway for the Arniston Bay brand (see picture on page 4). The partnership

Mulled wine brand Blossa has continued to develop during the year, partly with the launch of the new vintage Blossa 07. A brand new mulled wine brand called Tuike was launched in Finland in two flavoured varieties.

WINE MARKET BY PACKAGING TYPE

Volume shares 2007 in Sweden, Norway, Finland and Denmark.



Source: National statistics, AC Nielsen and V&S.

Two new products from V&S Wine in 2007: Italian wine Cicero and American Equinox. The wines were launched during the autumn, initially in Sweden.

V&S Wine's biggest brand Chill Out consolidated its position as one of the best-known wine brands in the Nordic region during the year.

with American company E.J. Gallo, however, was terminated.

When it comes to local partners, the aim has been to focus energy and resources where the best potential for mutual benefit exists. The number of stock-keeping units has been reduced by around one-third in line with the strategy.

Own brands

V&S Wine's biggest brand Chill Out consolidated its position as one of the largest wine brands in the Nordic region during the year. The position is based on an excellent status in Sweden and on lower yet increasing market positions in the neighbouring countries.

Market-leading mulled wine brand Blossa continued to develop with the launch of a new vintage, Blossa 07, as well as a collection pack of five vintages. The 'laced' varieties of Blossa were supplemented by one flavoured with calvados. Sales rose both in Sweden and in Duty Free & Travel Retail.

A brand new mulled wine brand called Tuike was launched in Finland in two flavoured varieties, blueberry and lingonberry.

Two V&S brands for the Nordic market were introduced initially in Sweden: American wine Equinox and Italian Cicero.

Aussie, V&S's own brand sold in one-litre tetras, developed extremely well during the year.

Distribution and marketing

Distribution is a pivotal competitive tool for V&S Wine in terms of winning trust among strong suppliers. Efficient distribution is also a key component in pushing costs down to levels that enable profitability. The fact that V&S Wine has been voted retail monopoly Systembolaget's best supplier for six years in a row is a clear sign that developments are on the right track, as is the fact that the Finnish equivalent Alko also reached the same conclusion in 2007.

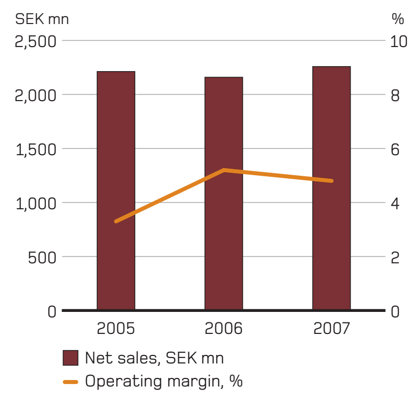
Wine advertising is permitted in all countries in the market area except Norway. The competitive situation has entailed a relatively swift increase in advertising investment in the industry, almost to a level common among other fast-moving consumer goods. V&S Wine, which strives to build strong brands, is the biggest buyer of wine brand advertising in the Nordic region.

SALES AND RESULTS

Net sales increased by 5 per cent to SEK 2,258 (2,159) million. For comparable units, net sales were up 8 per cent. Volume was down to 9.3 (9.5) million 9-liter cases due to a shift in the product mix: sales of products at lower prices have decreased partly in Denmark due to reduced subcontracted bottling, and partly in Estonia where the sale of brewery products has ceased. Sales increased in Sweden, Norway and Finland, and in Duty Free & Travel Retail.

Operating profit totalled SEK 108 (112) million. The weaker result is entirely attributable to the fact that the figures for the Norwegian operation are now shared with V&S Distillers. For comparable units, operating profit improved by 8 per cent. This is attributable to higher sales in Sweden, Norway and Duty Free & Travel Retail, but also to developments in Finland where there is now a better price mix. The figures have been affected by restructuring and stock write-downs in Denmark, which is a stage in the process of working towards fewer stock items in order to increase the focus on profitable products.

NET SALES AND OPERATING MARGIN



Courage to act responsibly

V&S is striving to be the most responsible company in the industry. A proactive approach, whereby the company takes responsibility in relation to the outside world, its owners, customers, suppliers and employees, is fundamental for achieving this vision.

At the core of V&S's strategy lies the promotion of responsible drinking, acting responsibly in marketing, taking care of employees, acting as a positive force in the local and global community and contributing to sustainable development. Excellent performance in all these areas aims to make V&S a company that takes the lead in the market rather than following others. Customers, consumers and other stakeholders expect genuine corporate responsibility, and this is therefore a requirement for continued profitability.

POLICIES AND ORGANIZATION

As part of its efforts to ensure compliance with the international principles described in the box below, the V&S code of business ethics and conduct (vsgroup.com) has been established and launched across the Group. The code of business ethics and conduct provides direction and guidance, and comprises policies and guidelines on how V&S's employees are expected to act. The Marketplace section contains guidelines on marketing and business ethics. The section on Responsibility in Society covers the promotion of responsible drinking, contributions to social development and communication. The Workplace section encompasses issues relating to freedom to organize and negotiate, tolerance and respect, protecting the rights of children, health and safety, compensation principles and employee development. The Environment section deals with the Group's view on environmental management and genetically modified organisms. The code of conduct has been adopted by V&S's Board of Directors and Group Management and applies to all activities within the Group.

V&S's suppliers are expected to comply with the principles in the code of business ethics and conduct. V&S's supplier evaluations assess to what extent suppliers follow prevailing legislation, the UN Declaration on Human Rights and the Convention on the Rights of the Child, as well as International Labour Organization guidelines and the supplier's management of environmental issues. Through the process of supplier evaluations, V&S encourages suppliers to develop within the areas of ethics, the environment and social responsibility. Collaboration with suppliers who ignore these issues will be phased out.

V&S is a value-driven organization in which responsibility, as one of four core values, is an important component. V&S applies a systematic approach whereby responsibility issues are integrated in the overall management of the Group. Each business unit is responsible for implementing the code of conduct, and action plans must be documented. The Group's department for Corporate Responsibility & Quality, which is a part of the staff function Corporate Affairs & Communication, develops Group-wide policies, strategies and methods for implementation and follow-up, and supports the business areas with knowledge, business intelligence, training and implementation.

The Group's performance on responsibility is reported in accordance with the guidelines of the Global Reporting Initiative (GRI) and according to application level A+. Information on reporting principles, definitions and the Assurance Report can be found on pages 96–107.

V&S's code of business ethics and conduct contains 15 policies with a total of around 100 binding regulations covering the company's activities in the marketplace, in society, in the workplace and for the environment.

THE GLOBAL COMPACT
WE SUPPORT

V&S supports the United Nations Global Compact initiative and its principles which relate to human rights, working conditions, business ethics and the environment. V&S has also joined the Global Compact's Caring for Climate Business Leadership Platform.

INTERNATIONAL GUIDELINES

V&S is part of the UN Global Compact[1] and Swedish Partnership for Global Responsibility, a Swedish government initiative. V&S also supports OECD[2] guidelines for multinational corporations and the ILO's[3] Declaration on Fundamental Principles and Rights at Work. V&S follows the most important international standards for marketing of alcoholic beverages. The United States has the DISCUS[4] Code of Responsible Practice, while the rest of the world has the EFRD[5] Common Standards.

1 Global Compact, unglobalcompact.org
2 Organisation for Economic Co-operation and Development, oecd.org
3 International Labour Organization, ilo.org
4 Distilled Spirits Counsil of the United States, discus.org
5 European Forum for Responsible Drinking, efrd.org

SUMMARY OF V&S'S RESPONSIBILITY PERFORMANCE

	MARKETPLACE	SOCIETY	WORKPLACE	ENVIRONMENT
OBJECTIVES	V&S's performance in the market shall be characterized by respect and responsibility, contributing to customers' and consumers' confidence in V&S and its brands.	V&S shall be characterized by a genuine social commitment, whereby the company promotes responsible drinking and otherwise contributes to sustainable development in partnership with different stakeholders.	V&S shall be an attractive employer with qualified employees.	V&S's environmental performance shall focus on minimizing the impact on climate change, optimizing the use of natural resources and maximizing the share of eco-friendly agricultural products.
TARGETS	• In 2008, sales and marketing employees shall have undergone training in relevant marketing codes. • In 2008, advertising agencies, communication agencies etc. engaged by the company shall have received guidance in relevant marketing codes. • Distribution agreements in 2008 shall contain a paragraph on compliance with the V&S code of business ethics and conduct. • Advertising in 2008 shall contain a responsibility message. • Product labels in 2008 shall contain a responsibility message. • All significant suppliers shall be assessed against V&S's responsibility criteria by 2010.	Conduct at least 10 activities in 2008 to promote e.g. responsible drinking, preventive youth activities and environmental protection.	• Commitment index shall be among the top 10% in Europe by 2010. • Leadership index shall exceed the European average. • All employees shall have annual appraisals with their manager. • V&S shall have an even gender distribution. • Degree of internal recruitment shall be 40% by 2010.	Targets for 2010: • Reduce CO_2 emissions per litre of product by 25%, compared with 2006. • Increase eco-friendly products to 50% of total sales. • Increase energy efficiency to 1 kWh per litre of product. • Reduce water consumption to 11.0 litres per litre of product. • Increase recycling to 95% of total waste. • Percentage of eco-friendly packaging material shall amount to 50%.
STRATEGY	• Visible responsibility messages in market communication. • Monitoring and control of marketing activities.	• Open communication with stakeholders. • Careful selection of business partners and community projects.	• Profiling activities towards potential employees. • Continuous development of employees and managers. • Promote tolerance and respect. • Systematic approach to health and safety issues.	• Increased energy efficiency. • Efficient logistical solutions. • Supplier collaborations.
THE YEAR 2007	• A V&S specific marketing code has been developed. • Established marketing councils to monitor and control marketing activities. • 87% (26) of marketing and sales employees trained in EFRD's Common Standards. • V&S has had 2 ads called into question as infringements of marketing codes. • 64% (60) of significant suppliers have been assessed against V&S's responsibility criteria.	• New strategy to counteract drinking among young people, and reduce alcohol-related harm and risks among youth. • Support of the Live Earth rock concert project. • Support for the rebuilding of New Orleans. • Launched responsible drinking programme "Recognize the Moment". • Support for farmers in Mozambique and Mexico to promote sustainable forestry in vulnerable areas.	• New HR system introduced, partly to facilitate systematic development of employees and managers. • Trained all employees about V&S's vision, core values and business ethics. • 36% of managers were women. • Degree of internal recruitment was 18%. • 77% (52) of employees had no more than 5 days sick leave. • 37 (59) accidents reported.	• Reduced CO_2 emissions per litre of product by 12% (6). • Increased percentage of eco-friendly products to 49% (45) of total sales. • Increased energy efficiency to 1.06 kWh (1.12) per litre of product. • Increased water consumption to 15.90 litres (14.37) per litre of product. • Increased recycling to 95% (92). • Increased percentage of eco-friendly packaging material to 44% (43). • Carbon offsetting by planting trees, equivalent to 40% of V&S's CO_2 emissions from production in 2007.
FOCUS 2008	• Develop and improve follow-up and control of marketing activities. • Implement a complaint management manual.	• Continue initiatives to promote e.g. responsible drinking, preventive youth activities and environmental protection.	• Continue initiatives for leadership and employee development. • Implement a manual for systematic approach to health and safety issues. • Analyze and set objectives for sick leave and occupational injuries. • Increase internal recruitment.	• Continue the focus on energy and resource efficiency, as well as eco-friendly agricultural products. • Continue initiatives for carbon offsetting.

Strict rules for alcohol marketing

Responsibility and good judgement are the guiding principles in marketing V&S's products. V&S is a strong supporter of strict industry-wide guidelines for the ethical marketing of alcoholic beverages. In 2007 V&S has further developed and clarified its internal guidelines. These are to be followed by everyone, whether employees of V&S or of business partners that represent V&S brands.

V&S shall conduct its market communication in such a way that customers and consumers feel they can rely on V&S and its brands. By spreading knowledge and information about responsible drinking, V&S wants to promote the responsible use of alcohol.

V&S's conduct on the market is governed by the marketing policy in the code of conduct, and by guidelines for the ethical marketing of alcohol. These guidelines imply that marketing may not target minors, suggest that alcohol can prevent or cure illnesses, or contribute to personal success. Moreover, marketing must not show alcohol consumption in combination with risky activities and it must avoid symbols, activities and messages that may be perceived as offensive. Each V&S business area has a marketing council which is responsible for the management and control of market activities.

ACTIVITIES AND RESULTS

Training in industry-specific marketing codes continued during the year. At the end of 2007, 87 per cent of employees affected by the EFRD's Common Standards had been trained in those standards. Employees on the American market will undergo the corresponding training in the DISCUS code in 2008.

New guidelines for ethical marketing

In 2007 V&S has further developed and clarified the guidelines for ethical alcohol marketing. The guidelines must be followed by V&S's marketing and sales organization, as well as business partners such as advertising agencies and distributors.

Dialogue and collaboration

Through its involvement in several national and international organizations, V&S maintains a dialogue regarding stakeholders' expectations and requirements on the alcohol industry. Through the EFRD, of which V&S is an active member, marketing on most European markets is monitored annually. The EFRD also produces information campaigns and education material for the responsible use of alcohol.

V&S has limited direct contact with the end consumer and focuses on increasing knowledge and awareness of codes of conduct among business partners, such as:

- Advertising agencies contracted by the company.
- Distributors in which V&S is a part owner or otherwise has significant influence.

Monitoring of alcohol advertisements

In an annual monitoring of alcohol advertisements in 15 European countries, national organizations for responsible marketing assessed 5,620 alcohol advertisements. The advertisements were assessed based on national codes and the EFRD's Common Standards. Compliance totalled 96 per cent. 249 advertisements were called into question regarding infringements, of which two were published by V&S:

- In one of the advertisements, part of the ABSOLUT LOMO campaign, the models were considered to look too young. The advertisement, which showed heavily tattooed young people, was deemed to appeal to minors, creating a connection between alcohol and "tough and daring people".
- Sponsorship of the commercial for the "Jim on Ice" ice show, which was broadcast in Belgium, lacked a responsible drinking message.

V&S has a vision of zero infringements of marketing codes. The results from 2007, with only two V&S ads being brought into question as infringements, shows that the training in the EFRD marketing code has been effective.

Visible responsibility messages in market communication

In all business areas, projects are under way to further highlight the responsible drinking message in market communication, primarily in product information and advertising, but also in campaigns promoting responsible drinking.

Safe products

Safe products constitute a fundamental responsibility. During the year the plant in Zielona Góra, Poland, became the eighth of V&S's 11 production units to be certified to International Food Standard, IFS. The IFS stipulates requirements on areas such as quality assurance, risk assessment and control mechanisms to ensure that shortcomings are analyzed, and that corrective and preventive measures are taken.

Thanks to the creation of internal marketing councils, all V&S's business areas have further improved their management and control of marketing activities. The councils meet quarterly or as required.

A far-reaching campaign for ABSOLUT on the American market aimed to raise awareness among consumers about the importance of not to drink and drive.

Satisfied customers

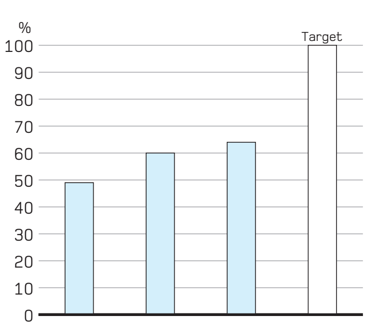
The V&S Distillers production unit in Zielona Góra, Poland, has been monitoring customers' service satisfaction since 2005. The rating is measured on an ascending scale of one to five, and has increased from 4.38 in 2005 to 4.73 in 2007. In business area V&S Wine, customer satisfaction surveys were initiated in 2007. The surveys will be carried out annually, and the first results revealed a rating of 4.06 out of five.

FOCUS 2008

In 2008, V&S will continue to train all of its own and external sales and marketing personnel in the V&S Guidelines for Responsibility in the Marketplace and external marketing codes.

Responsible drinking messages have for some time been used in certain markets. In 2008, such messages will be introduced in all advertising and on product labels.

SUPPLIER EVALUATION



64% (60) of V&S's significant suppliers have been assessed against responsibility criteria.

RESPONSIBILITY THROUGHOUT THE VALUE CHAIN

V&S's supplier evaluations include to what extent suppliers follow prevailing legislation, the UN Declaration on Human Rights and the UN Convention on the Rights of the Child, as well as ILO guidelines and the supplier's management of environmental issues. V&S aims to progressively extend the scope of the supplier agreements to be encompassed by V&S's evaluation methods. For suppliers of products and services not covered by the description on page 106, only a small proportion of agreements have as yet been preceded by an official evaluation.

All PR and advertising agencies are informed about the V&S code of conduct and about the applicable guidelines for responsible alcohol marketing. For business partners over which V&S has only limited control and influence, such as retailers, hotels, bars and restaurants, more still remains to be done in this area.

Contributing to social development

V&S wants to contribute to a sustainable society by supporting activities and initiatives, both globally and locally. In 2007 a new strategy has been established, focusing on preventive activities for youth.

V&S shall be characterized by a genuine social commitment, whereby the company in partnership with other organizations contributes to sustainable development. This means that the Group will carry out activities to support and fund various projects on a local and global level. No demand for compensation is requested for any of these activities.

ACTIVITIES AND RESULTS

Preventive activities for youth

V&S has made a commitment to act responsibly and the top priority is to make efforts to prevent alcohol consumption among young people. During 2007 a new strategy has been adopted. The strategy means that V&S will take targeted initiatives to counteract drinking among young people, and to reduce alcohol-related harm and risks among youth.

There is great commitment to supporting the local communities where V&S operates. Over the years the company has made donations to local youth actvities.

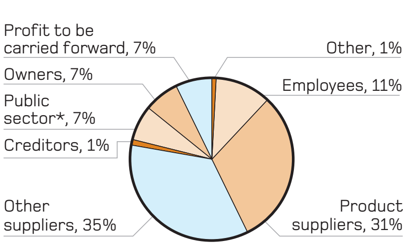
Sweden

During 2007 V&S has financially supported Fryshuset, a youth activity centre in Stockholm. Fryshuset runs alcohol and drug-free activities in areas such as sports, anti-violence and support for the victims of culturally related issues of honour. Fryshuset also runs an upper secondary school focusing on arts, music and drama. V&S's ambition is to support similar programmes in a number of other countries where the Group has operations.

V&S is one of several initiators and financiers behind the education material "Teach about Alcohol" (see prataomalkohol.se). The material, which is free for secondary and upper secondary schools in Sweden, was developed by Swedish Spirits & Wine Suppliers in association with experts in the area, including educators and school staff. The aim is to postpone the alcohol debut of young people and instil in them a healthy attitude to alcohol characterized by moderation. The ambition was to reach out with the education material to 800 of Sweden's 2,700 schools in 2006–2008. At the end of 2007 no less than approximately 2,000 had requested the material. This means that almost 75 per cent of Sweden's secondary and upper secondary schools, which equates to 700,000 pupils and 56,200 teachers, have been given access to the material.

V&S supports the Fryshuset youth centre in Stockholm, and during the year V&S has funded alcohol and drug-free discos, for example.

OPERATING REVENUES BY STAKEHOLDER



The chart shows appropriation of operating revenues for the year as well as profit brought forward and retained in the company.

* Alcohol excises not included.

Denmark

Through its participation in GODA (Denmark's Gode Alkoholdninger), V&S has taken part in several projects and information campaigns aiming to inform young people about the risks of drinking alcohol. The GODA website (goda.dk) contains extensive information about everything from drinking and driving and young people's alcohol consumption, to information and advice for parents of teenagers.

United States

People who supply minors with alcohol are not only running the risk of damaging their health, they are also acting illegally. To draw attention to this problem the Federal Trade Commission (FTC) has developed a campaign entitled "We Don't Serve Teens". The aim is to highlight the fact that serving alcohol to underage drinkers is unsafe, illegal and irresponsible. Through its subsidiary in the United States, V&S has sponsored several of the FTC's commercials.

Live Earth

Limiting continued global warming is a massive challenge the whole

Profit from the sale of ABSOLUT NEW ORLEANS totalled USD 2 million, which was donated to five different rebuilding organizations in the New Orleans area in autumn 2007.

world is facing. For a long time, limiting greenhouse gas emissions has been a high priority for V&S Group. ABSOLUT VODKA helped attract more attention to the issue of global warming by sponsoring the Live Earth rock concert project in July 2007. ABSOLUT also sponsors a number of short films which can be seen on the Live Earth SOS website. The aim of the films is to create interest in and commitment to the global climate problems. They can be seen at liveearth.org/film.php

Carbon offsetting

In 2007 V&S has worked with the Plan Vivo organization on a major tree-planting initiative to support family agriculture in Mozambique and Mexico. There are three main aims of the project: to offset V&S's climate impact by binding carbon dioxide in trees; to preserve and restore existing forests; and to contribute to positive community development in vulnerable areas by creating sustainable jobs, etc.

Disaster relief

Over the years V&S Group has contributed to disaster relief efforts through organizations such as the Red Cross.

A major initiative was taken during the year when all profit from the sale of flavoured vodka ABSOLUT NEW ORLEANS, some USD 2 million in all, was donated to the reconstruction of New Orleans and other cities along America's Gulf Coast. As part of the New Orleans effort, V&S Absolut Spirits' employees and business partners, along with non-profit organizations, have taken part in voluntary relief work to help individuals affected by the disaster in New Orleans.

Level Vodka has sponsored 'Rip the Runway for Darfur' during the year, an event and fashion show in New York. The event was organized by members of the international fashion industry who want to put an end to the violence in Darfur.

Responsible drinking

V&S Absolut Spirits has initiated a programme entitled "Recognize the Moment", which aims to inform and educate about responsible drinking and responsible marketing. The programme was launched internally in early 2007, and based on this a programme was developed for customers on the American market. The programme also includes training for bar staff. Another example is the launch of an information film about how the brain is affected when we drink alcohol. The film can be seen at vsgroup.com.

V&S Plymouth is working with the city council and police on Plymouth City Safe, a scheme to promote responsible drinking in licensed premises. Read more at plymouthcitysafe.com.

An important endeavour to promote responsible drinking begins at V&S's workplaces. To increase knowledge of these issues, training in alcohol issues is regularly carried out for the Group's employees. All of the Group's distribution vehicles in Sweden have been fitted with alcohol ignition interlocks.

FOCUS 2008

An increased focus on activities to promote responsible drinking, preventive activities for youth and environmental protection.

Leadership with focus on responsibility

A long-term, conscious focus on competence development among V&S managers is fundamental to responsible work performance. V&S's code of business ethics and conduct centres on the importance of clear leadership. The code clarifies managers' responsibility for ensuring compliance with values and policies.

V&S shall be an attractive employer with qualified employees. To accomplish this, V&S constantly needs to develop competence among employees and managers, to promote tolerance and respect at the workplace and adopt a systematic approach to managing occupational health and safety.

A critical success factor for achieving a world-leading market position is to develop leaders. V&S systematically develops managers' ability to bring the V&S vision to life with concrete targets that all employees can feel committed to. They should also be able to lead people through the necessary change processes and ultimately deliver continuously improved results.

ACTIVITIES AND RESULTS

Follow-up of employee survey

V&S conducts regular employee surveys with the aim of improving and developing employees' working conditions. The survey is carried out every two years to ensure there is enough time to implement improvement measures.

Some of the areas for improvement that were identified related to internal information, support and encouragement, stress-related problems and career opportunities. Action plans have been drawn up for all improvement areas through a dialogue between managers and their employees.

Employee development and leadership

Offering employees good career opportunities is important both for ensuring talent for the future, and to create greater loyalty and commitment among employees. Appraisal sessions are fundamental, and the aim is for all employees to have one appraisal a year.

Education and training are also pivotal to the employees' competence development and the company's competitiveness. In 2007 blue-collar workers received 14 hours of training, and white-collar workers 20 hours. A tool for monitoring competence development among employees and the company's ability to retain talent is to focus on the degree of internal recruitment. With 2007 as the base year, 18 per cent of all new appointments came from internal recruitment. In terms of number of applicants, six per cent were internal.

The introduction of a new HR system to facilitate employee development has continued during the year and now encompasses all operations apart from the United States and Poland.

The '360 degree evaluation' tool gives managers feedback on their leadership performance from employees, colleagues and their immediate manager.

Training in core values and code of conduct

An interactive web-based internal training course on V&S's core values and responsible conduct was launched at the end of 2006. All employees have now completed the course, which focuses on how V&S employees should work in accordance with the V&S code of business ethics and conduct.

Diversity, tolerance and respect

The overall objective is that V&S's workforce should reflect V&S's consumers and the communities in which the company operates. A focus on the right expertise and the right profile for the job, along with a non-discriminatory view is crucial in recruiting the right people, regardless of their background.

Multicultural leadership has been a part of situational leadership training since the beginning in 2004.

In the latest employee survey, six per cent answered "yes" when asked if they had ever felt discriminated against in the workplace. V&S has zero tolerance for discrimination. In 2007, local training programmes were conducted to supplement legal aspects of managing diversity and avoiding discrimination.

An even gender distribution is an important diversity factor. When it comes to gender equality, difference in pay is an

PERCENTAGE OF EMPLOYEES PER AGE GROUP ON 31 DECEMBER 2007

Region	Up to 25 years	26–35	36–45	46–55	55+
Sweden, %	1	22	36	29	13
Other Nordic, Baltic States, %	4	22	35	25	15
Other European countries, %	4	32	31	28	5
North America, %	6	36	32	16	9
Asia, %	0	0	50	50	0
Total, %	**3**	**25**	**34**	**27**	**12**

GENDER DISTRIBUTION, MANAGERS 2007

	Total	Men, %	Women, %
Group Management	9	89	11
V&S Absolut Spirits	103	67	33
V&S Distillers	133	59	41
V&S Wine	67	67	33
Total	**312**	**64**	**36**

For further information see Note 6 on page 71.

COMMITMENT INDEX

The percentage of highly committed employees has decreased compared with the previous surveys. Organizational changes are the probable main reason for the decline.

Northern European average index: 58

Source: TNS Gallup TRI*M 2006

LEADERSHIP INDEX

Northern European average index: 55

Source: TNS Gallup TRI*M 2006

Continuous training is carried out for all employees in how to avoid discrimination and harassment in the workplace.

important indicator. V&S currently has no Group-wide system for reporting these figures. Spot checks in Sweden, Finland and Poland indicate greater differences between white-collar workers than between blue-collar workers. The pay level for female white-collar workers as a percentage of the men's pay was 87 per cent and for blue-collar workers 91 per cent.

Tolerance and respect also relate to how V&S deals with operational restructuring. V&S Distillers has created a special programme in 2007 for dealing with redundancies caused by major reorganization within the business area.

Periods of notice in connection with major organizational changes vary between different countries from zero to six months. Where collective agreements exist, the period of notice is specified in some cases but not always. There are collective agreements in place in Sweden, Denmark, Finland, Poland, Germany and the US Virgin Islands. Of the total workforce, 82 per cent are encompassed by collective agreements.

Personnel turnover for the Group as a whole was 6.2 per cent (15.2). The most common reason was staff cutbacks (33 per cent) followed by retirement (17 per cent). Of those who changed jobs (internally and externally), 69 per cent were men and 31 per cent women. Personnel turnover was 2.4 per cent in Sweden, 10.5 per cent in Denmark, 3.6 per cent in Finland, 10.8 per cent in Poland, 8.3 per cent in the United States including the US Virgin Islands and 10.4 per cent for the rest of the world.

Better employee health and working environment

The ambition of implementing the health profile scheme throughout the Group has been postponed one year until 2008. V&S subsidizes physical exercise and other health and fitness activities for employees at most of the Group's workplaces.

In 2007, a Group-wide health and safety manual was developed and completed. The manual will be launched and implemented in 2008.

In Finland, V&S and other companies in the food sector have been working with the University of Helsinki on a project intended to reduce sick leave in the industry.

In 2007, there were 37 (59) accidents in the workplace, which equates to 1.16 accidents per 100,000 working hours. The most common cause was the human factor, and more training and a review of work methods are vital measures to further improve safety.

The employees' health improved somewhat with a higher proportion of healthy employees (up to 5 sick days) and a lower proportion of people on long-term sick leave (more than 90 days).

EMPLOYEE HEALTH 2007

	%
Employees on sick leave 0 days	53
Employees on sick leave 1–5 days	24
Employees on sick leave 6–14 days	11
Employees on sick leave 15–90 days	10
Employees on sick leave over 90 days	2

FOCUS 2008

Continued initiatives focusing on leadership and employee development:

- Implementation of the HR system in the United States and Poland.
- Implementation of a Group-wide health and safety manual.
- Establishing targets for sick leave and occupational injuries.
- Measures to raise the degree of internal recruitment.

Curbing climate change

V&S's climate impact is primarily from production and distribution of the company's products. Reducing the company's climate impact is and has long been a high priority. Like all companies, V&S has a great responsibility to increase its efforts in this field.

To contribute to an ecologically sustainable development and to apply the precautionary principle is the aim of environmental management in the V&S Group. Environmental management is based on the environmental policy in the code of conduct, along with V&S's three overall environmental objectives: sustainable agriculture, reduced impact on climate change and optimized use of natural resources. Each plant will work to specific environmental targets and measures, while also fulfilling the Group's environmental objectives.

The V&S Environmental Management Manual provides a common systematic approach across the Group, while also assuring the quality of environmental data monitoring. Supported by the manual, each unit produces an energy and materials balance, which forms the basis for assessing the plant's environmental impact. Risk assessment, documentation on legal requirements and stakeholder requirements on environmental activities are also included.

ACTIVITIES AND RESULTS

Energy-efficient spirits production

V&S is striving to reduce climate impact with greater energy efficiency in its production processes and by changing to forms of energy with lower climate impact. Carbon dioxide emissions per litre of product sold have decreased by 34 per cent in the past three years. ABSOLUT VODKA and Level Vodka are produced in one of the world's most energy-efficient distilleries in Nöbbelöv, Sweden. Advanced compressor technology has contributed to a high degree of energy recovery on the distillation line, leading to lower energy costs and less climate impact. The level of ambition for increasing efficiency remains high, although there is now less room for improvement. Employees in Åhus and Nöbbelöv will undergo further training in environmental and energy aspects, and a variable wage component will further stimulate energy rationalization in production. Improving efficiency is complicated by the fact that a dramatic rise in production leads to an increased use of the energy-intensive drying process which transforms rest products into animal feed.

The distilleries in Aalborg and Åhus are certified to the DS 2403 and SS 62 77 50 energy management systems respectively, which place demands on a continuous reduction in energy consumption. Measures taken at V&S's plants include pumpspeed control and reviewing the use of steam, which have led to energy savings of 2,000 megawatt hours (7,200 gigajoules) a year. Where fossil sources are involved, reduced energy consumption will lead to lower carbon dioxide emissions.

In 2007 the share of renewable energy rose to 19 per cent (15), mainly due to the divestment of Grenaa, for which a large part of the energy supply was based on non-renewable fuels.

Logistics optimization

Climate impact from transport decreased further in 2007. V&S reduces climate impact from transport by optimizing logistical solutions and by moving road transport to sea and rail.

The destillation plant in Nöbbelöv, Åhus, Sweden, is one of the world's most energy-efficient plants for the production of crude alcohol and rectified alcohol.

V&S recycles 95% of all waste. In 2007, Plymouth Gin was the first company in Plymouth to start using a new service for waste sorting and recycling.

Carbon offsetting was carried out as an investment in sustainable forestry in Mozambique and Mexico.

During 2007 V&S has joined the Clean Shipping Project with the aim of increasing opportunities to impose more stringent environmental demands on shipping contractors.

Carbon offsetting by planting trees

V&S began carbon offsetting in 2007, to supplement the efforts V&S is already making to reduce climate impact from its manufacturing processes. The carbon offsetting initiative means that V&S is not only focusing on energy rationalization at its own production plants, but is also investing in certified projects that contribute to decreased climate impact.

V&S has chosen to offset carbon dioxide emissions from production units that have active climate management and which have also shown continuous reduction in carbon dioxide emissions in 2004-2006. Five units fulfilled these criteria. Consequently, 27,000 tonnes of carbon dioxide emissions, equating to 40 per cent of the emissions from production this year have been offset.

UN Caring for Climate

During the year V&S has adopted the UN Caring for Climate initiative, which was launched during the Global Compact summit in July 2007. The initiative aims to intensify corporate climate-related efforts and the reporting of these efforts.

Environmental agricultural products

The foundation of V&S's products is ingredients from agriculture, primarily wheat, potatoes and molasses for producing spirits and grapes for wine-making. To produce ABSOLUT VODKA and Level Vodka, V&S has developed a cultivation concept in close co-operation with the Swedish University of Agricultural Sciences, farmers and suppliers which minimizes nitrogen leaching and reduces the use of chemical pesticides, while also improving product quality. Sales of ABSOLUT VODKA and Level Vodka amounted to approximately 98 million litres in 2007. This represents the majority of V&S's sales of eco-friendly products, which collectively made up 49 per cent of the total sales volume.

In addition to the above-mentioned products, V&S produces five aquavits based on organic wheat as well as approximately 100 eco-friendly wines. Around 90 of these wines are made from grapes grown in accordance with sustainable viticulture principles (eco-friendly cultivation methods, such as IP). Around 20 wines contain organic grapes. Altogether this equates to some 21 million litres of eco-friendly wine. When it comes to genetically modified organisms, V&S applies the precautionary principle and has adopted a restrictive stance.

Improved resource management

V&S strives to optimize its use of resources, and to choose environmentally sustainable alternatives as far as possible. V&S continuously reduce packaging, increase the re-use of transport packaging and improve waste separation at source, and to find a market for rest products.

The environmental authorities in the US Virgin Islands are investigating, alongside V&S, how the problem of emissions of wet stillage can be resolved.

The investigation has been prepared and is expected to be complete in 2008. The treatment plant will be up and running by 2012.

ISO certification in Svendborg

V&S's plant in Svendborg has been certified to ISO 14001 during the year.

The plant was also awarded a diploma for its environmental work for the third time since 2003, by the organization Environment Forum Fyn.

Non-compliance
In May 2007 less than 10 cubic metres of dishwater were accidentally discharged from the V&S Absolut Spirits production plant in Nöbbelöv into a nearby stream. There was only limited environmental impact. V&S Absolut Spirits has taken preventive measures to eliminate this kind of incident in the future. The incident has been reported to the environment and health board for the municipality of Kristianstad. No other non-compliance against prevailing regulations or permits has been reported at V&S's production plants.

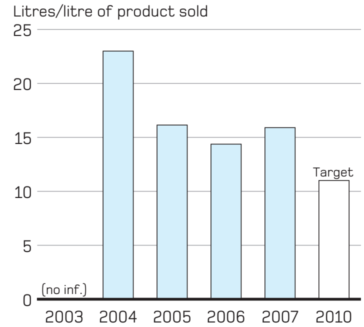
Environmental investments
The Group's total costs and investments for improved waste management, energy-saving investments, environmental training and other environmental measures amounted to just over SEK 9 (12) million during the year.

FOCUS 2008
Reducing its impact on climate change is the main objective of V&S's environmental efforts. Efforts will continue in order to achieve the target 25 per cent reduction in carbon dioxide emissions per litre of product sold between 2006 and 2010.

Efforts to increase resource efficiency and sourcing sustainable agricultural raw material will also continue.

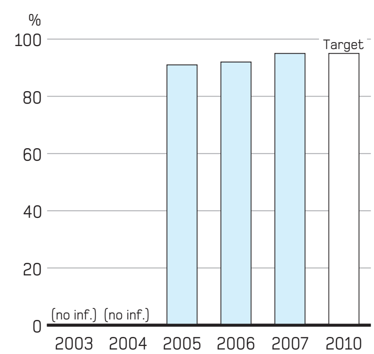
All wheat for ABSOLUT VODKA is grown in line with a concept that minimizes nitrogen leaching and the use of chemical pesticides, while also improving the product.

WATER CONSUMPTION



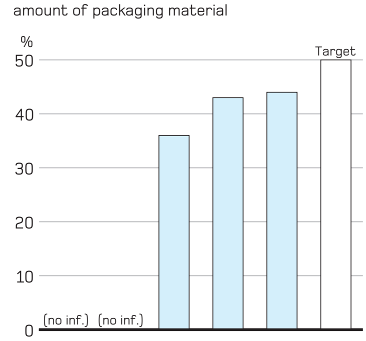
Water consumption is showing a downward trend. However, a slight increase in consumption has arisen during the year.

DEGREE OF RECYCLING
Percentage of recycled material (excl. wet stillage) of total amount of waste



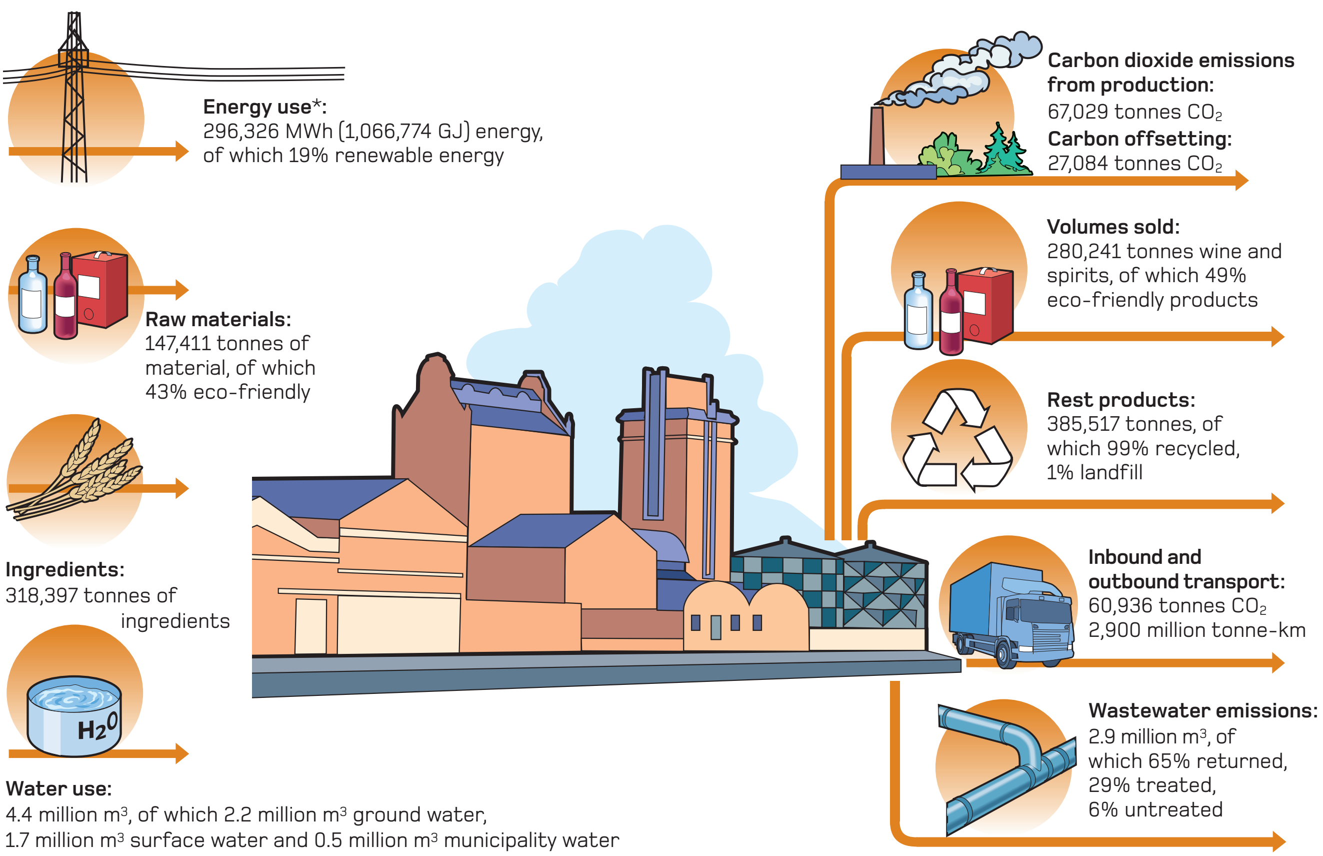
In 2007, 15,580 tonnes of waste (95%) was recycled. 14,817 tonnes went to materials recovery, 763 tonnes went to energy recovery and 899 tonnes (5%) was sent to landfill. 162 tonnes (1%) was hazardous waste.

ECO-FRIENDLY PACKAGING MATERIAL
Percentage eco-friendly packaging material of total amount of packaging material



Eco-friendly packaging material is defined as eco-labelled or made up of at least 40% recycled material.

V&S'S ENERGY AND MATERIALS BALANCE 2007

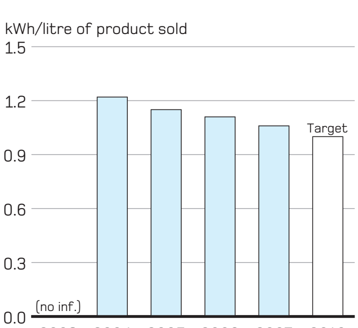


V&S's energy and materials balance shows how the Group's combined input of raw materials, ingredients and energy generates output in the form of wine and spirits, as well as waste and emissions to air and water.

* In 2007, direct energy use was 120,549 MWh (433,977 GJ) entirely based on non-renewable sources; oil (53%), natural gas (37%) and LPG (10%). Indirect energy use (electricity and district heating/cooling) was 175,777 MWh (632,797 GJ) where 32% came from renewable energy sources, mainly hydro power (23%), biomass (4%) and wind power (3%). Data for the remaining 2% could not be obtained. 68% of the indirect energy use came from non-renewable sources, mainly coal (44%), nuclear (10%) and natural gas (3%). Data for the remaining 11% could not be obtained.

ENERGY EFFICIENCY

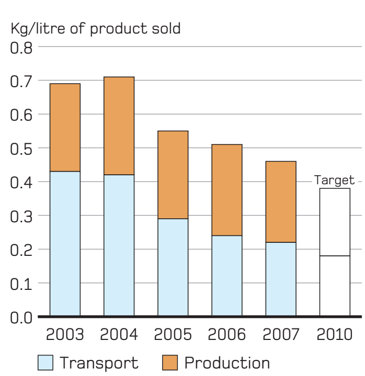
Energy use in V&S facilities



Energy use per litre of product sold decreased by 5% in 2007.

CARBON DIOXIDE EMISSIONS

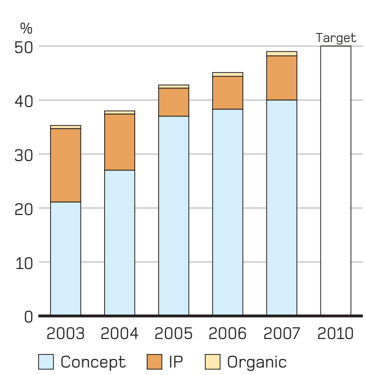
From V&S facilities and transports



During the year, V&S reduced CO_2 emissions per litre of sold product by 12%.

ECO-FRIENDLY FOOD INGREDIENTS

Percentage of product volume sold made from organic, IP cultivated or concept cultivated ingredients



During 2007 almost half of the products sold from V&S's range were made of eco-friendly ingredients.

Corporate Governance Report

Larger Swedish listed companies apply the Swedish Code of Corporate Governance. V&S is not a listed company but strives for the same quality and transparency in its financial reporting as listed companies.

V&S Vin&Sprit AB is a Swedish public limited liability company wholly owned by the Kingdom of Sweden.

As a state-owned company, V&S complies with the Swedish state's ownership policy which contains guidelines regarding the Board's efficiency, the role of the auditors, effective capital structure, transparency and accounting, remuneration and benefits, along with goals in important areas in order to contribute to sustainable development.

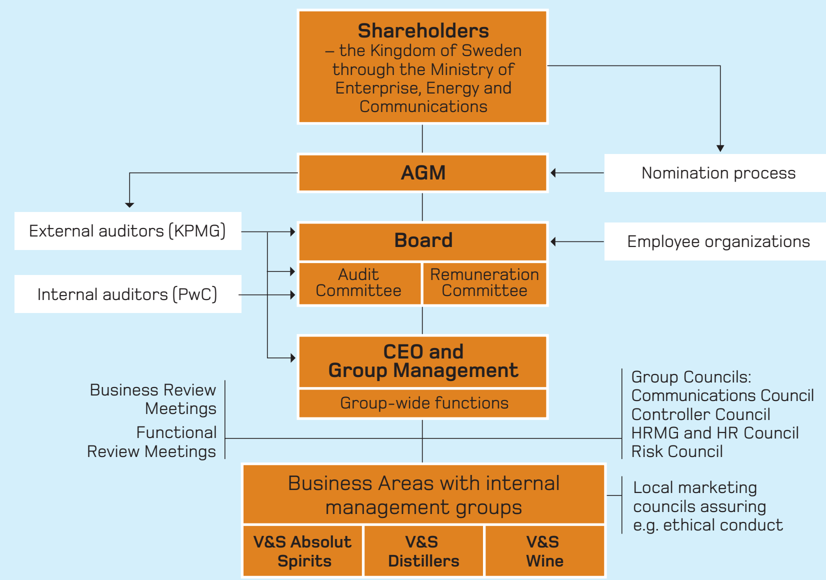
The owner has also stated that the Swedish Code of Corporate Governance will form part of the government's framework for owner administration.

V&S applies the code but deviates when it comes to the Nomination Committee, the independence of Board members in relation to the owner and the auditors' contact with the Board.

The Articles of Association, the Swedish Companies Act and other Swedish and foreign acts also form the foundation of the Group's governance.

The Corporate Governance Report has not been subject to audit by the company's external auditors.

GOVERNANCE STRUCTURE



Important regulations affecting V&S Group's corporate governance

External regulations
- Swedish Companies Act
- The Swedish state's ownership policy
- Swedish Code of Corporate Governance
- Swedish Accounting Act
- Swedish Book-keeping Act
- Legislation of other relevant countries
- Codes of conduct in the industry

Internal regulations
- Articles of Association
- The Board's rules of procedure inc. CEO instructions
- V&S's Code of Business Ethics and Conduct (The V&S Way on Responsibility) including e.g. Communication Policy, Personnel Policy etc.
- Finance and Credit Policy
- Operations manual on e.g. accounting, the environment etc.
- Processes for risk management and internal control

The Annual General Meeting is V&S's highest decision-making body. The AGM appoints a Board of Directors, which is responsible for ensuring that management and control of V&S are distributed between the Board, its Committees and the CEO in accordance with the external and internal regulations that form the basis of corporate governance.

SHARE CAPITAL AND OWNERSHIP

The company's share capital amounts to SEK 500 million. All shares are owned by the Kingdom of Sweden. Ownership is exercised by the government through the Ministry of Enterprise, Energy and Communications.

In June 2007 the Swedish parliament authorized the government to sell its holding in V&S Vin & Sprit AB. During autumn 2007 the government conducted a comprehensive analysis of the conditions for the divestment. This analysis and preparation phase was finalized in December and a more active implementation phase began. An auction process was initiated whereby interested parties are asked to submit bids for the entire company. A transaction is expected to be able to be officially announced in 2008.

ANNUAL GENERAL MEETING

The Articles of Association stipulate that an Annual General Meeting (AGM) is to be held once a year not later than the month of April. In 2007 V&S held two General Meetings.

AGM 2007

The AGM 2007 took place on 20 March in Stockholm. In accordance with the guidelines for companies wholly owned by the state, the AGM was open to the general public, as was clear from advertising and the company's website. The 2006 Annual Report was available ahead of the meeting. Moreover, the CEO outlined the main points of the Group's operation and the terms of employment for senior managers.

The AGM took the following decisions:

- The 2006 accounts were approved and the Board and CEO were discharged from liability for their administration during 2006.
- The share dividend was confirmed at SEK 710 million.

- Jonas Iversen, Ebbe M Loiborg, Helle Kruse Nielsen and Mats G Ringesten were re-elected onto the Board. Eva Lundqvist and Anders Narvinger were elected as new members. Anders Narvinger was appointed as the new Chairman to succeed Claes Dahlbäck. The Board also includes employee representatives.
- Fees for the Board of Directors were established.
- The principles for pay and terms of employment for senior managers were approved.

The minutes of the AGM are available at vsgroup.se.

Extraordinary General Meeting 2007

At an Extraordinary General Meeting on 15 June 2007, Patrik Jönsson was elected as a new Board member.

The minutes of the meeting are available at vsgroup.se.

AGM 2008

The AGM for 2008 will be held on 12 May 2008 in Stockholm. The AGM was announced in connection with the publication of the interim report for January–September 2007, although the date was later changed for reasons related to the divestment process.

NOMINATION PROCESS

The Nomination Committee is primarily a body for shareholders to prepare decisions in appointment issues. The following principles replace the code's rules regarding the drafting of decisions relating to appointment of Board members and auditors for state-owned companies:

The Minister for Enterprise, Energy and Communications has been given special responsibility for Board nominations in all state-owned companies. The nomination process is driven and co-ordinated by the unit for state ownership within the Ministry of Enterprise, Energy and Communications. A working group analyzes the competence requirement based on each Board's composition and the company's business and situation. Any recruitment need is then identified and the recruitment work begins. Members of the Board are chosen from a broad recruitment base. The working group's remit includes submitting proposals to the AGM in the following areas:

- Board members
- Chairman of the Board
- Chairman of the AGM
- Fees for the Board of Directors including the Chairman, and fees for Committee work
- Fees for auditors

According to the code, it would normally be the Nomination Committee that proposes auditors. In V&S's case, the Audit Committee procures auditing services and submits proposals to the AGM.

BOARD OF DIRECTORS

The Board of Directors is responsible for ensuring that management and control of V&S are distributed between the Board, its Committees and the CEO in accordance with the external and internal regulations that form the basis of the Group's governance.

According to the Articles of Association, the Board shall comprise not less than three and not more than 10 members. A deputy may also be appointed.

Members are elected by the AGM for a period of one year up until the next AGM. The Chairman is also elected by the AGM, as stipulated by the code.

Moreover, the employee organizations are entitled by Swedish law to appoint members with deputies.

Board composition

The V&S Board is comprised of seven members elected by the AGM. In addition the employee organizations have appointed two members with deputies. The company's President and CEO is not an elected member of the Board but does attend board meetings. None of the Directors on the Board are members of the company management. Two of the members are non-Swedish citizens and two are women. V&S's Senior Vice President Legal Affairs is the Board Secretary.

For details of Board members, see pages 36–37.

The Board's rules of procedure

The Board has adopted rules of procedure which define how work is to be divided between the Board, the Committees and the CEO. The rules of procedure are reviewed annually and in 2007 they were adjusted at the board meeting in April.

They include the following:

- The Board shall ordinarily hold at least five meetings per calendar year, in addition to the inaugural board meeting.
- The Board shall have an Audit Committee to assist the Board in audit issues and a Remuneration Committee to assist the Board in issues relating to compensation and other terms of employment for the CEO, other senior managers and those in comparable positions, and in other issues relating to incentive programmes.
- The following issues shall be dealt with at each ordinary board meeting:
  - The CEO's report regarding business situation, future prospects, economic report and financial report.
  - Other issues that come under the remit of the Board in accordance with legislation and the rules of procedure.

READ MORE

about corporate governance at V&S at vsgroup.com. The site contains further information on e.g.:

- The Articles of Association
- The V&S Way on Responsibility, Code of Business Ethics and Conduct
- AGM 2008
- Previous AGMs (minutes etc.)
- Previous years' Corporate Governance Reports.

Board members elected by the AGM

ANDERS NARVINGER
(Chairman)

Born 1948. Swedish citizen.
Elected 2007, Chairman 2007.

Member of the Audit Committee and Chairman of the Remuneration Committee.

Director-General of the Association of Swedish Engineering Industries since 2002.

Board Chairman of Alfa Laval AB, Trelleborg AB, the Swedish Trade Council, Invest in Sweden Agency and Lund University Development AB. Board member of Volvo Car Corporation. Member of the Royal Swedish Academy of Engineering Sciences (IVA) and the International Chamber of Commerce (ICC Sweden).

Education: M.Sc. Electrical Engineering, Lund University, B.Sc. Economics, Uppsala University.

Has previously held various management positions within the ABB Group, including President and CEO of ABB Sweden.

JONAS IVERSEN
(Member)

Born 1965. Swedish citizen.
Elected 2003.

Member of the Audit Committee.

Director and head of the Division for State Enterprises at the Ministry of Enterprise, Energy and Communications since April 2007.

Board member of Vattenfall AB.

Education: B.Sc. Economics, Stockholm University.

Former Senior Advisor at the Ministry of Enterprise, Energy and Communications 1999–2007, also assistant head of unit 2004–2007. Previously deputy assistant undersecretary at the Ministry of Finance budget department.

PATRIK JÖNSSON
(Member)

Born 1971. Swedish citizen.
Elected 2007.

Senior Investment Manager at the Ministry of Enterprise, Energy and Communications since 2003.

Board member of Göta Kanal AB, Svenska Skeppshypotekskassan.

Education: M.Sc. Economics, Stockholm University.

Has previously held positions as Investment Analyst at Bure Equity AB, Account Manager at Trevise Kapitalförvaltning and Controller at Statoil Detaljist AB.

EVA LINDQVIST
(Member)

Born 1958. Swedish citizen.
Elected 2007.

Board Chairman of ELFA AB and Xelerated AB. Board member of Securitas Systems AB, Schibstedt ASA, Trolltech ASA and FAST ASA. Member of the Royal Swedish Academy of Engineering Sciences (IVA).

Education: M.Sc. Engineering, The Institute of Technology at Linköping University, MBA, Melbourne University.

Has previously held various positions within the Ericsson Group 1981–1999 followed by several management positions within Telia Sonera AB 2000–2007, including President and Head of Business Operation International Carrier and most recently Senior Vice President in Mobile Business.

EBBE M LOIBORG
(Member)

Born 1945. Danish citizen.
Elected 2000.

Chairman of the Audit Committee.

Board Chairman of IN-Store A/S. Board member of several companies within Frode Laursen Group.

Education: B.Sc. Economics, University of Copenhagen.

Has previously held various management positions in sales, market research and marketing within Unilever in Denmark, Indonesia and Sweden. Most recent positions were President of GB Glace Nordic until 2001 and President of Unilever Denmark, based in Stockholm.

HELLE KRUSE NIELSEN
(Member)

Born 1953. Danish citizen.
Elected 2004.

Board member of Gumlink A/S, Oriflame AB and AkerBioMarine ASA.

Education: B.Sc. Economics, Copenhagen Business School.

Has previously held various management positions in sales and marketing for Unilever and Mars Inc., including Vice President for Mars Food Europe and President of Masterfoods Scandinavia.

MATS G RINGESTEN
(Member)

Born 1950. Swedish citizen. Elected 2004.

Member of the Remuneration Committee.

Senior Partner Neuman & Nydahl since 1995.

Member of Industri Kapital Industrial Advisory Board and the Royal Swedish Academy of Engineering Sciences (IVA).

Education: M.Sc. Economics, Stockholm School of Economics.

Previous positions include Senior Vice President in charge of Corporate Strategy & Business Development at AB Volvo. Previously the Procordia Group as EVP for Pripps Breweries, Deputy President Procordia Beverages and Senior Vice President in charge of Group Strategy & Business Development. In the Shell Group, head of division for Shell Nordic Consumer Products and Business Development Director.

Board members appointed by employee organizations

JOHAN LUND
(Employee representative)

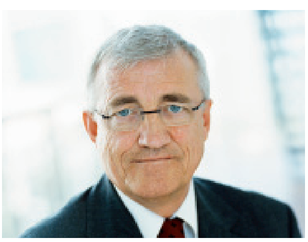
Born 1958. Swedish citizen.
Elected 2003. Appointed by the Council for Negotiation and Co-operation (PTK).

Head of Purchasing, V&S Wine since 2006. Former Senior Editor in the business area 1995–2006.

JAN LUNDIN
(Employee representative)

Born 1946. Swedish citizen.
Elected 1998. Appointed by the Swedish Trade Union Confederation (LO).

Machine operator at the V&S Absolut Spirits production plant in Åhus, Sweden since 1989.



KENT KARLSSON
(Employee representative)

Deputy.

Born 1950. Swedish citizen. Elected 2004. Appointed by the Council for Negotiation and Co-operation (PTK).

Head of planning at the V&S Wine Logistic Center in Stockholm, Sweden since 2000.

ROGER MÖLLER
(Employee representative)

Deputy.

Born 1956. Swedish citizen. Elected 2000. Appointed by the Swedish Trade Union Confederation (LO).

Warehouse worker at the V&S Distillers plant in Sundsvall, Sweden since 1975.

Changes in 2007

CLAES DAHLBÄCK

Born 1947. Swedish citizen. Elected 1991, Chairman 1993–2007. Left the Board of Directors, Audit Committee and Remuneration Committee in connection with the 2007 AGM.

Chairman of the Board of Stora Enso, Board member of Goldman Sachs.

ANDERS BJÖRCK

Born 1944. Swedish citizen. Board member 2000–2007. Left the Board of Directors in connection with the 2007 AGM. County Governor since 2003, member of Swedish parliament 1968–2002, First Deputy Speaker of Parliament 1994–2002, Minister for Defence 1991–1994.

SONIA KARLSSON

Born 1946. Swedish citizen. Board member 2006–2007. Left the Board of Directors in connection with the 2007 AGM. Member of Parliament since 1988. Member of Östergötland county administrative board, Board member of The Museum of Work and Motala municipal council.

- During the first two months of the year the Annual Report and the auditors' report shall be dealt with.
- The CEO's work and the Board's work forms shall be evaluated and the prevailing instructions reviewed at least once a year.
- At the last board meeting of the year, decisions shall be taken on business plans and goals for the following year.
- The company's vision and strategies shall be discussed at least once a year.

According to the rules of procedure, the following issues shall be submitted to the Board for a decision:

- Investments exceeding SEK 10 million.
- Acquisitions and divestments of operations and parts of operations for more than SEK 5 million. In connection with acquisitions or divestments, the Board may authorize the CEO to carry out transactions within explicit set frames.
- The formation of a subsidiary or a capital increase in a subsidiary in excess of SEK 5 million.
- Finance policy for trade in currencies, interest rate instruments or derivatives.
- Acquisition or sale of real estate exceeding SEK 15 million.
- Implementation of significant changes regarding insurance protection.
- Other issues of material economic or other importance which do not come under Section 8 §25 of the Swedish Companies Act.

Board Chairman's responsibilities

The Chairman of the Board's responsibilities include co-ordinating the Board's view with that of the owner in issues of crucial importance to the company, ensuring that the distribution of work between the Board and the CEO is maintained and monitoring the Group's development through contact with the CEO.

The Board's independence

In terms of independence in relation to shareholders, the Swedish state ownership policy clarifies that nominations for the

Board should be published in line with the code's guidelines, although independence in relation to major shareholders is not covered. The code's stipulation of a minimum number of Board members independent of major shareholders and that all Board members' independence must be reported is mainly to protect minority shareholders. In companies owned entirely by the state and companies with few part-owners, this reason does not exist.

All Board members elected by the AGM in 2007 are deemed independent in relation to the company.

Board's work in 2007

During the year, the Board of Directors held 13 board meetings where minutes were taken, one of which was by telephone. Most board meetings have lasted approximately half a day. The CEO and other representatives of the company's management have provided the members with information about the Group's financial position, sales development and important events at all the meetings. During the year certain major issues have been the subject of information and discussion at several meetings, including the change of ownership, the future production structure including the closure of the Sundsvall plant, and matters linked to the relationship to one of the company's larger customers, the Systembolaget retail monopoly. Among other matters that have been discussed were the following:

20 February
Annual accounts, annual report, information from auditors, internal audit, divestment of industrial alcohol production, acquisition of the remainder of Amundsen AS, tax issues relating to holdings in Beam Global Spirits & Wine, Inc., developments in Maxxium.

20 March
Divestment of Florida Distillers, divestment of yeast production, situation on the glass market, decision on joint venture in China.

ATTENDANCE AT MEETINGS IN 2007

Name	Board function	Board meetings	Audit Committee	Remuneration Committee
Anders Narvinger [1, 2]	Chairman	11/11	1/2	2/2
Jonas Iversen	Member	12/13	2/3	
Patrik Jönsson [3]	Member	9/9		
Eva Lindqvist [1]	Member	10/11		
Ebbe M Loiborg	Member	13/13	3/3	
Helle Kruse Nielsen	Member	11/13		
Mats G Ringesten	Member	13/13		3/3
Johan Lund	Employee representative	12/13		
Jan Lundin	Employee representative	13/13		
Kent Karlsson [4]	Employee representative	13/13		
Roger Möller [4]	Employee representative	11/13		
Members until the AGM on 20 March 2007				
Claes Dahlbäck	Chairman	2/2	0/1	1/1
Anders Björck	Member	1/2		
Sonia Karlsson	Member	2/2		
Total		**13**	**3**	**3**

1 Elected at the AGM on 20 March 2007.
2 Elected onto the Audit and Remuneration Committees from the 2007 AGM.
3 Elected at the Extraordinary General Meeting on 15 June 2007.
4 Deputy.

20 March
Inaugural meeting after the AGM.

27 April
Board's rules of procedure, business areas' business plans, effects of developments in USD exchange rate, interim report for January-March 2007.

18 June
Information from Audit Committee, business areas' business plans, transfer of the company's art collection relating to the ABSOLUT brand.

28 June
Business areas' business plans.

22 August
Half-year figures, interim report for January–June 2007.

24 September
Security issues within the company, certain acquisition-related matters.

16 October
Divestment of yeast operations in Grenaa, developments in raw material prices.

30 October
Interim report for January–September 2007.

8 November
Nine-month figures, use of TV advertising, delivery situation for glass.

4 December
The divestment process.

13 December
Business plan 2008, investment in Nöbbelöv, IT procurement, information from Audit Committee.

In addition to the information provided during the meetings, the CEO sends monthly summaries to the Board members.

COMMITTEES

Every year the Board appoints members of a Remuneration Committee and an Audit Committee. The work of these Committees is of a drafting and advisory nature. The Board has adopted instructions for the Committees' work, which are established annually in conjunction with the inaugural meeting or as required.

Audit Committee

The main task of the Audit Committee is to help and support the Board in its work to fulfil its responsibility in the area of auditing, internal control, accounting and financial reporting.

The Audit Committee shall comprise at least three members. In 2007 these were Ebbe M Loiborg (Chairman), Jonas Iversen, Claes Dahlbäck until the 2007 AGM and Anders Narvinger after the AGM. The Board Secretary is also the secretary of the Committee. The Committee held three meetings during the year, at which, among others, the following issues were discussed:

13 February

Annual accounts, audit report, internal audit, developments in part-owned companies.

15 June

Sales and profit development during the year, tax issues relating to holdings in Beam Global Spirits & Wine, Inc., interim report, information on auditors' work, report and plan for 2007–2008 internal audit.

29 November

Auditors' audit of nine-month accounts, questions ahead of annual accounts, insurance issues, IT security.

Remuneration Committee

The main task of the Remuneration Committee is to draft and propose remuneration and other terms of employment for members of the Group Management. A proposal is submitted to the Board for a decision.

The Remuneration Committee shall comprise at least two members. In 2007 these were Claes Dahlbäck (Chairman) until the 2007 AGM, Mats G Ringesten and after the AGM Anders Narvinger (Chairman). V&S Senior Vice President Human Resources is the Committee's secretary. The committee held three meetings during the year:

14 February 2007

Establishment of CEO's salary and salary terms for other Group Management members.

11 May 2007

Terms for senior executives in conjunction with change of owner, certain pension-related issues according to older terms.

15 June 2007

Terms for senior executives in conjunction with change of owner.

Fees

The fees of Board members elected by the AGM are established by the AGM for the period 1 July – 30 June. The fees for the first half of the 2007 calendar year were therefore determined at the 2006 AGM and the corresponding fees for the second half of the year were determined at the 2007 AGM.

In line with the AGM decision of 2007, a fixed fee of SEK 450,000 (229,000) annually shall be paid to the Board Chairman, of which SEK 225,000 is an additional fee due to the higher demands of the Chairman's remit in connection with preparations for the future divestment of V&S. Other Board members elected by the AGM shall be paid a fixed fee of SEK 220,000 (109,000) annually, of which SEK 111,000 is an additional fee as outlined above. For work on the Audit Committee a fee of SEK 45,000 (45,000) is paid to the Chairman and SEK 35,000 (35,000) to a Committee member. For work on the Remuneration Committee a fee of SEK 25,000 (25,000) is paid to the Chairman and SEK 15,000 (15,000) to a Committee member.

Employee representatives and deputies are paid a fee equating to a basic amount in accordance with the Swedish National Insurance Act (1962:381), that amount being SEK 40,300 in 2007.

EXTERNAL AUDITORS

According to the Articles of Association, V&S shall have one to three auditors for a period of four years.

At the 2004 AGM, the audit company KPMG Bohlins AB was appointed to act as company auditor up until the 2008 AGM. The responsible auditor is:

Stefan Holmström

Born 1949. Authorized Public Accountant.
Appointed 2004.
Chief Auditor since 2006.
Other audit assignments: Active Biotech, Proffice, Länsförsäkringar and Rymdbolaget.

The auditors' work is conducted according to an audit plan drawn up alongside the Audit Committee. The auditors attend Audit Committee meetings, and present the conclusion from their audit to the Board at the board meeting in February. The auditors also take part in the AGM.

In accordance with the code, the auditors should meet the Board without the CEO being present at least once a year. In accordance with Kingdom of Sweden ownership directives, the auditors instead meet the owners twice a year.

Services over and above those included in the procured audit package have to be approved by the Audit Committee.

KPMG presents the Audit Report for V&S Vin & Sprit AB's Annual Report and consolidated financial statement, the administration by the CEO and Board of Directors and the annual reports of subsidiary companies. The audit is carried out in accordance with the Swedish Companies Act and generally accepted auditing standards in Sweden, which are based on International

Standards on Auditing (ISA). For legal entities outside of Sweden, the audit of annual reporting documents is carried out in accordance with statutory requirements and other applicable rules in each country. It is also performed in line with generally accepted auditing standards based on ISA, which means that the Audit Report is presented for the legal entities.

The interim report for the period 1 January – 30 September 2007 has been reviewed by the company's auditors.

Fees paid to auditors

Fees paid to auditors for auditing and other examination in line with prevailing laws, and for consultation and assistance in connection with completed examination assignments, are shown in summary below.

FEES PAID TO AUDITORS

SEK millions	2007	2006	2005
Auditing assignments, KPMG	7	4	4
Other assignments, KPMG	4	6	4
Auditing assignments, others	1	2	1
Other assignments, PwC	2	3	1
Other assignments, others	1	2	2
Total	**15**	**17**	**12**

Fees to PwC primarily refers to fees for completed internal audit assignments.

For more detailed information about fees paid for auditing and other assignments, see Note 7 of the V&S Annual Report 2007.

INTERNAL AUDITORS

V&S has not employed internal auditors, but believes that the internal audit work can be carried out more effectively by procuring the service from an external supplier. After an evaluation process in autumn 2004 and winter 2005, the assignment was given to PricewaterhouseCoopers for a period of two years. During the year the assignment was extended by a further two years until the end of 2009. The internal audit reports directly to the Audit Committee.

For information about the internal audit's work in 2007, see the section "Monitoring" on page 45.

THE GROUP'S VISION AND STRATEGIES

V&S overall strategies are:

- To continue developing and strengthening the ABSOLUT VODKA brand.
- To secure the position as the leading alcoholic beverage company in Northern Europe.
- To acquire and develop spirits brands with international potential.

V&S's vision is to be the leader in the field of wines and spirits based on its ability to create value, its expertise in building appreciated, popular brands and its courage in acting responsibly. The vision permeates certain core values in V&S's overall approach: dynamic, responsible, innovative and long-term performance, which are the foundation of the Group's approach to ensure competitiveness and responsible conduct, both within the company and in a wider context.

FINANCIAL GOALS

The 2005 AGM adopted the following financial goals for the company:

- The Group's equity/assets ratio should be 35 per cent.
- The Group's dividend shall be 10.5 per cent of the average recorded equity in the long term. When establishing the dividend, the company's financial position and anticipated capital requirements shall be taken into consideration.

The Group shall be evaluated based on the financial goals for the period 2005 up until the end of 2010, when the goals shall also be evaluated and possibly revised.

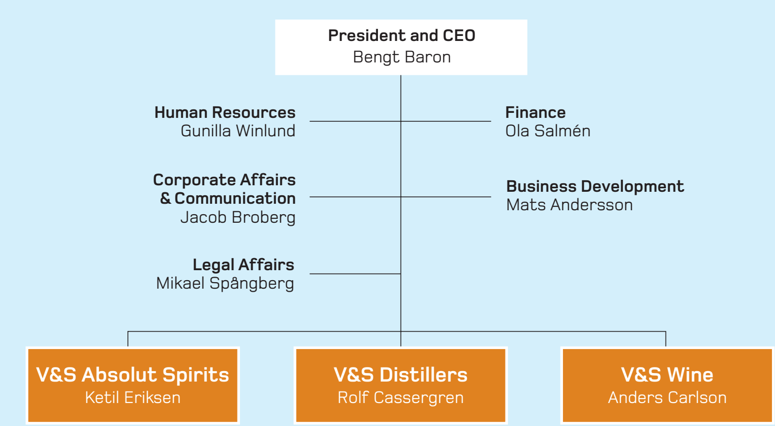
The overall financial goals are translated internally within the Group to a 12.5 per cent return on adjusted capital employed for the business areas. The Group goal is then further broken down into sales and profit targets for various units. Follow-up takes place within the framework of ongoing reporting and Business Review Meetings, see below.

V&S GROUP

V&S Vin & Sprit AB (publ), is the Parent Company of a Group which has wholly-owned operations in 10 countries and two self-governing areas. The Group, V&S Group, acts as an integrated unit, irrespective of whether a certain part of the business is run within the Parent Company or a Group company.

In addition to the operations in the Parent Company and Group companies,

V&S ORGANIZATION



The Group's ongoing operation is led by the CEO. The Group Management also includes the three Business Area Presidents and five Group Staff managers. The Group Management is an information, discussion and decision-making forum for Group-wide issues.

important distribution services are carried out for the Group's core business in the part-owned distribution partnerships Future Brands LLC and Maxxium Worldwide B.V.

CEO AND GROUP MANAGEMENT

The CEO is responsible for operating activities in accordance with Board guidelines and instructions. This includes responsibility for financial reporting, the production of information and decision data, and responsibility for ensuring obligations, contracts and other legal deeds entered into by the Group do not contravene non-optional Swedish or overseas constitutions, including rules on competition and fair trade. The CEO shall also ensure that objectives, policies and strategic plans are complied with and, as required, updated.

The Group Management is an information, discussion and decision-making forum for Group-wide issues. It meets one full day each month and on two longer occasions during the year, often in combination with study visits. All major cross-boundary issues, i.e. issues affecting more than one business area or function, are discussed in the Group Management. A review and analysis of the month's financial results is carried out at each Group Management meeting, and the CEO and other members also report and discuss important events and plans. Moreover, each business area gives a presentation of its most important activities and plans.

Group functions

The Group functions are responsible for developing and formulating Group strategies and policies, and for supporting the business areas in their implementation. The Group functions are also responsible for consolidation and reporting of financial results, financing, legal matters, business development, contact with various stakeholders including employees, the press and the media, as well as the capital markets. Moreover the functions are responsible for co-ordination and administration of Group-wide issues.

Group function Councils

Each Group function area has a Council of representatives from the corporate staff function and business areas. The Council's task is to drive issues within its function area. The Councils generally meet 2–4 times a year.

The Controllers Council comprises the Senior Vice President Finance and controllers at staff and business area level. The Council co-ordinates accounting and financial reporting issues, drives Group-wide financial projects and the exchange of experience and competence, and conducts training activities in the area.

The Communication Council comprises the Senior Vice President Corporate Affairs & Communications and the business area communication managers. The Council co-ordinates issues relating to internal communication, media relations and the implementation of communication policies. It also acts as a reference group or working group in Group-wide communication projects.

HRMG, the HR Management Group, is a working group comprised of the Senior Vice President Human Resources and business area HR managers. They co-ordinate the Group's HR work and develop and implement HR activities. The HRMG meets regularly, 8–10 times a year.

The HR Council has the task of informing, inspiring and exchanging knowledge. The Council meets once a year.

The Risk Council comprises the Group's Risk Manager and members of the Group Management and business areas. The Council co-ordinates the V&S risk management activities and is responsible for general insurance issues.

Business areas

The Group's operation is divided into three business areas. Each business area has operational goals and a required return. The business areas are responsible for implementing the Group's various goals and guidelines, and for developing their own business operations. Each business area is managed by a Business Area President and a management group.

Recruitment

The CEO is appointed by the Board of Directors. The Executive Vice President is appointed by the Board on the proposal of the CEO. Other members of the Group Management are appointed by the CEO.

REMUNERATION TO GROUP MANAGEMENT

Principles

Remuneration to the CEO comprises a monthly salary and other benefits, along with payment of a service pension premium. Remuneration to other members of the Group Management comprises a basic salary, a variable proportion, other benefits and a pension provision in the form of premiums or liability accounting.

REMUNERATION AND OTHER BENEFITS TO GROUP MANAGEMENT 2007

SEK thousand	Basic salary	Variable remuneration	Other benefits	Social security expenses	Pension expenses	Total 2007	Total 2006
President and CEO	3,764	–	121	1,260	1,363	6,508	6,121
Other Group Management	13,678	943	876	5,024	5,530	26,050	24,453
Total	**17,442**	**943**	**997**	**6,284**	**6,893**	**32,558**	**30,574**

A more detailed account is provided in Note 6 of the V&S Annual Report 2007.

Group Management

BENGT BARON

President and CEO since 2004. Born 1962, employed 2001. Swedish citizen. President V&S Absolut Spirits 2001–2005.

Board member of Nordnet, Pendulum and The Sweden-America Foundation.

Education: MBA, B.Sc. in Business Administration & Finance from the University of California, Berkeley.

Former positions include President, StepStone Nordic 1999–2001, Nordic Business Area Manager, Kodak 1996–1999 and marketing/country manager, Coca-Cola Sweden 1992–1994.

ROLF CASSERGREN

Executive Vice President since 2001 and President V&S Distillers since 2004. Born 1958, employed 1996. Swedish citizen.

Senior Vice President Finance 1996–2002.

Education: B.Sc. Economics, Stockholm University.

Former positions include Chief Financial Officer, Coop Sweden 1992–1996 and certified accountant, KPMG 1983–1992.

ANDERS CARLSON

President V&S Wine since 2006. Born 1965, employed 2006. Swedish citizen.

Education: B.Sc. Business Administration, Uppsala University.

Former positions include Managing Director, Fujicolor Sweden, Denmark and Norway 2003–2005, consultant at Bellstrom 2002, Managing Director, StepStone Sweden 2000–2002 and various sales and marketing positions within Unilever 1992–2000.

KETIL ERIKSEN

President V&S Absolut Spirits since 2005. Born 1963, employed 2005. Norwegian citizen.

Board member of Maxxium Future Brands and Almondy AB.

Education: B.Sc. Economics, Oslo School of Business Administration.

Former positions include General Manager Colgate-Palmolive Sweden & Finland 1999–2005.

MATS ANDERSSON

Senior Vice President Business Development since 1999. Born 1956, employed 1993. Swedish citizen.

Education: B.Sc. in Social Science and Business Administration, Lund University and MBA, Stockholm University.

Former positions include Vice President of the Wine Division within V&S 1993–1999. Various positions at Procordia Beverages 1989–1994 including Sales and Marketing Director, and brand manager for Wasabröd.

JACOB BROBERG

Senior Vice President Corporate Affairs & Communications since 2005. Born 1964, employed 2005. Swedish citizen.

Education: B.Sc. in Political Science and Economics, Lund University.

Formerly Vice President Media Relations at Electrolux 2001–2005 and VP Corporate Communications at Länsförsäkringar 2000–2001. Various positions with the Swedish Moderate Party 1989–2000 including head of press and media relations.

OLA SALMÉN

Senior Vice President Finance since 2002. Born 1954, employed 2002. Swedish citizen.

Board member of Maxxium and Petersson & Wagner Fonder AB.

Education: B.Sc. Economics, Stockholm University.

Formerly CFO at Adcore 2000–2001, previous positions include senior management positions within finance at Handelsbanken Markets 1997–2000 and STORA 1988–1996.

MIKAEL SPÅNGBERG

Senior Vice President Legal Affairs 1996–2001 and since 2004. Born 1957, employed 1996-2001 and since 2003. Swedish citizen.

Board member of Genberg Underwater Hotel AB.

Education: LLM, Stockholm University.

Former positions at patent and law firms.

GUNILLA WINLUND

Senior Vice President Human Resources since 2000. Born 1951, employed 2000. Swedish citizen.

Education: L.Sc. Psychology, Uppsala University.

Former positions include management consultant in own business Nesanet AB 1997–2000, SVP HR at Securum AB 1992–1997, Independent AB 1987–1997 and Valand/WASA Insurance 1977–1987.

Drafting and decision-making

For the CEO's salary and terms of employment, a Remuneration Committee appointed by the Board plans and proposes pay and other terms of employment, after which the proposal passes to the Board for a decision.

For other senior managers, the CEO decides the pay and other conditions of employment, based on market conditions and in accordance with state guidelines regarding terms of employment for senior executives in state-owned companies.

FOLLOW-UP OF OPERATIONS IN BUSINESS AREAS AND CORPORATE STAFF FUNCTIONS

The CEO follows up developments in the various business areas through the ongoing monthly reports, which detail developments in sales volume, net sales and profitability for each business area and individual market. The follow-up takes place for each month and accumulated for the year as a whole, in rolling 12-month averages and compared with the previous year and the budget.

Business Review Meetings are held four times a year whereby business area management present operational results and future plans. The implementation of environmental goals, codes of conduct and other guidelines are also monitored.

Similar Functional Review Meetings are held with the function managers four times a year.

WORK METHODS AND RESPONSIBILITY ISSUES

Since 2004, V&S has a code of business ethics and conduct, "The V&S Way on Responsibility". The code regulates the Group's behaviour in relation to the market, the workplace, society and the environment. The code is also a pledge by V&S to comply with prevailing industry codes and similar in the markets in which the Group operates, including the EFRD's Common Standards in Europe and industry organization DISCUS' code of conduct in the United States.

For further information about V&S's work on responsibility and the results achieved in 2007, see the Responsibility section on pages 22–33 of the Annual Report 2007.

Environment

Environmental management in V&S is based on the environmental policy in the code of conduct, and the overall environmental objectives. V&S's targets include reducing carbon dioxide emissions, a higher percentage of eco-friendly products, and more efficient use of resources. In addition there are local environmental targets and action plans. The V&S Environmental Management Manual provides a systematic approach across the Group and helps ensure that the monitoring of environmental data is quality assured. Moreover, assessments of environmental impact and risks, along with documentation on legal requirements and stakeholder requirements on environmental activities, are carried out.

Responsible drinking

V&S strives to promote responsible drinking and for ensuring that the marketing to consumers is responsible. V&S also disseminates knowledge and information about what responsible drinking entails.

V&S's membership of the European Forum for Responsible Drinking (EFRD), an alliance of large alcoholic beverage companies in Europe, and similar national organizations gives the Group an insight into the requirements and expectations of the alcohol industry from different stakeholders. V&S follows EFRD's Common Standards which are constantly being developed.

To improve and co-ordinate the way V&S's marketing is monitored, a marketing council was formed for each business area in 2006.

Employees and the workplace

V&S values form the basis of relations with employees. The Group has guidelines and documented processes for carrying out recruitment, development and staff reductions. The annual employee appraisal session is the main tool allowing V&S to contribute to the development of the workplace and the individual.

In connection with reorganizations, the Group provides various forms of support for people who leave the company. V&S carries out regular employee surveys in collaboration with TNS Gallup. Part of the aim is to measure employees' motivation and commitment to the operation.

Health and safety

V&S seeks to promote the health and safety of its employees in a number of ways. Measures, follow-up and preventative action take place at local level and are adapted to the nature of the work. At units where accidents occur in the workplace, the causes are examined and corrective measures are taken.

Diversity

V&S is of the opinion that diversity in the workplace leads to a more creative working environment, increases productivity and improves job satisfaction. It is also important that the employees reflect V&S's customers and markets. Diversity issues will be given greater emphasis through the follow-up by management of key performance indicators linked to under-representation in gender.

The environment and social responsibility in connection with procurement

V&S applies supplier evaluations covering environmental, working environment and social responsibility aspects. It is important that V&S can ensure that its suppliers in their business dealings are not acting in contravention of V&S's values and commitments to responsibility. Suppliers are assessed on a list of general criteria. Depending on the nature of the purchase, V&S supplements the evaluation with specific criteria.

V&S Group headquarters in Årstadal, Liljeholmen district, Stockholm.

RISK MANAGEMENT AND ORGANIZATION

Responsibility for identifying and managing risks in the Group primarily follows the organizational structure and is one of the most important areas of responsibility for V&S managers at various levels. Striving for the greatest possible openness and a discussion climate which encourages employees to question decisions and to distribute information are vital components of the V&S management philosophy, and a prerequisite for achieving a good general control environment and purposeful risk management.

Risk management

A strategic approach to risk plays a pivotal role in the Group's planning process. Consequence analyses, risk analyses and risk workshops are examples of tools used in this work.

In addition risk definitions, risk report procedures, crisis management plans and continuity plans, for example, are continuously under development.

V&S has had a Risk Council since 2006, whose task is to increase awareness of risks and create a Group-wide systematic approach to risk management. It co-ordinates the Group's risk management activities and is responsible for general insurance issues. This work is supported by a Risk Management Policy.

The Group's Risk Manager reports on the company's risk situation to the CEO at least once a quarter.

INFORMATION FROM V&S GROUP

The main aim of the Swedish Code of Corporate Governance is to guarantee the information requirement of shareholders. Although V&S is not a listed company, V&S essentially follows the same policy on providing information that applies for listed companies. This is partly to satisfy the general public's information requirement in line with the state's ownership policy and it is also an advantage in V&S's business relations, both on capital markets and in day-to-day business operations.

The Annual Report including the Corporate Responsibility Report is printed in Swedish and English and also published at vsgroup.se and vsgroup.com respectively. The Annual Report is also sent to the Swedish parliament. Interim reports are published in Swedish and English on the V&S website.

Information on the next AGM has been published in the nine-month report and online. There is an opportunity for interested members of the general public to attend the AGM after registering on the Group's website or in writing. Parliament is notified of the AGM in accordance with the Articles of Association.

Information about the nomination process in accordance with the state ownership policy is provided on the Group's website. The Articles of Association and the minutes from the last AGM can also be found on the website. In addition, the website also has various other corporate information.

DEVIATIONS FROM THE SWEDISH CODE OF CORPORATE GOVERNANCE

V&S deviates from the Swedish Code of Corporate Governance in the following points:

- 2.1. Nomination Committee, including sub-points. See page 35.
- 3.2.5. Independence in relation to major shareholders. See page 37.
- 3.8.4. Auditors' contact with the Board. See page 39.

INTERNAL CONTROL

V&S's internal control process has been designed to ensure good internal control, which partly entails handling and minimizing the risk of errors in financial reporting. The process is based on the control environment and the related four components defined in accordance with The Committee of Sponsoring Organisations of the Treadway Commission, COSO.

Control environment

The Board has ultimate responsibility for internal control regarding financial reporting. This responsibility primarily entails being privy to the reporting submitted by the corporate management to the Board, through the plans, directives and appointments decided upon by the Board, and through work in the Audit Committee.

Responsibilities and authority are partly defined in the CEO's instructions, instructions regarding authorization rights, the V&S Financial Manual, the treasury policy, policies and guidelines in HR, IT and risk management, and V&S's business code of conduct, "The V&S Way on Responsibility". The documents are reviewed and updated annually as necessary.

Internal control includes methods and activities for securing assets, checking the accuracy and reliability of reporting, and for ensuring compliance with prevailing guidelines. The control environment also includes an internal audit, which is procured from PricewaterhouseCoopers. The internal audit reports directly to the Audit Committee.

Risk assessment

Risk assessment entails identifying, measuring and charting the sources of risk. Risk assessment is an annually recurring process which forms the basis both for prioritizing continued efforts to maintain and strengthen internal control, and for the work of the internal audit. The Group Management carries out a more in-depth analysis every two years, which was carried out in 2007. The result of the analysis will lay the foundation for the work in 2008.

Control activities

The aim of the control activities is to prevent, detect and correct errors and deviations. Control activities are incorporated into the processes for accounting and reporting but also encompass controls in IT systems and the IT environment.

All subsidiaries report monthly in accordance with a standardized report procedure documented in the V&S Financial Manual, which is available via the Group's intranet. This reporting forms the basis for all the Group's consolidated financial reporting. Consolidation takes place from both a legal and an operational perspective, resulting in quarterly legal and monthly operational financial reports. All consolidation is carried out centrally. The quarterly reports are published on the V&S website and the third quarter report has been subject to review by the company's external auditors.

All financial reporting is stored in a central database from which data are obtained for analysis and follow-up at Group, business area and unit level. The analysis contains standardized templates for following up income statement and balance sheet items, along with key ratios in relation to set goals.

Each legal unit has a controller whose responsibilities include ensuring there are adequate internal control procedures, and compliance with the Group's guidelines and principles as set out in the V&S Financial Manual. There are also controllers at business area and Group level with equivalent responsibilities at an aggregate level.

The efficiency of processes and implementation of control activities are followed up continuously, partly using self-assessment questionnaires.

V&S has guidelines and procedures for ensuring that corporate acquisitions have official approval, and that the financial, operational and environmental consequences of each acquisition are carefully analyzed. The Group regularly evaluates performed acquisitions.

Information and communication

Reports to the Board essentially comprise the CEO's monthly written memos, the company's quarterly interim reports and the presentations by the CEO, Senior Vice President Finance and Business Area Presidents at the regular board meetings. The Board receives information from the company's auditors at least once a year and from the Audit Committee on additional occasions.

Monitoring

The internal audit's task is to review the internal controls regarding financial reporting, and it follows the plan adopted by the Board of Directors in 2006. The result of the internal audit's reviews, the measures to be taken and their status are continuously reported to the Audit Committee.

During the year the internal audit has focused on areas such as scrutinizing invoice management in Sweden and Denmark, the Risk Management function, authorization administration in IT and follow-up on the previous year's internal audit. In addition, complete audits have been performed at V&S Norway and the plant in Svendborg, Denmark.

The shortcomings that have been identified have either been tackled directly or an action plan has been drawn up.

Board of Directors' Report

The Board of Directors' Report also includes the comments to the financial reports on pages 52–60.

- Group operating profit in 2007 totalled SEK 2,305 (2,275) million. Operating profit increased by 19 per cent for comparable units, i.e. adjusted for divestments and currency exchange effects.
- Net sales amounted to SEK 10,313 (10,345) million and sales volume to 26.9 (25.7) million 9-litre cases. For comparable units, net sales were up 7 per cent and volume by 5 per cent.
- The weaker US dollar compared to the previous year affected net sales by SEK –280 million and operating profit by SEK –155 million.
- Profit after tax amounted to SEK 1,469 (1,577) million. Adjusted for a one-off tax effect in 2006, this year's profit represents a considerable improvement.
- All business areas have strengthened their profitability for comparable units.
- Sales of ABSOLUT VODKA continued to increase in the United States and on most other prioritized markets. Volume rose by 9 per cent in total.
- Non-core operations were divested: production of industrial alcohol, of yeast and of molasses alcohol in Denmark as well as Florida Distillers.

KEY RATIOS FOR THE GROUP

	2007	2006	Change, %
Net sales, SEK mn	10,313	10,345	–0.3
Operating progit, SEK mn	2,305	2,275	1.3
Operating margin, %	22.4	22.0	–
Profit for the year, SEK mn	1,469	1,577	–6.8
Return on equity, %	19.4	22.4	–
Interest-bearing net liability, SEK mn	3,447	5,308	–35
Debt/equity ratio, times	0.4	0.7	–
Cash flow before financing activities, SEK mn	2,355	–74	–
Equity/assets ratio, %	46.6	40.3	–
Dividend/capital, %	10.6[1]	10.5	–
Sales volume, thousands 9-litre cases	26,930	25,732	4.7

1 Board proposal.

Definitions see page 109.

GROUP OPERATIONS AND STRUCTURE

V&S Group is a leading producer and distributor of wines and spirits in Northern Europe, and one of the world's ten largest international spirits companies. The Group's operation comprises the purchase, production, packaging, distribution, marketing and sales of wine and spirit beverages. The Group has wholly-owned operations in ten countries and two self-governing areas, and sales in more than 125 markets. Sales take place both through V&S's own organization on certain North and Central European markets, and through the part-owned sales companies Future Brands LLC in the United States and Maxxium Worldwide B.V. for a number of other major markets. Sales in some markets are organized through independent agents.

The Group comprises three business areas, which are responsible for the development, production, marketing, sales and distribution of different groups of products as follows:

- V&S Absolut Spirits, whose operations encompass the Group's global premium spirits brands. The product portfolio includes ABSOLUT VODKA, Level Vodka, Cruzan Rum, Plymouth Gin and Frïs Vodka.
- V&S Distillers, whose operations include traditional spirits on markets in Northern Europe. The main categories are aquavit, bitters and vodka.
- V&S Wine, whose operations encompass both proprietary brands and agency products on the North European wine market.

The Parent Company V&S Vin & Sprit AB (publ) is wholly owned by the Kingdom of Sweden. The Swedish government has announced its intention to reduce its shareholding in V&S. See also page 52.

Note 33 lists the companies in the Group.

Product development and new products

To maintain its market-leading positions, V&S focuses on product development and innovation. Every year existing products are developed further and new products are launched in all business areas. Product development encompasses the development of packaging, beverage content, marketing and concepts. The Group also gains new products through acquisitions and new agency brands. Below are a selection of new products in 2007:

- ABSOLUT PEARS a pear-flavoured vodka launched in January 2007 in the United States and then gradually on other markets.
- ABSOLUT 100 was launched on the global Duty Free & Travel Retail market in March and in the United States in September. The product will gradually be launched on other markets.
- ABSOLUT NEW ORLEANS, a special flavour that was launched in the United States in July. Only a limited edition was sold and all profits were donated to the recontruction of New Orleans.

- ABSOLUT MANGO was launched in February 2008 on the Duty Free & Travel Retail market.
- For the North European spirits market new products were launched, including Malteser Bitter, Aalborg Nordguld Aquavit, Gammel Dansk Asmund Special and products with a lower alcohol content.
- In May the wine range was extended with further products from the Foster's Wine Estates portfolio, including Lindemans and Wolf Blass, for distribution on the entire Nordic market.
- Ahead of the Christmas season new mulled wine products were launched, including under the Blossa brand, as well as traditional Christmas aquavits.

Acquisitions

In the beginning of 2007, the remaining 50 per cent in V&S Norway (formerly Amundsen AS) was acquired.

In May, V&S Group formed a joint venture with China's JianNanChun (JNC), the aim being to develop a portfolio of premium-quality and premium-price baijiu brands for the Chinese market. JNC is one of China's three leading producers of the traditional Chinese white spirit, baijiu. V&S Group owns 51 per cent of the new company, and JNC 49 per cent. The operation is part of the V&S Absolut Spirits business area.

Divestments

Florida Distillers was divested on 1 April 2007. The operation was included in the acquisition of Cruzan and was not part of the Group's core business. In 2006 the operation's sales amounted to approximately SEK 600 million, operating profit to SEK 48 million and the number of employees to 303.

Production of industrial alcohol was divested on 1 June 2007.

On 1 November 2007 production of yeast and molasses alcohol in Grenaa, Denmark was divested. In 2006 the yeast operation had net sales of approximately SEK 230 million and 81 employees. Industrial alcohol, yeast and molasses alcohol were all part of business area V&S Distillers.

Divestments during the year resulted in net capital losses of SEK –32 (135) million in total.

Investments

In 2007, total Group investments amounted to SEK 403 (2 097) million, primarily relating to capacity investments in Åhus and the investment in the remaining 50 per cent of V&S Norway. After the period's depreciation and amortization, and translation differences, fixed assets totalled SEK 12,449 (12,822) million.

Structural changes

The closure of the Sundsvall plant began in autumn 2007 and is planned for completion in the first half of 2008. Production is gradually being relocated to other facilities. The closure affects 80 employees and is expected to create savings of SEK 35 million a year as of 2009.

EMPLOYEES

Since 2004, V&S has had a code of business ethics and conduct, "The V&S Way on Responsibility". The Group's values, which are part of the code, form the basis of relations with employees. V&S has guidelines for carrying out recruitment, development and staff reductions.

Employee appraisals

The annual employee appraisal session is the main tool allowing V&S to contribute to the development of the workplace and the individual. Employee surveys are carried out every second year.

Health and safety

V&S seeks to promote the health and safety of its employees in a number of ways. Measures, follow-up and preventative action take place at local level and are adapted to the nature of the work. At units where accidents occur in the workplace, the causes are examined and corrective measures are taken. In 2007, 37 (59) workplace accidents were reported. The proportion of employees with more than five days' sick leave fell slightly to 23 (24) per cent.

Diversity

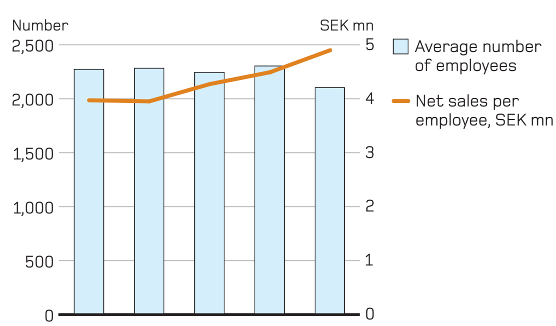
V&S is of the opinion that diversity in the workplace leads to a more creative working environment, increases productivity and improves job satisfaction. Diversity issues will be given greater emphasis through the follow-up by management of key perform-

AVERAGE NUMBER OF EMPLOYEES

	2007	2006
Average number of employees	**2,104**	2,304
Sweden	806	747
Other countries	1,298	1,557
Business areas		
V&S Absolut Spirits	574	513
V&S Distillers	957	993
V&S Wine	446	430
Other	127	368

The number of employees by country and other employee information are shown in Note 6.

EMPLOYEES



The number of employees fell in 2007, primarily due to divestments.

NUMBER OF EMPLOYEES AT YEAR-END

Region	Number of employees	Employment category, of whom blue-collar, %	Employment category, of whom white-collar, %	Employment category, of whom permanent, %	Employment category, of whom temporary, %
Sweden	805	56	44	92	8
Other Nordic, Baltic States	638	58	42	97	3
Other European countries	366	44	54	100	0
North America	150	29	71	93	7
Central and South America	–	–	–	–	–
Asia	2	0	100	100	0
Total per 31 December 2007	**1,961**	**52**	**48**	**95**	**5**

ance indicators linked to under-representation in gender. In 2007, the proportion of women in management groups totalled 36 (21) per cent.

Number of employees

The average number of employees based on the number of hours worked in 2007 was 2,104 (2,304), of whom 40 per cent (38) were women. The decrease in number of employees on 2006 is primarily due to operational divestments. The number of employees at the end of the year was 1,961 (2,231). Of these 52 per cent were blue-collar, 48 per cent white-collar and 95 per cent were on permanent contracts, while 5 per cent were on temporary contracts.

V&S has collective agreements in place in Sweden, Denmark, Finland, Poland and the US Virgin Islands. In Germany, the guidelines for the standard collective agreement are followed.

Salaries and other remuneration totalling SEK 844 (991) million were paid during the year.

For further information on employee statistics, see also Note 6 and the section on Responsibility in the Workplace on pages 28–29 of the Annual Report 2007.

Temporary bonus in 2008

Due to the planned divestment of Vin & Sprit AB (publ), the Board decided on a temporary retention bonus as an incentive for certain senior managers and other key employees to stay with the company for at least three months after the sale is complete. The bonus, amounting to six months' pay, relates to just under 50 people. The total cost for V&S is estimated at approximately SEK 40 million including social security expenses.

Proposed guidelines for remuneration to Group Management

At the AGM 2008, the Board will submit a proposal regarding the principles for pay and terms of employment for Group Management members. The proposal follows government guidelines on remuneration to senior managers, and the proposed principles comply with the latest guidelines. The essentials of the proposal are described below.

For a detailed description of the latest guidelines adopted by the AGM 2007 and related costs in 2007, see Note 6.

Principles for remuneration

The pay and conditions of employment of Group Management shall be adapted to market conditions and in accordance with state guidelines regarding terms of employment for senior executives in state-owned companies.

Remuneration to the CEO comprises a monthly salary and other benefits, along with payment of a service pension premium. Remuneration to other members of the Group Management comprises a basic salary, a variable proportion, other benefits and a pension provision in the form of a premium or liability accounting. The variable proportion comprises bonuses and is based on results in relation to set goals.

CEO

The CEO receives a fixed monthly salary, as well as a pension premium equalling 30 per cent of the pensionable salary. Pensionable salary is defined as 12.2 monthly salaries plus the value of free lunches. The CEO's salary does not include a variable proportion. Other benefits refers to use of company car, free lunches and health insurance.

Other members of the Group Management

Remuneration to other members of the Group Management comprises a basic salary, a variable proportion, other benefits and a pension provision in the form of a premium or liability accounting. Added to this is the value of company cars, free lunches and other benefits.

Bonuses

A variable pay component in the form of a bonus is paid to other members of the Group Management. The bonus is based half on the Group's operating profit and half on individual goals. The maximum bonus payable is one month's salary.

Pensions

The CEO has a defined contribution pension plan, whereby the cost of the pension comprises 30 per cent of the pensionable salary. The pension age is 65 years. Other Group Management members are guaranteed pension benefits through the ITP defined benefit plan with pension from the age of 65. This pension plan also offers the opportunity for senior employees to choose alternative pension solutions. For three people in Group Management there are also pension benefits with pension from the age of 60. The pension between the ages of 60 and 65 amounts to 70 per cent of salary. The benefit of a pension at 60 years of age is accrued on a linear basis and is vested.

Severance pay
The company and CEO have agreed a mutual period of notice of 6 months. Upon notice of termination by the employer, the CEO is entitled to 18 months' salary, including the period of notice. Any remuneration from subsequent employment will be subtracted from the severance pay.

The company and other Group Management members have agreed a mutual period of notice of 6 months. Upon notice of termination by the employer, the managers are entitled to 12–24 months' salary, including the period of notice. Any remuneration from subsequent employment will be subtracted from the severance pay.

Preparation and decision-making
For the CEO's salary and terms of employment, a Remuneration Committee appointed by the Board drafts and proposes pay and other terms of employment, after which the proposal passes to the Board for a decision.

For other Group Management members, the CEO decides the pay and other conditions of employment, based on market conditions and in accordance with state guidelines regarding terms of employment for senior managers in state-owned companies.

Cost for V&S
The proposal agrees with the previous principles and the total cost for 2008 is expected to equate to approximately SEK 35 million.

RISKS AND RISK MANAGEMENT

V&S operates in full open competition on all its markets. All business activities also entail risks, and the long-term success of the Group therefore relies on controlled risk-taking.

V&S works continuously to identify and assess risks. Responsibility for this primarily follows the organizational structure and is one of the most important areas of responsibility for V&S managers at various levels.

Financial risk management for the entire Group takes place in the Parent Company. There is no separate risk management for the Parent Company.

Within the Group, risks are divided into the following areas:

- Business risks – that products can no longer be sold to the same extent as before.
- Operational risks – that production must be stopped due to a lack of raw materials, machinery breakdown or similar.
- Financial risks – that exchange rates, interest rates, liquidity or other factors have an adverse effect on the company.
- Accounting risks – that the financial information produced at different levels in the company is incorrect.
- Physical risks – such as fire, theft, explosion or product poisoning.
- Legal risks – that, for example, the company is found liable for any damage or injury which may be linked to the company's products.
- Risks to reputation – that a situation, or failure to bring about a situation, in the company is criticized so severely in the media or in some other way that it has a significant impact on the company's reputation and, in the long run, on its profitability.

The most important risks and the way they are managed are outlined below.

Business risks

The ability to remain at the cutting edge when it comes to product development, marketing and distribution, and to maintain cost-effective production, is vital if the business is to continue developing positively.

Tough competition
By far the greatest risk is the development of market demand for the Group's products. The Group operates in local, regional and international market segments characterized by tough competition where new products are launched at a high rate, particularly in the Group's single most important market – the United States.

Rising input material prices
The Group is dependent on various raw materials and merchandise for its production, the most important ones being grain, crude alcohol and glass.

Uncertainty regarding future grain prices has increased. During the year the price of grain has risen dramatically from around SEK 1.25 to SEK 2.40 per kilo at the end of the year.

Weak competition on the market has led to a higher price for glass.

The cost of glass and the agricultural product as a proportion of cost of the finished product is relatively small, but it does affect the profit margin. Assessments indicate that the cost

COST STRUCTURE

% of total cost	**2007**	2006
Raw materials incl. change in inventories	29	32
Merchandise	10	8
Other external expenses	45	41
Cost of employee benefits	14	16
Depreciation/amortization/write-downs	2	3
Total	**100**	**100**

The cost for raw materials as share of total cost decreased in 2007 mainly due to divestments.

increase can be balanced by raising the price to customers, even though some delay may be involved. The higher grain prices entail less than SEK 0.50 per bottle on the customer price. If grain prices increase dramatically and these cannot be balanced out by price rises, it could have an effect on profits for the V&S Absolut Spirits and V&S Distillers business areas.

V&S does not use financial instruments to hedge material prices on purchase. However, bilateral agreements are used primarily to secure material deliveries but also in some cases to hedge prices, especially for glass. Grain agreements are often valid for less than one year. The majority of the Group's glass requirement is secured by agreements running several years. In V&S Wine, alternative packages such as bag-in-box and tetra are on the increase. If glass prices increase dramatically and these cannot be balanced out by price rises, it could have an effect on profits primarily for the V&S Distillers business area.

Financial risks

The Group's financial risks are controlled and managed by the central treasury department, largely by using financial instruments. The guidelines are stated in a treasury policy adopted by the Board of Directors.

When it comes to financial risks, currency risks are the most significant. The Group sells a large proportion of its products on the US market and other markets which use the US dollar for business transactions. The Group's gross margin is therefore heavily influenced by the dollar exchange rate. V&S attempts to reduce the currency risk, primarily by selling part of the future dollar flow under forward agreements. Such measures can compensate for a fall in the US dollar for a limited period, but should the fall in the dollar exchange rate against the Swedish krona be long lasting, it would have a negative effect on the Group's results.

A description of accounting principles, the most significant financial risks and how they are dealt with can be found in Notes 1 and 29 respectively.

To minimize the risk of errors arising in the company's financial reports, an internal audit function has been set up to examine the company's accounts and internal control.

Legal risks

Product rules and other legislation

The company's products fall within the food sector and are therefore quite strictly regulated in EU legislation and in most other jurisdictions. Within the EU there is also a far-reaching tradition of labelling of geographic indications. Shortcomings and alterations in such regulations can have a direct impact on costs and the potential to sell the products. Indirectly, such regulations can influence consumers' perception of the quality of different product categories, origins and so on.

For instance, EU regulation on the company's most important product category, vodka, has been far more unclear than those for other major spirits categories such as whisky and rum. This could entail a risk that consumers perceive vodka as a product of lower quality, and with less clarity in terms of ingredients and origin. Alongside other spirits producers in the Nordic region, Poland and the Baltic states, V&S has therefore taken steps to ensure that in its review of the regulation on spirits, the EU introduces rules for vodka that are more in parity with other spirits. This was successful to a degree, even though a discriminative difference does remain.

The international nature of the operation also makes it sensitive to trade barriers, national tax regulations etc.

Trademark infringement

One of the more significant legal risks is infringement of the company's registered and established trademarks. This engenders a risk of the company losing out on sales both directly as a result of consumers not being able to perceive the difference between the V&S product and the imitation, and indirectly if the confusion affects consumers' perception of V&S's product quality.

The Group's legal department works proactively in this field to minimize these risks as far as possible.

Industry conduct

Another type of risk is related to legislation regulating the handling of alcoholic beverages in different countries. It is not impossible that a producer, distributor or retailer behaves in such a way as to cause repercussions for other companies in the industry as well. One such example is the class actions in the United States regarding alleged marketing targeted at young people. These types of claims have, however, been rejected in several courts to date.

The industry's conduct in a broader sense than the legal one is very important to V&S's ability to operate. The company's ability to supply alcoholic beverages for responsible use may be affected by the conduct of the company itself, of other companies and of the industry as a whole. The Group is therefore working in a goal-conscious way to develop and implement guidelines for its own actions and for the company's business partners and the wider industry.

Other risks

The other risks described in the introduction may also have an adverse impact on the Group's results. The Group works systematically to reduce the risk of such negative effects arising. This process includes a systematic review of the Group's insurance protection to ensure that appropriate insurance solutions are in place in those areas where it is deemed necessary.

Risk management

A strategic approach to risk is pivotal to the Group's planning process. Consequence analyses, risk analyses and risk workshops are examples of tools used in this work. In addition risk definitions, risk report procedures, crisis management plans and continuity plans, for example, are continuously under development.

The Group's Risk Council co-ordinates the Group's risk management activities and is responsible for general insurance issues. This work is supported by a Group-wide Risk Management Policy.

Sensitivity analysis

V&S's sales and profits are influenced by several factors. The factors with the greatest impact on profits are:

- The US dollar, which is the Group's primary sales currency. A fluctuation of SEK 0.10 in the dollar exchange rate would affect the Group's operating profit by approximately SEK 42 million.
- Sales volumes on the American market. A change of 1 per cent would affect operating profit by approximately SEK 30 million.
- A rise in market interest rates. An increase of one percentage point would increase interest expenses by approximately SEK 33 million.

OUTLOOK

Bearing in mind the ongoing divestment process, the Board of Directors prefers to decline commenting on future developments.

PROPOSED DIVIDEND

The Board of Directors proposes a dividend of SEK 800 (710) million for 2007. The proposed dividend corresponds to 10.6 per cent of average equity. The owners' long-term required return on investment is 10.5 per cent.

For further information on the proposed disposition of earnings, see page 94.

OTHER

Work of the Board of Directors in 2007

In 2007, the Board held 13 meetings were minutes were taken. The work is based on a set procedure. There is an Audit Committee and a Remuneration Committee. Further information about the Board's work is provided in the 2007 Corporate Governance Report.

Environmental information

Based on its Environmental Policy, V&S works through action plans to actively contribute to a development that will encourage the sustainable use of resources. At year-end, the Group had production at 11 plants in 7 countries. During the year, the plant in Grenaa, Denmark was divested.

Plants in Sweden

In Sweden, the Group operates four production plants in the Parent Company. Two plants must have permits in accordance with the Environment Protection Act and two plants require permits.

The operation in Åhus, Sweden that requires a permit comprises the distillation of alcoholic beverages, production of fruit wine and bottling of wine and spirits. No wines are currently produced or bottled at the plant. The operation affects the environment through emissions to air and water, as well as noise and waste.

The operation in Nöbbelöv, Sweden, that requires a permit produces 50 MLPA (million litres pure alcohol). The operation's most significant environmental aspects are discharges of polluted water into the public sewage system and discharges of hydrocarbons into the air, mainly in the form of ethanol. In 2007 the plant received finalized conditions regarding its handling of process wastewater and discharges to air, after being assessed in the trial-period study which was a condition of the permit.

The new preparation and bottling facility known as 'the Satellite', which is subject to a notification requirement, was completed during the year, and operational start-up has been reported to the supervision authority. The operation's water requirements were examined in 2007 and the process of applying for a permit has begun. The plant came into service in November 2007.

The notifiable operation is a plant in Sundsvall, Sweden for blending and bottling alcoholic beverages. The operation affects the environment through emissions to air and water, as well as waste. The Environmental testing delegation decided in connection with increased production in 2001 on a trial period, as they were of the opinion that the question of the plant's energy supply in particular needed to be investigated further. The report of the investigation and measures taken was submitted to the authorities in June 2003. The final terms regarding energy issues and discharges to water were determined by the Environmental testing delegation in autumn 2005. In autumn 2007 the report was approved with the measures taken relating to ethanol emissions into the air.

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

Plants in other countries

Production units in every country adapt their operation, apply for the necessary permits and report to the authorities in accordance with local legislation. The Group has seven production plants in other countries and all have the necessary permits in accordance with local legislation. At the Group's unit in the US Virgin Islands the environmental authority is investigating, alongside V&S, how the problem of wet stillage waste discharges from production can be resolved. The investigation has been prepared and is expected to be completed in autumn 2008. The treatment plant will be up and running by 2012.

Financial statements

Disputes and other legal issues

Dispute with Systembolaget in Sweden

In January 2007, Systembolaget, the Swedish Alcohol Retailing Monopoly, decided to change distributor for approximately 15 of V&S's wine products. They held that V&S had contravened the terms of its supplier contract during the years 2001–2003 with reference to the prosecution of certain employees at V&S for bribery, see below. The change of distributor equates to annual sales of SEK 32 million. V&S has taken the matter to arbitration to clarify whether Systembolaget is entitled to carry out such action. An arbitration date has been agreed and a judgement is expected during the first half of 2008.

Indictment for suspected bribery

Court cases have been under way for several years in Sweden against suppliers to and store managers of Systembolaget, the Swedish Alcohol Retail Monopoly. Following several years of investigation, in 2006 a legal action was brought against nine then employees of V&S regarding suspected bribery. The court case for the accused has been set for June 2008. Since the suspicions came to light, V&S has intensified instructions and control functions for ensuring good business ethics.

Altered ownership of V&S

In June the Swedish parliament authorized the government to sell its holding in V&S Vin & Sprit AB (publ). During autumn 2007 the government conducted a comprehensive analysis of the conditions for the divestment. This analysis and preparation phase was finalized in December 2007 and a more active implementation phase began. An auction process was initiated whereby interested parties are asked to submit bids for the entire company. The divestment is expected to be finalized in 2008.

Significant agreements

V&S has long-term business agreements with the distribution organizations Future Brands LLC and Maxxium Worldwide B.V. Premature termination of these agreements or other major changes could entail costs for V&S.

Significant events after year-end

There have been no significant events after year-end.

NET SALES AND OPERATING INCOME

Market and Sales

The global sprits market is stable but both vodka and rum are showing good growth. The higher price segments primarily for vodka are growing both in the Western World and in many developing economies. The US market has been and remains the Group's most important market financially. Western Europe is the next largest and there is strong potential in former Eastern Europe, Russia, China and several other countries. Traditional vodka territories such as Poland and Russia are currently showing rapid premiumization.

The sales volume for ABSOLUT VODKA, the Group's largest brand, increased by 9 per cent during the year. In the United States growth was 122,000 9-litre cases or 2 per cent. Sales from distributor to retail increased by just under 4 per cent during the year.

ABSOLUT VODKA grew even more quickly outside of the United States, by 747,000 9-litre cases or 15 per cent. The rapid growth is the result of sustained long-term market investments and a well-structured distribution partnership.

Cruzan Rum, which was acquired around year-end 2005/2006, grew during its first year as a fully integrated part of the V&S organization by 125,000 9-litre cases, an increase of 19 per cent. This success was achieved primarily in the United States, the brand's most important market.

In Northern Europe, Poland is the Group's fastest growing market. The total market but above all the upper standard segment and premium segment have developed strongly during the year, partly due to an increase in purchasing power. The Group's sales volume grew by over 30 per cent in Poland in 2007, which is above the general market growth.

Development on the Nordic spirits market is, however, unchanged or declining. Demand for aquavit and bitters has continued to fall during the year, with the result that Group sales volume declined in these product categories.

Northern Europe is the world's ninth largest wine market and the world's fourth largest import market for wine. Wine consumption has increased more or less unabated for many consecutive years, the exception being Denmark. Development has been good during the year on most of V&S markets. Volumes have risen strongly in Sweden and Norway, and in Duty Free & Travel Retail. In Finland volumes are largely unchanged but with a better price mix. The Danish market is characterized by a fragmented structure driven by retailers. In 2007 Group sales volumes fell in the regular Danish wine business and in V&S bottling operation for retailers' private labels. The latter is a low-margin operation that has only a minor effect on operating profit, although it does impact on the volume figures.

Total Group sales volume in 2007 increased by 5 per cent to 26.9 (25.7) million 9-litre cases. For comparable units, volume growth amounted to just over 5 per cent. Of the total sales volume, spirits accounted for 17.8 (16.3) million 9-litre cases and wine for 9.1 (9.4) million 9-litre cases.

Consolidated income statement

1 January – 31 December

Amount in SEK millions	Note	2007	2006
Net sales	2, 3	10,312.6	10,345.4
Shares in associated companies' and joint ventures' results		222.6	238.3
Other operating revenues	5	240.1	312.8
		10,775.3	**10,896.5**
Change in work-in-progress and finished goods		74.4	–77.0
Raw materials and supplies		–2,523.3	–2,672.0
Merchandise		–820.9	–670.0
Cost of employee benefits	6	–1,221.4	–1,407.4
Other external expenses		–3,784.2	–3,530.8
Depreciation/amortization and write-down of tangible and intangible assets	12, 13	–194.6	–264.4
Operating profit	3, 6, 7, 30	**2,305.3**	**2,274.9**
Financial income		249.4	108.4
Financial expenses		–341.2	–389.3
Net financial income and expense	8	–91.8	**–280.9**
Profit before taxes		**2,213.5**	**1,994.0**
Taxes	10	–744.8	–416.8
PROFIT FOR THE YEAR		**1,468.7**	**1,577.2**
Attributable to:			
Parent Company shareholders		1,468.3	1,571.9
Minority interest		0.4	5.3
		1,468.7	**1,577.2**
Profit per share before and after dilution	11	2.9	3.1
Proposed dividend per share	11	1.6	1.4
Recognized dividend per share		1.4	1.2

Net sales

Group net sales excluding alcohol excises in 2007 totalled SEK 10,313 (10,345) million.

CHANGE IN NET SALES

%	2007	2006
Organic growth	7.3	2.8
Divestments/aquisitions	–4.9	5.7
Changes in exchange rates	–2.8	–0.5
Total	**–0.3**	**8.0**

The change in exchange rates, primarily the lower US dollar rate compared to the same period last year, has affected sales by approximately SEK –280 million. For comparable units, growth amounted to 7 per cent. Group sales for 2007 include Florida Distillers' net sales of SEK 137 (544) million. The operation was divested on 1 April.

Other revenues

The result in the part-owned distribution company Maxxium is recognized in "Shares in assoicated companies' and joint ventures' results". "Other operating revenues" include capital gains of SEK 34 (148) million.

Operating profit

The Group's operating profit for 2007 totalled SEK 2,305 (2,275) million, corresponding to an operating margin of 22.4 (22.0) per cent. For comparable units, operating profit was up 19 per cent. In total, exchange rate fluctuations compared to the same period last year have affected operating profit by approximately SEK –155 million. The operating profit includes Florida Distillers' operating profit in the amount of SEK 17 (48) million, as well as net capital losses totalling SEK –32 (135) million from the divestments of Florida Distillers and of the production of industrial alcohol, of yeast and of molasses alcohol.

Financial net

Net financial income and expenses totalled SEK –92 (–281) million. The improvement in financial income and expense can primarily be attributed to lower interest costs due to lower borrowing overall, as well as a positive exchange rate income of SEK 121 million on loans raised and forwards. The exchange rate income is counterbalanced by an equally large tax expense.

Taxes

Tax expenses for the year amounted to SEK 745 (417) million, corresponding to 33.6 (20.9) per cent of profit before tax.

Comparison with 2006 is influenced by the fact that as of 2007, the tax expense is burdened by SEK 121 million relating to the afore-mentioned exchange rate income. Moreover, the tax expense has been positively affected by a one-off item of SEK 25 (–125) million attributable to the shareholding in Beam Global Spirits & Wine, Inc. Comparison is also affected by a lower tax expense in 2006 when the sale of the Cruzan Rum and Plymouth Gin trademarks to the Parent Company entailed a positive one-off tax effect equivalent to SEK 274 million.

The majority of V&S's activities are carried out in Sweden where the nominal tax rate is 28 per cent. Other important countries where V&S has operations are the other Nordic countries, the United States, Germany and Great Britain, which have either higher or lower tax rates than Sweden. A weighted average of the tax rates in the countries where V&S has operations is approximately 30 per cent.

The actual tax rate for the Group is also affected by the fact that not all costs are tax deductible and not all income is taxable.

See also Note 10 for further information.

Profit for the year

Profit for the year after tax decreased by 7 per cent to SEK 1,469 (1,577) million and profit per share amounted to SEK 2.9 (3.1) million.

DEVELOPMENT BY BUSINESS AREA

V&S Absolut Spirits

Net sales increased by 3 per cent to SEK 6,084 (5,882) million for 2007. The change in the US dollar exchange rate compared to the same period last year has affected sales by approximately SEK –280 million. Excluding currency effects and Danzka Vodka which was divested in 2006, net sales rose by 9 per cent. Sales volume increased by 8 per cent to 12.0 (11.2) million 9-litre cases. For comparable units, volume growth amounted to 9 per cent. This growth is primarily attributable to excellent development for ABSOLUT VODKA and Cruzan Rum. Development for ABSOLUT VODKA in the United States has remained positive in 2007, where according to AC Nielsen the market share has once again increased slightly. This is despite tough competition and the launch of many new vodkas. Outside of the United States, sales of ABSOLUT VODKA saw double-digit percentage growth on most prioritized markets. In its first year of full integration in V&S Group, Cruzan Rum is showing excellent growth in both volume and net sales.

Operating profit increased by 6 per cent to SEK 2,024 (1,914) million and the operating margin improved to 33.3 (32.5) per cent. The lower dollar exchange rate compared to the same period last year has affected operating profit by approximately SEK –155 million. Excluding currency effects, operating profit increased by 15 per cent. The improvement is mainly due to continued organic growth and good cost efficiency.

V&S Distillers

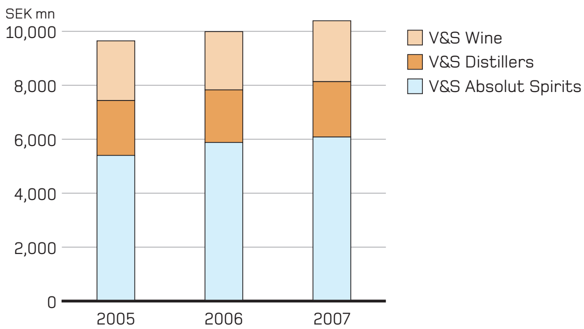
Net sales increased by 5 per cent to SEK 2,050 (1,948) million for 2007. Sales volume increased by 10 per cent to 6.1 (5.6) million 9-litre cases. For comparable units, net sales were up 4 per cent and sales volume 8 per cent. The improvement both in sales volume and net sales is due to a continued strong rise in vodka sales on the Polish market. Sales on other markets declined,

SEGMENT DATA

	Net sales SEK mn		Operating profit SEK mn		Operating margin %		Volume thousand 9-litre cases	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
V&S Absolut Spirits	6,084	5,882	2,024	1,914	33.3	32.5	12,040	11,195
V&S Distillers	2,050	1,948	321	284	15.7	14.6	6,138	5,603
V&S Wine	2,258	2,159	108	112	4.8	5.2	9,338	9,465
Capital gains/losses, write-downs	–	–	–41	61	–	–	–	–
Other and eliminations	–79	356	–107	–96	–	–	–586	–531
	10,313	**10,345**	**2,305**	**2,275**	**22.4**	**22.0**	**26,930**	**25,732**

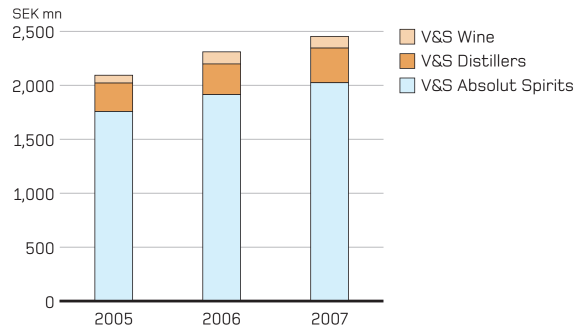
NET SALES BY BUSINESS AREA

Excluding other operations and eliminations..



OPERATING PROFIT BY BUSINESS AREA

Excluding other operations, capital gains/losses and eliminations..



primarily in Denmark where aquavit and bitters are the predominant product groups.

Operating profit increased by 13 per cent to SEK 321 (284) million and the operating margin improved to 15.7 (14.6) per cent. For comparable units operating profit improved by 7 per cent. The dramatic rise in sales in Poland has improved operating profit considerably, and has more than compensated for the lower sales in other countries, as well as market investments for new launches.

V&S Wine

Net sales increased by 5 per cent to SEK 2,258 (2,159) million for 2007. For comparable units, net sales were up 8 per cent. Sales volume was down to 9.3 (9.5) million 9-liter cases due to a shift in the product mix: sales of products at lower prices have decreased partly in Denmark due to reduced subcontracted bottling, and partly in Estonia where the sale of brewery products has ceased. Net sales increased in Sweden, Norway and Finland, and in Duty Free & Travel Retail.

The business area's operating profit for 2007 totalled SEK 108 (112) million and the operating margin was 4.8 (5.2) per cent. The decline compared to last year is principally due to the change in accounting for the Norwegian spirits operation which as of 1 January 2007 is included in V&S Distillers. For comparable units, operating profit improved by 8 per cent. The increase is attributable to higher sales in Sweden, Norway and Duty Free & Travel Retail, but also to developments in Finland where there is now a better price mix. Sales of the expanded Foster's range had a very positive effect during the second half of the year. The figures have been adversely affected by restructuring and considerable inventory write-downs in Denmark, which is a stage in the work towards fewer stock-keeping units in order to increase the focus on profitable products.

Consolidated balance sheet

On 31 December

Amounts in SEK millions	Note	2007	2006
ASSETS			
Intangible fixed assets	12	3,848.9	4,008.8
Tangible fixed assets	13	1,907.8	1,817.6
Investments in associated companies and joint ventures	14	2,789.2	2,875.6
Financial investments	16, 29	3,303.2	3,521.4
Long-term receivables	18	10.9	2.2
Deferred tax assets	10	589.3	596.2
Total fixed assets		**12,449.3**	**12,821.8**
Inventories	19	1,139.9	954.9
Tax assets	10	31.1	171.1
Accounts receivable	20	2,172.8	2,160.8
Prepaid expenses and accrued revenues	21	265.8	353.3
Other receivables	18	476.6	585.1
Cash and cash equivalents	35	555.5	400.1
Assets held for sale		–	427.0
Total current assets		**4,641.7**	**5,052.3**
TOTAL ASSETS		**17,091.0**	**17,874.1**
EQUITY	22		
Share capital		500.0	500.0
Other capital contributed		100.0	100.0
Reserves		86.1	71.8
Retained earnings including profit for the year		7,270.5	6,515.6
Equity attributable to Parent Company shareholders		**7,956.6**	**7,187.4**
Minority interest		**4.0**	**15.2**
TOTAL EQUITY		**7,960.6**	**7,202,6**
LIABILITIES			
Long-term interest-bearing liabilities	23, 29	2,520.0	3,644.8
Provisions for pensions	25	59.5	130.4
Other provisions	26	36.2	28.6
Retained earnings including profit for the year	10	2,208.2	2,174.0
Total long-term liabilities		**4,823.9**	**5,977.8**
Current interest-bearing liabilities	23, 29	1,423.0	1,932.8
Accounts payable		939.7	737.4
Tax payable	10	115.9	85.7
Other liabilities	27	1,025.1	1,159.3
Accrued expenses and prepaid revenues	28	801.6	712.2
Provisions	26	1.2	1.4
Liabilities attributable to assets held for sale		–	64.9
Total current liabilities		**4,306.5**	**4,693.7**
TOTAL LIABILITIES		**9,130.4**	**10,671.5**
TOTAL EQUITY AND LIABILITIES		**17,091.0**	**17,874.1**

For details of the Group's pledged assets and contingent liabilities, see Note 31.

FINANCIAL POSITION

Assets and capital employed

During the year, Group total assets decreased by 4 per cent.

Capital employed, defined as total assets less non-interest bearing liabilities including deferred tax liabilities, decreased by SEK 351 million to SEK 12,437 (12,788) million. The decrease is primarily due to divestments of operations and the lower dollar exchange rate. Return on capital employed was 20.7 (18.6) per cent.

Investments in associated companies and joint ventures comprise the holdings in the distribution companies Future Brands and Maxxium. The item has decreased by SEK 86 million of which SEK 98 million refer to currency exchange rate effects.

Financial investments comprise the holding in Beam Global Spirits & Wine, Inc. The item has decreased by SEK 221 million due to the lower US dollar exchange rate compared to the previous year.

Assets and liabilities held for sale decreased as a result of the divestment of Florida Distillers.

Working capital

Working capital totalled SEK 1,826 (1,804) million. Accounts receivable amounted to SEK 2,173 (2,161) million. Inventories increased to SEK 1,140 (955) million and the turnover rate amounted to 9.8 (9.2) times per year. The change in inventories is due in part to higher inventory levels in the United States from a low level the previous year, a temporary increase in inventory levels to facilitate the relocation of production in Sundsvall to other plants, and inventory increases resulting from the expansion of the Fosters' range for distribution throughout the Nordic region.

Net interest-bearing loans

Net interest-bearing loans decreased by SEK 1,861 million to SEK 3,447 (5,308) million, of which SEK 60 (130) million comprised pension obligations. The decrease is mainly a result of repayment of borrowings.

The Group's long-term loan financing mainly comprises bond loans. The loans have an average term of 2.7 (3.0) years, and an average fixed interest term of 5.2 (5.0) months. The Group's aim is to have an average due date of at least two years and an average fixed interest term of one year at the maximum for long-term borrowing. Short-term loan financing primarily consists of a US dollar bond loan of SEK 1,029 million and a Swedish commercial paper programme of SEK 404 million.

The proportion of capital employed financed long-term on 31 December 2007 amounted to 121 (112) per cent.

For further information about the long-term loans and confirmed credit facilities, see Note 29.

CAPITAL EMPLOYED

SEK mn	**2007**	2006
Capital employed	12,437	12,788
– of which, trade marks	2,881	2,861
– of which, goodwill	968	1,147
Net interest-bearing loans	3,447	5,308
Minority interest	4	15
Total equity	7,961	7,203

For further information about the intangible assets, see Note 12.

NET INTEREST-BEARING LOANS

SEK mn	**2007**	2006
Interest-bearing loans	4,002	5,708
Cash and cash equivalents	–555	–400
Net interset-bearing loans	3,447	5,308
Debt/equity ratio, times	0.4	0.7
Equity/assets,%	46.6	40.3

Cash and cash equivalents

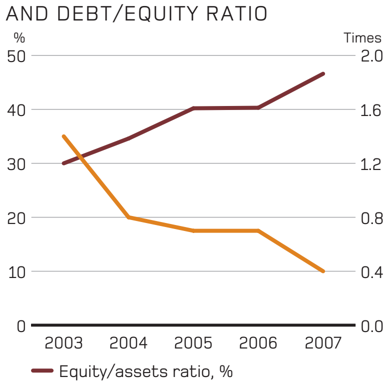
Cash and cash equivalents amounted to SEK 555 (400) million. On 31 December 2007, the Group had unutilized credit facilities totalling SEK 4,582 million, which together with the cash and cash equivalents corresponds to a liquidity reserve of SEK 5,137 (4,260) million.

Equity

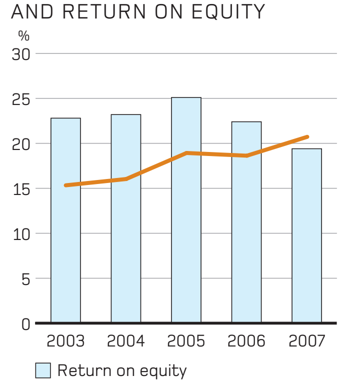
Equity increased by SEK 758 million during the year and amounted to SEK 7,961 (7,203) million at the year-end. The increase is partly due to the profit for the year of SEK 1,469 million, and partly to the dividend granted which decreased equity by SEK 710 million.

Return on equity decreased to 19,4 (22.4) per cent.

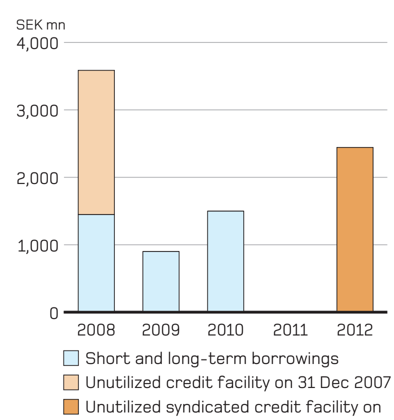
EQUITY/ASSETS RATIO AND DEBT/EQUITY RATIO



RETURN ON CAPITAL EMPLOYED AND RETURN ON EQUITY



BORROWINGS BY MATURITY



Consolidated statement of recognized income and expense

On 31 December

Amounts in SEK millions	2007	2006[1]
Translation difference for the year	15.6	–484.0
Hedge of foreign exchange risk in foreign operations	40.3	363.3
Cash flow hedges:		
Charged directly to equity	–24.1	69.0
Transferred to profit or loss for the period	–17.5	–24.1
Actuarial gains and losses	–3.4	–11.9
Other changes in net wealth charged directly to equity:		
Acquisition of business	4.5	–
Acquisition of minority	–16.1	–540.3
Change in net wealth charged directly to equity excluding transactions with the owners of the company	**–0.7**	**–628.0**
Profit for the year	1,468.7	1,577.2
Change in net wealth excluding transactions with the owners of the company	**1,468.0**	**949.2**
Attributable to:		
Parent Company's shareholders	1,479.2	1,496.9
Minority interest	–11.2	–547.7
	1,468.0	**949.2**
Effect of changes in accounting policy 1 January 2007[2]		
Equity holders of the parent company		
Retained earnings including profit for the year	–44.8	–

1 The comparative year has been restated.

2 The accounting principle has been altered because the Amendments to IAS 19 Employee benefits – Actuarial Gains and Losses applies from 1 January 2007.

The financial statement shows changes in net wealth including dividends and other transactions with owners of the company.

A complete presentation of the change in equity is to be found in Note 22.

Consolidated cash flow analysis

1 January – 31 December

Amounts in SEK millions	2007	2006
OPERATING ACTVITIES		
Profit before tax	2,213.5	1,994.0
Adjustment for items not included in cash flow	277.5	269.0
Income tax paid	–441.8	–667.0
Cash flow from operating actvities before changes in working capital	**2,049.2**	**1,596.0**
Cash flow from operating changes in working capital		
Increase(–)/Decrease(+) in inventories	–192.6	97.0
Increase(–)/Decrease(+) in operating receivables	130.2	–232.1
Increase(+)/Decrease(–) in operating liabilities	39.8	129.8
Cash flow from operating activities	**2,026.6**	**1,590.7**
INVESTING ACTIVITIES		
Acquisition of tangible fixed assets	–346.1	–312.7
Sales of tangible fixed assets	9.6	96.1
Acquisition of intangible assets	–1.9	–
Sales of intangible assets	–	156.7
Acquisition of subsidiaries, net effect on liquidity	–55.1	–658.2
Divestment of subsidiaries, net effect on liquidity	537.0	–
Dividend from associated companies	185.1	173.7
Acquisition of financial assets	–	–1,126.6
Sales of financial assets	–	6.8
Cash flow from investing activities	**328.6**	**–1,664.2**
FINANCING ACTIVITIES		
Increase of long-term receivables	–10.9	–
Loans raised	357.5	2,353.3
Repayment of loans	–1,763.3	–1,899.7
Repayment of lease liabilites	–5.0	–
Transferred to pension fund	–80,0	–
Dividend paid to Parent Company shareholders	–710.0	–600.0
Cash flow from financing activities	**–2,211.7**	**–146.4**
Cash flow for the year	**143.5**	**–219.9**
Cash and cash equivalents, opening balance	**400.1**	**626.4**
Exchange rate difference in cash and cash equivalents	**11.9**	**–6.4**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	**555.5**	**400.1**

Additional information can be found in Note 35.

CASH FLOW

From operating activities

Cash flow from operating activities amounted to SEK 2,027 (1,591) million. The improvement can be attributed to the rise in profit, and to lower tax payments in the Parent Company.

From investing activities

Cash flow from investing activities amounted to SEK 329 (–1,664) million. Investments relate to the acquisition of the remaining shares in V&S Norway, but also to capacity and environmental investments in Åhus. Divestments refer to Florida Distillers, production of industrial alcohol, and production of yeast and molasses alcohol.

From financing activities

Cash flow from financing activities amounted to SEK –2,212 (–146) million. During the year SEK 1,763 million of debt was repaid, which refers to a bond loan which was due, and to repayment of short-term borrowing in accordance with the commercial paper programme. The dividend to shareholders was higher than last year and amounted to SEK 710 (600) million.

Parent Company

INCOME STATEMENT

1 January – 31 December

Amounts in SEK millions	Note	2007	2006
Net sales	2, 3	6,034.2	5,653.7
Change in work-in-progress and finished goods		26.0	–26.3
Other operating revenues	5	155.3	207.1
		6,215.5	**5,834.5**
Raw materials and supplies		–1,271.6	–1,167.8
Merchandise		–646.6	–558.3
Other external expenses		–2,188.9	–1,900.7
Cost of employment benefits	6	–591.1	–528.8
Depreciation/amortization and write-down of tangible and intangible assets	12, 13	–186.7	–202.5
Operating profit	7, 30	**1,330.6**	**1,476.4**
FINANCIAL INCOME AND EXPENSES			
Profit from shares in Group companies		1.0	–60.8
Profit from securities and receivables that are fixed assets		107.5	97.8
Other interest income and similar items		526.9	594.9
Interest expenses and similar items		–402.7	–409.1
Profit after financial income and expenses	8	**1,563.3**	**1,699.2**
Appropriations	9	–169.7	–543.8
Profit before taxes		**1,393.6**	**1,155.4**
Taxes	10	–385.6	–333.7
PROFIT FOR THE YEAR		**1,008.0**	**821.7**

PARENT COMPANY

In 2007, the average number of employees was 806 (750). Non-restricted equity amounted to SEK 3,897 (3,599) million.

The operative business is run through three business areas which cross the legal units. The sections within each business area with operations in Sweden during the year, are reported in the Parent Company. Group-wide functions are also included.

Financial risk management for the entire Group takes place in the Parent Company and is desbribed in more detail in Note 29. There is no separate financial risk management for the Parent Company.

Transactions with associated parties

The Parent Company's most important close association comprises a controlling influence in its subsidiaries. The Parent Comany's sales included SEK 2,698 (2,805) million in sales to Group companies. Purchases from Group companies amounted to SEK 304 (291) million. Transactions with associated parties are priced in accordance with market conditions.

BALANCE SHEET

On 31 December

Amounts in SEK millions	Note	2007	2006
ASSETS			
FIXED ASSETS			
Intangible assets	12	1,513.4	1,610.7
Tangible assets	13	1,105.3	974.3
Financial assets			
Shares in Group companies	33	6,358.6	6,654.6
Receivables from Group companies	15	538.3	538.3
Other long-term holdings of securities	17, 29	4,933.0	4,930.5
Deferred tax asset	10	11.1	15.5
Total financial assets		**11,841.0**	**12,138.9**
TOTAL FIXED ASSETS		**14,459.7**	**14,723.9**
CURRENT ASSETS			
Inventories etc.	19	367.5	345.9
Current receivables			
Account receivable	20	800.0	774.9
Receivables from Group companies/ associated companies	15	898.4	1,084.0
Tax assets		–	163.3
Other receivables		27.8	14.9
Prepaid expenses and accrued revenues	21	186.1	307.2
Total current receivables		**1,912.3**	**2,344.3**
Short-term investments	29	367.0	76.0
Cash and cash equivalents	35	53.9	114.5
TOTAL CURRENT ASSETS		**2,700.7**	**2,880.7**
TOTAL ASSETS		**17,160.4**	**17,604.6**
EQUITY AND LIABILITIES			
EQUITY	22		
Restricted equity			
Share capital (500 shares)		500.0	500.0
Legal reserve		100.0	100.0
Non-restricted equity			
Earnings carried forward		2,889.4	2,777.7
Profit for the year		1,008.0	821.7
TOTAL EQUITY		**4,497.4**	**4,199.4**
UNTAXED RESERVES	34	**3,299.0**	**3,129.3**
PROVISIONS			
Provisions for pensions and similar obligations	25	44.2	97.8
Provisions for taxes	10	27.4	32.2
Other provisions	26	25.2	17.7
		96.8	**147.7**
LONG-TERM LIABILITIES			
Bond loans	24	3,872.5	5,609.9
		3,872.5	**5,609.9**
CURRENT LIABILITIES			
Liabilites to credit institutions	24	2,147.3	2,138.9
Accounts payable		432.9	336.0
Liabilities to Group companies/ associated companies		1,960.7	1,272.1
Tax liabilities		5.3	–
Other liabilities	27	395.3	410.8
Accrued expenses and prepaid revenues	28	453.2	360.5
		5,394.7	**4,518.3**
TOTAL EQUITY AND LIABILITIES		**17,160.4**	**17,604.6**
Pledged assets	31	**None**	**None**
Contingent liabilities	31	**630.2**	**608.4**

CASH FLOW ANALYSIS

1 January – 31 December

Amounts in SEK millions	2007	2006
OPERATING ACTIVITIES		
Profit after financial income and expenses	1,563.3	1,699.1
Adjustment for items not included in cash flow	186.6	–113.8
Income tax paid	–217.3	–400.6
Cash flow from operating activities before changes in working capital	**1,532.6**	**1,184.7**
Cash flow from operating changes in working capital		
Increase(–)/Decrease(+) in inventories	–10.4	28.3
Increase(–)/Decrease(+) in operating receivables	147.5	365.3
Increase(+)/Decrease(–) in operating liabilities	770.0	778.5
Cash flow from operating activities	**2,439.7**	**2,356.8**
INVESTING ACTVITIES		
Acquisition of tangible fixed assets	–221.8	–202.3
Sales of tangible fixed assets	1.5	40.4
Acquisition of intangible fixed assets	–1.9	–1,392.5
Acquisition of subsidiaries	–60.6	–0.2
Divestments of subsidiaries	271.3	37.8
Change in financial receivables from Group companies	–	318,3
Acquisitions of financial assets	–2.5	–1,126.6
Sales of financial assets	1.0	148.5
Cash flow from investing activities	**–13.0**	**–2,176.6**
FINANCING ACTVITIES		
Loans raised	357.5	2,353.3
Repayment of loans	–1,763.8	–1,895.4
Transferred to pension fund	–80.0	–
Dividend paid	–710.0	–600.0
Cash flow from financing activities	**–2 196,3**	**–142.1**
Cash flow for the year	**230.4**	**38.1**
Cash and cash equivalents, opening balance	**190.5**	**152.4**
CASH AND CASH EQUIVALENTS, CLOSING BALANCE	**420.9**	**190.5**

Additional information can be found in Note 35.

STATEMENT OF RECOGNIZED INCOME AND EXPENSE

On 31 December

Amounts in SEK millions	2007	2006
Translation difference for the year	–	–0.3
Change in net wealth charged directly to equity excluding transactions with the owners of the company	**–**	**–0.3**
Profit for the year	1,008.0	821.7
Change in net wealth excluding transactions with the owners of the company	**1,008,0**	**821.4**

Notes to the financial statements

Contents

NOTE 1 SIGNIFICANT ACCOUNTING PRINCIPLES

COMPLIANCE WITH STANDARDS AND LEGISLATION

The consolidated financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations from the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the EU. Moreover, the Swedish Financial Accounting Standards Council's Recommendation RR 30:06, Supplementary Accounting Regulations for Groups, has been applied.

The Parent Company applies the same accounting principles as the Group except in the instances specified below under 'Parent Company's accounting principles'

The Annual Report and consolidated financial statements have been approved for publication by the Board of Directors on 21 Feb 2008.
The Group's income statement and balance sheet and the Parent Company's income statement and balance sheet will be subject to adoption at the Annual General Meeting on 12 May 2008.

MEASUREMENT BASIS FOR PREPARING THE PARENT COMPANY'S AND GROUP'S FINANCIAL REPORTS

Assets and liabilities are recognized at historical cost, except for certain financial assets and liabilities which are recognized at fair value. Financial assets and liabilities recognized at fair value comprise derivative instruments, financial assets classified as financial assets at fair value through income statement, or available-for-sale financial assets.

Fixed assets held for sale and disposal groups are recognized at the lowest of the previous carrying amount and fair value less costs for sell.

FUNCTIONAL CURRENCY AND PRESENTATION CURRENCY

The Parent Company's functional currency is the Swedish krona (SEK), which is also the presentation currency for the Parent Company and the Group. This means that the financial statements are presented in SEK. All amounts, unless otherwise stated, are rounded off to the nearest million.

ASSESSMENTS AND ESTIMATES IN THE FINANCIAL STATEMENTS

Preparing the financial statements in accordance with IFRS requires corporate management to make assessments and estimates, and to make assumptions which influence the application of the accounting principles and the carrying amounts of assets, liabilities, income and expenses.
The actual result may deviate from these estimates and assessments.

The estimates and assumptions are reviewed regularly. A change to an estimate is recognized in the period in which the change is made if it only affects that period, or in the period the change is made and future periods if it influences the current period and future periods.

Assessments made by the corporate management during the application of IFRS which have a significant impact on the financial statements, along with estimates made which may entail considerable adjustments in subsequent years' financial statements, are described in more detail in Note 37.

APPLIED SIGNIFICANT ACCOUNTING PRINCIPLES

The accounting principles set out below for the Group have been consistently applied for all periods presented in the consolidated financial statements, unless otherwise stated below. The accounting principles for the Group have been applied consistently for reporting and consolidation of Parent Company, subsidiaries, associated companies and joint ventures.

CHANGED ACCOUNTING PRINCIPLES

The following new standard and interpretations have been applied in preparing the 2007 financial statements:

An amendment to IAS 1 Presentation of Financial Statements means that the company shall disclose information that enables users of its financial statements to evaluate the company's objectives, policies and processes for managing capital.

IFRS 7 Financial Instruments: Disclosures and related amendments to IAS 1, Presentation of Financial Statements requires comprehensive disclosures on the significance of financial instruments on the company's financial position and results, as well as qualitative and quantitative disclosures on the character and scope of risks. IFRS 7 and related amendments to IAS 1 will entail extensive further disclosures in the Group's 2007 financial reports with regard to the Group's financial instruments and capital.

The standard has not entailed any change in accounting principle, but only changes in the disclosure requirements relating to financial instruments.

IFRIC 9 Reassessment of Embedded Derivatives establishes that a reassessment of whether or not embedded derivatives should be distinguished from the host contract may only be carried out if the host contract is changed. IFRIC 9 has been applied from the 2007 financial year but has not had any significant effect on the Group's financial reports.

IFRIC 10 Interim Financial Reporting and Impairment forbids the reversal of an impairment loss recognized in a previous interim period with regard to goodwill, an investment in an equity instrument or in a financial asset recognized at cost. IFRIC 10 should be applied to the Group's financial reports for the year 2007. The interpretation should be subject to prospective application from the point at which the Group began applying the impairment rules of IAS 36 and the measurement rules of IAS 39, i.e. with regard to goodwill on 1 Jan 2004, and with regard to to financial instruments on 1 Jan 2005. As no such reversal has taken place, the interpretation has not had any effect on the Group's financial reports.

In 2007 the following change was made with regard to the Group's applied accounting principles, and the change is not caused by a new standard or interpretation.

The Group charges all actuarial gains and losses arising in relation to defined benefit plans directly to equity. In the financial statements for periods beginning before 1 Jan 2007, the Group applied the corridor method to report actuarial gains and losses in the income statement over the expected average remaining employment period of employees covered by the plan. This accounting principle has been altered because the Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses applies from 1 Jan 2007. The altered accounting principle has been applied retroactively in accordance with the transition rules for IAS 19, and comparison figures have been recalculated. For a presentation of the effects on the Group income statement and balance sheet, see the section Employee benefits, page 67.

NEW IFRS AND INTERPRETATIONS NOT YET APPLIED

A number of new standards, amendments to standards and interpretations come into force from the 2008 financial year or later and have not been applied in preparing these financial statements.

IFRS 8 Operating Segments specifies what an operating segment is and what information about them should be submitted in the financial statements. The standards shall be applied to financial years beginning 1 Jan 2009 or later. Earlier application is permitted.

IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction. The interpretation shall be applied to financial years beginning 1 Jan 2008 or later. Earlier application is permitted.

REPORTING BY SEGMENT

A segment is a distinguishable part of the Group in the accounts which either supplies products or services (business segment), or goods and services in a certain economic area (geographic area) which are exposed to risks and rewards that differ from other segments. The Group's primary segments are business segments.

Segment information is submitted in accordance with IAS 14 for the Group only.

CLASSIFICATION ETC

Fixed assets and long-term liabilities in the Parent Company and Group exclusively comprise, in all essentials, amounts that are expected to be recovered or paid more than 12 months after the balance sheet date. Current assets and current liabilities in the Parent Company and Group exclusively comprise, in all essentials, amounts that are expected to be recovered or paid within 12 months of the balance sheet date.

BASIS OF CONSOLIDATION

Subsidiaries

Subsidiaries are companies over which V&S Vin & Sprit AB has a controlling influence. Controlling influence entails, directly or indirectly, a right to draw up a company's financial and operational strategies with the aim of achieving economic benefit. Potential shares which entitle holders to votes and can be used or converted without delay are taken into consideration when assessing whether or not a controlling influence exists.

Subsidiaries are accounted for by applying the purchase method. This method means that the acquisition of a subsidiary is viewed as a transaction in which the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group-wise cost is established by means of an acquisition analysis in connection with the acquisition. The analysis establishes the cost of the shares or operations, the fair value of acquired identifiable assets, along with liabilities and contingent liabilities assumed. The cost of subsidiary shares and operations comprises the total of the fair values on the acquisition date for paid assets, new or assumed liabilities and for issued equity instruments paid in consideration for the acquired net assets, as well as transaction costs directly attributable to the acquisition. In acquisitions where the cost exceeds the net fair value of the acquired assets, assumed liabilities and contingent liabilities, the difference is recognized as goodwill. If the difference is negative, it is recognized directly in the income statement.

The financial statements of subsidiaries are included in the consolidated accounts as of the acquisition date until the date when the controlling influence ceases.

Associated companies

Associated companies are the companies in which the Group has a significant influence, but not a controlling influence, over the operational and financial monitoring, usually through a holding of between 20 and 50% of the number of votes. From the time the significant influence is obtained, participations in associated companies are accounted for in the consolidated accounts in accordance with the equity method. The equity method means that the carrying amount of the shares in associated companies in the Group corresponds to the Group's share in the associated companies' equity and goodwill on consolidation and any other remaining value of group wise surplus or deficit value. In the consolidated income statement, 'Shares in associated companies' and joint ventures' results comprises the Group's share in the associated companies' net results before tax and minority adjusted for any depreciation, write-downs or dissolution of acquired surplus or deficit value. Dividends received from the associated company decrease the investment's carrying amount.

Any differences arising at the time of acquisition between the cost for the holding and the owner company's share of the fair value net of the associated company's identifiable assets, liabilities and contingent liabilities, are recognized in accordance with IFRS 3 Business Combinations.

If the Group's share of recognized losses in the associated company exceeds the carrying amount of the shares in the Group, the shares' value is reduced to zero. Losses are also offset against long-term balances without security, the financial significance of which forms part of the owner company's net investment in the associated company. Continued losses are not recognized unless the Group has given guarantees to cover losses arising in the associated company. The equity method is applied until the time the significant influence ceases.

Joint ventures

In terms of accounting, joint ventures are the companies in which the Group has a joint controlling influence over the operational and financial monitoring through contractual agreements with one or more parties. In the consolidated accounts, investments in joint ventures are consolidated in accordance with the equity method. The equity method is described above under Associated companies.

Note 1 continued over

Note 1 contd.

Transactions to be eliminated on consolidation
Intragroup receivables and liabilities, income and expenses and unrealized gains or losses arising from intragroup transactions between Group companies are eliminated in full when preparing the consolidated accounts.

Unrealized gains arising from transactions with associated companies and joint ventures are eliminated to a degree corresponding to the Group's ownership of those companies. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no indication that any write-down is necessary.

FOREIGN CURRENCIES

Transactions in foreign currencies
Transactions in foreign currencies are translated into the functional currency at the exchange rate in force on the transaction date. The functional currency is the currency of the primary economic environment in which the Group's companies carry out their business. Monetary assets and liabilities in foreign currencies are translated to the functional currency at the exchange rate in force at the balance sheet date. Exchange rate differences arising from the conversions are recognized in the income statement. Non-monetary assets and liabilities recognized at their historical costs are translated at the exchange rate in force at the time of the transaction. Non-monetary assets and liabilities recognized at fair value are converted to the functional currency at the rate in effect at the time of the fair value assessment. The exchange rate fluctuation is then recognized in the same way as for other changes in value regarding the assets or liabilities.

Foreign businesses' financial statements
Assets and liabilities in foreign businesses, including goodwill and other groupwise surplus or deficit values, are translated from the foreign operation's functional currency into the Group's presentation currency, Swedish kronor/SEK, at the exchange rate in force on the balance sheet date. Income and expenses in a foreign operation are translated into SEK at an average exchange rate comprising an approximation of the currency exchange rates in effect at the respective transaction dates. Income and expenses attributable to foreign operations situated in countries with hyperinflation are translated into the functional currency at the exchange rate in force at the balance sheet date.

Translation differences arising in connection with the translation of a foreign net investment and accompanying effects of hedges of the net investments are recognized directly in the translation reserve in equity. On the sale of a foreign operation, the accumulated translation differences attributable to the operation are recognized, less any currency hedging in the consolidated income statement.

In terms of foreign operations, the accumulated translation difference attributable to the period prior to 1 Jan 2004, the date of the transition to IFRS, has been specified as a separate component (translation reserve) in equity.

REVENUE

Sales of goods
Revenue for sales of goods is recognized in the income statement when significant risks and rewards associated with the ownership of the goods are transferred to the buyer. Revenue is not recognized if it is likely that the economic benefits will not accrue to the Group. If there is significant uncertainty regarding payment, accompanying costs or the risk of returns and if the seller retains a commitment in the ongoing administration which is usually associated with ownership, no revenue is recognized. Revenue is recognized at the fair value of what has been received or is expected to be received with deductions for discounts granted.

OPERATING COSTS AND FINANCIAL INCOME AND EXPENSES

Operating leasing agreements
Costs relating to operating lease agreements are recognized in the income statement on a linear basis over the leasing period. Benefits received in connection with the signature of an agreement are recognized in the income statement as a reduction of the lease payments on a linear basis over the leasing period. Contingent rents are charged as expenses in the periods in which they arise.

Financial leasing agreements
The minimum lease payments are apportioned between interest expense and reduction of the outstanding liability. The interest expense is distributed over the lease term so that each accounting period is assigned an amount corresponding to a fixed interest rate for the liability in the respective period. Contingent rents are charged as expenses in the periods in which they arise.

Financial income and expenses
Financial income and expenses comprise interest income on bank account funds, receivables and interest-bearing securities, interest expenses on loans, dividend revenue, exchange rate differences, unrealized and realized gains on financial investments and derivative instruments used in the financial operation.

Interest income on receivables and interest expenses on liabilities are calculated using the effective interest method. Effective interest is the rate at which the net present value of all future inward and outward payments during the anticipated interest period is equal to the carrying amount of the receivable or liability.

Dividend revenues are recognized when the right to receive payment has been established through an agreement (Beam Global Spirits & Wine, Inc.) or in connection with receipt of a dividend from a subsidiary or associated company.

Results from the sale of financial investments are recognized when the risks and rewards associated with ownership of the instruments have in all essentials been transferred to the buyer and the Group no longer has control of the instruments.

Interest expenses are charged to the results for the period to which they refer, regardless of how the borrowed funds have been used. The Group does not capitalize interest in the cost of assets.

TAXES

Income taxes consist of current tax and deferred tax. Income taxes are recognized in the income statement unless the underlying transaction is recognized directly in equity, whereby the associated tax effect is recognized in equity.

Current tax is tax due for payment or receipt in respect of the financial year, using tax rates decided or virtually decided upon at the balance sheet date. Adjustment of current tax related to earlier periods is also included.

Deferred taxes are calculated using the balance sheet method, with temporary differences between the carrying amounts and the tax effective values of assets or liabilities as starting point. The following temporary differences are not taken into consideration: temporary differences arising upon the initial recognition of goodwill, the initial recognition of assets and liabilities which are not business combinations and at the time of the transaction do not affect either the accounting or taxable profit and temporary differences related to investments in subsidiaries and associated companies which are not expected to be reversed in the foreseeable future. The amount of deferred tax provided is based on how carrying amounts of assets or liabilities are expected to be realized or settled.Deferred tax is calculated by applying the tax rates and regulations decided or virtually decided upon at the balance sheet date.

Deferred tax assets for tax-deductible temporary differences and loss carry forwards are recognized only to the extent it is likely that these items will be able to be utilized. The value of deferred tax assets is derecognized when it is no longer deemed likely that they can be utilized.

Any additional income tax arising from a dividend is recognized at the same time as the dividend is recognized as a liability.

FINANCIAL INSTRUMENTS

Financial instruments recognized as assets in the balance sheet include cash and cash equivalents, accounts receivable, shares and other equity instruments, loan receivables and derivatives. Liabilities and equity include accounts payable, liability and equity instruments issued, debts and derivatives.

Recognition in and derecognition from the balance sheet
A financial asset or financial liability is recognized in the balance sheet when the company becomes party to the instrument's contractual terms. Accounts receivable are recognized in the balance sheet once an invoice has been sent. Liabilities are recognized once the counterparty has completed its task and there is a contractual obligation to pay, even though an invoice may not yet have been received. Accounts payable are recognized once the invoice has been received.

A financial asset is derecognized from the balance sheet once the contractual rights have been realized, have expired or the company loses control over them. The same applies for part of a financial asset. A financial liability is derecognized from the balance sheet once the obligation in the contract has been fulfilled or is in some other way extinguished. The same applies for part of a financial liability.

A financial asset and a financial liability are offset and recognized as a net amount in the balance sheet only when a legal entitlement to offset the amounts is in place, and where there is an intention to balance the items with a net amount or to simultaneously realize the asset and settle the liability.

Acquisitions and sales of financial assets are recognized on the trade date, i.e. the day the company commits to acquiring or selling the assets. The same rule applies for borrowing and lending.

Cash and cash equivalents comprise cash and instantly accessible balances at banks and equivalent institutions as well as short-term investments with a term from the acquisition date of less than three months which are exposed to only a negligible risk of fluctuations.

Classification and measurement
Financial instruments which are not derivatives and which are categorized as financial assets recognized at fair value through the income statement are initially recognized at fair value excluding transaction costs. All other financial instruments which are not derivatives are initially recognized at a cost corresponding to the instrument's fair value with an addition for transaction costs. On first recognition, a financial instrument is classified based on the reason for its purchase. The classification determines how the financial instrument is measured after the first recognition as described below.

Derivative instruments are initially recognized at fair value, which means that any transaction costs are charged in profit or loss for the period. After the initial recognition, derivative instruments are accounted for as described below. If the derivative instrument is used for hedge accounting and to the extent it is effective, changes in value of the derivative instrument are reported in the same line of the income statement as the hedged item. Even if hedge accounting is not applied, increases and decreases in value of the derivative are recognized as income and expenses respectively under operating profit or loss, or under net financial income and expense based on the purpose of the use of the derivative instrument and whether that use is related to an operating item or a financial item. When applying hedge accounting, the ineffective portion is recognized in the same way as changes in value of derivatives not used for hedge accounting. If hedge accounting is not applied on the use of interest rate swaps, the interest coupon is recognized as interest and any other change in the value of the interest rate swaps is recognized as other financial income or other financial expense.

Financial assets at fair value through profit or loss
This category relates to financial assets that are held for trading. Financial instruments in this category are measured continuously at fair value with changes in value recognized in the income statement. Derivatives with a positive fair value are included in this category, with the exception of derivatives which are an identified and effective hedging instrument.

Loans and accounts receivables
Loans and accounts receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at the amortized cost. The amortized cost is determined based on the effective interest calculated at the time of acquisition. Accounts receivable are recognized at the amount estimated to be paid, i.e. with a deduction for doubtful receivables.

Available-for-sale financial assets
This category includes financial assets that do not fall within any of the other categories and financial assets which the company has initially chosen to classify in this category. Assets in this category are measured continuously at fair value with changes in value recognized directly in equity. When the investments are derecognized from the balance sheet, the previously recognized accumulated profit or loss in equity is transferred to the income statement.

V&S's assets in this category essentially comprise unlisted preference shares in Beam Global Spirits & Wine, Inc. See Note 29.

Financial liabilities at fair value through profit or loss
This category comprises financial liabilities held for trading along with derivatives not used for hedge accounting. Liabilities in this category are measured continuously at fair value with changes in value recognized in the income statement.

Other financial liabilities
Loans and other financial liabilities, such as accounts payable, are included in this category. The liabilities are measured at the amortized cost.

Notes 16 (Financial investments), 18 (Other receivables), 20 (Accounts receivable), 23 and 24 (Liabilities) specify in which categories the Group's financial assets and liabilities have been recognized. Recognition of financial income and expenses is also dealt with under 'Operating costs and financial income and expenses' above.

DERIVATIVES AND HEDGE ACCOUNTING
The Group's derivative instruments have been acquired to safeguard against the raw material, interest rate and exchange rate risks to which the Group is exposed. An embedded derivative is recognized separately unless it is closely related to the host contract. Derivatives are initially recognized at fair value, which means that any transaction costs are charged in profit or loss for the period. After the initial recognition, derivative instruments are recognized at fair value and changes in value are recognized as described below.

In order to fulfil the requirements on hedge accounting in accordance with IAS 39, there must be a clear link to the hedged item. Moreover, the hedging must effectively protect the hedged item, the hedging documentation must be drawn up and the effectiveness must be quantifiable. Profits and losses regarding hedge instruments are recognized in the income statement at the same time as profits and losses for the hedged items.

Receivables and liabilities denominated in foreign currency
Foreign exchange forward contracts are used to hedge assets or liabilities against exchange rate risk. Hedge accounting is not used to protect against exchange rate risk, as a financial hedge is reflected in the accounts by both the underlying receivable/liability and the hedging instrument being recognized at the closing day exchange rate, and exchange rate fluctuations are recognized in the income statement. Changes in value regarding operation-related receivables and liabilities are recognized under operating profit, while changes in value regarding financial receivables and liabilities are recognized under net financial income and expense.

Cash flow hedges
The derivative instruments used to hedge future cash flows are recognized in the balance sheet at fair value. The changes in value are charged directly to equity in the hedge reserve. If the hedge relates to a future sale, the changes in value are recognized in equity until the hedged flow is recognized in the income statement, upon which the hedging instrument's accumulated change in value is transferred to the income statement to meet and match the income effects of the hedged transaction. If the hedge relates to a future purchase, the change in value is recognized in equity until the purchase is either recognized as inventory or a fixed asset, whereupon the inventory value or fixed asset is adjusted by the accumulated value in equity. The hedged flows can be contracted and forecasted transactions.

Hedging interest duration – cash flow hedges
Interest rate swaps are used to hedge floating interest rate risk.
The interest rate swaps are recognized at fair value in the balance sheet.

Note 1 continued over

Note 1 contd.

In the income statement, the interest coupon portion is recognized continuously as interest income or interest expense and other changes in value of the interest rate swaps are recognized directly against the hedge reserve under equity, provided that the criteria for hedge accounting and effectiveness are fulfilled

Fair value hedging
When a hedging instrument is used to hedge a fair value, the derivative is recognized at fair value in the balance sheet and the hedged asset/liability is also recognized at fair value with regard to the risk being hedged. The change in value of the derivative is recognized in the income statement together with the change in value of the hedged item.

Fair value hedges are used to hedge the value of assets and liabilities in the balance sheet, which are not normally measured at fair value through the income statement.

Hedging of net investments
Investments in foreign subsidiaries (net assets including goodwill) have to some extent been hedged through the raising of foreign currency loans or derivatives. At the balance sheet date, these net assets are recognized at the closing rate. Exchange rate differences recognized as income in the Parent Company are eliminated in the consolidated accounts against translation of the net assets in the subsidiary which are recognized under equity. In cases where the hedge is not effective, the ineffective portion is recognized in the income statement.

TANGIBLE FIXED ASSETS
Owned assets
Tangible fixed assets are recognized as assets in the balance sheet if it is probable that the future economic benefits will flow to the company and the cost of the assets can be measured reliably.

Tangible fixed assets are stated in the Group at cost less accumulated depreciation and any write-down. The cost includes the purchase price and costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable costs included in the cost are costs for delivery and handling, installation, legal ratification of ownership, consultancy services and legal services. Borrowing costs are not included in the cost for self-constructed fixed assets. Accounting principles for Impairment of assets are shown below.

The cost for self-constructed fixed assets includes costs for materials, employee benefits, other manufacturing costs considered directly attributable to the fixed asset where applicable, as well as estimated costs for dismantling and removing the asset and restoring the site or area where it is located.

Tangible fixed assets comprising parts with different useful lifes are treated as separate components of tangible fixed assets.

The carrying amount for a tangible fixed asset is derecognized from the balance sheet on scrapping or sale, or when no future economic benefits are expected from the use, scrapping or sale of the asset. Gain or loss which may arise from the sale or scrapping of an asset constitutes the difference between the sale price and the asset's carrying amount less direct sales costs. Gain and loss are recognized as other operating income/expense.

Leased assets
IAS 17 is applied for leased assets. Leases are classified in the consolidated accounts as either financial or operating leases. A financial lease is a lease whereby the financial risks and rewards associated with the ownership are in all essentials transferred to the lessee, if this is not the case the lease is an operating lease.

Assets leased in accordance with financial leases have been recognized as assets in the consolidated balance sheet. Obligations to pay future lease payments have been recognized as long-term and current liabilities. The leased assets are depreciated according to plan while the lease payments are recognized as interest and reduction of the liabilities.

For operating leases the lease payment is charged in the income statement over the lease term in accordance with the usage, which may differ from what is de facto paid in leasing fees during the year.

Subsequent costs
Subsequent costs are only added to the cost if it is probable that the future economic benefits associated with the asset will flow to the company and the cost can be measured reliably. All other subsequent costs are expensed in the period they arise.

Whether or not the subsequent cost refers to the replacement of identified components, or parts thereof, whereby such costs are capitalized, plays a crucial part in the assessment of whether a supplementary cost is added to the cost. Even in cases where new components are constructed, the cost is added to the cost. Any non-depreciated carrying amounts for replaced components, or parts of components, are scrapped and derecognized in connection with replacement. Repairs and maintenance are expensed as they are incurred.

Depreciation principles
Depreciation is carried out on a linear basis over the asset's estimated useful life, land is not depreciated. Leased assets are also depreciated over their estimated useful life or over the agreed lease term, whichever is shorter. The Group applies the component approach, whereby the components' assessed useful life forms the basis for depreciation.

Estimated useful lives:

– buildings and land improvements	20–67 years
– tanks	20 years
– machinery and technical plant	10 years
– equipment	3–5 years

Depreciation methods used and the residual value and useful life of assets are reviewed at each year-end.

INTANGIBLE ASSETS
Goodwill
Goodwill represents the difference between the cost of the business combination and the fair value of acquired assets, assumed liabilities and contingent liabilities.

In terms of goodwill in business combinations which took place prior to 1 Jan 2004, upon transition to IFRS the Group has not applied IFRS retroactively. Instead, the carrying amount on this date will in future constitute the Group's cost, following an impairment test, see Note 12.

Goodwill is stated at cost less any accumulated write-downs. Goodwill is distributed to cash generating units and is tested annually to see if any write-down is necessary (see accounting principle on impairment of assets). Goodwill arising from acquisitions of associated companies and joint venture is included in the carrying amount for participations in associated companies and joint venture.

For busines combinations where the cost is less than the net fair value of the acquired assets and assumed liabilities and contingent liabilities, the difference is recognized directly in the income statement.

Other intangible assets
Other intangible assets acquired by the Group are recognized at cost less accumulated amortization (see below) and any write-downs (see accounting principle on impairment of assets).

Expenses for internally generated goodwill and internally generated trademarks are recognized in the income statement as they arise.

Subsequent costs
Subsequent costs for intangible assets are only recognized as an asset in the balance sheet if they increase the future economic benefits for the specific asset to which they refer. All other costs are recognized as an expense as they arise.

Amortization
Amortization is charged to the income statement on a linear basis over the intangible assets' estimated useful lives, provided the useful life is not

indefinite. Goodwill and intangible assets with an indefinite useful life are impairment tested annually, or as soon as indications arise that the asset in question has decreased in value, to determine whether any write down is necessary. Intangible assets which are amortized are amortized from the date they are available for use. The estimated useful lives are:

– trademarks 3–10 years

INVENTORIES

Inventories are stated at the lower of cost and net realizable value. The cost for inventories is based on the first-in first-out principle (FIFO) and includes costs arising upon acquisition of the inventories and their transport to their current location and condition. For manufactured goods and work in progress, the purchase value includes a reasonable proportion of indirect costs based on normal capacity.

Net realizable value is the estimated sales price in the ordinary course of business, less estimated costs for completing and bringing about a sale.

IMPAIRMENT OF ASSETS/WRITE-DOWNS

Carrying amounts of the Group's assets are reviewed at each balance sheet date to assess whether there is any indication of a need for write-down. IAS 36 is applied in impairment testing for assets other than financial assets which are tested in accordance with IAS 39, assets held for sale, and disposal groups which are accounted for in accordance with IFRS 5, inventories, plan assets used to finance employee benefits and deferred tax assets. For the exceptions stated above, the carrying amount is assessed according to the relevant standard.

Impairment tests for tangible and intangible assets, and holdings in subsidiaries, associated companies and joint ventures

If a need for write-down is indicated, the recoverable amount of the asset is calculated in accordance with IAS 36 (see below). The recoverable amount for goodwill, other intangible assets with indefinite useful lives and intangible assets that are not yet ready for use is calculated annually. If largely independent cash flows cannot be established for an individual asset, upon testing whether write-down is necessary, the assets are grouped at the lowest level where largely independent cash flows can be identified – known as a cash generating unit.

A write-down is recognized when an asset's or cash generating unit's carrying amount exceeds the recoverable amount. A write-down is charged to the income statement. Write-down of assets attributable to a cash generating unit is primarily allocated to goodwill. After this a proportional write-down of all other assets included in the unit is carried out.

The recoverable amount is the higher of fair value less costs to sell and value in use. Upon calculating the value in use, future cash flows are discounted at a discount rate that takes into account risk-free interest and the risk associated with the specific asset.

Impairment tests for financial assets

At each reporting date, the company evaluates whether there is objective evidence that any write-down is necessary for a financial asset or group of assets. Objective evidence constitutes observable events that have an adverse impact on the potential to recover the cost, and a significant or long-term decrease in the fair value of a component of a financial investment classified as an available-for-sale financial asset.

At an impairment of an equity instrument classified as an available-for-sale financial asset, any previously recognized accumulated loss in equity is transferred to the income statement.

The recoverable amount of assets classed as held-to-maturity investments and loans and receivables, which are recognized at the amortized cost, is calculated as the present value of future cash flows discounted with the effective interest in force the first time the asset was recognized. Short term assets are not discounted. A write-down is charged to the income statement.

Reversal of write-downs

A write-down is reversed if there is an indication that impairment is no longer necessary, and there has been a change in the assumptions which formed the basis of the recoverable amount calculation. However, impairment of goodwill is never reversed. A reversal is only made to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that the asset would have had, with a deduction for amortization, if no write-down had been carried out.

Write-downs of held-to-maturity investments or loans and receivables recognized at amortized cost are reversed if a subsequent increase in the recoverable amount can objectively be attributed to an event that occurred after the write-down was carried out.

Write-downs of equity instruments classified as available-for-sale financial assets, which have previously been charged in the income statement, may not subsequently be reversed through the income statement. The written-down value is the value on which subsequent revaluations are based, which are charged directly to equity. Write-downs of interest-bearing instruments classified as available-for-sale financial assets are reversed through the income statement if the fair value increases and the increase can objectively be attributed to an event which occurred after the write-down was carried out.

SHARE CAPITAL

Dividends

Dividends are recognized as liability once the Annual General Meeting has approved the dividend.

PROFIT PER SHARE

Profit per share is calculated from Group profit for the year attributable to Parent Company shareholders and from the weighted average number of shares outstanding during the year. In calculating profit per share after dilution, the profit and average number of shares are adjusted to take account of the effects of dilutive potential ordinary shares, which during report periods derive from convertible bonds and options issued to employees.

EMPLOYEE BENEFITS

Defined contribution plans

Obligations regarding defined contribution plans are recognized as an expense in the income statement at the rate at which they are earned by employees performing services for the company during a period.

Defined benefit plans

The Group's net obligation regarding defined benefit plans is calculated separately for each plan by estimating the future benefit the employees have earned through their employment both in current and previous periods, this benefit is discounted to a present value and the fair value of any plan assets is deducted. As there is no active market for first-class company bonds, the market rate of interest for government bonds is instead used as a discount rate, with a term equivalent to the Group's pension obligations. The calculation is carried out by a qualified actuary using the projected unit credit method. Moreover, the fair value of plan assets is calculated on the balance sheet date.

On establishing the present value of the obligation and the fair value of the plan assets, actuarial gains and losses may arise. These come about either because the actual outcome deviates from the previous assumption or if the assumptions change. Actuarial gains and losses are charged directly to equity and do not give rise to any effect on the income statement.

When there is a difference between how the pension expense is established in the legal entity and the Group, a provision/expense or receivable/income is recognized regarding special employer's contribution based on this difference. The provision or receivable is not calculated at the present value. Special employer's contribution on the actuarial gains and losses, is also charged directly to equity, as the actuarial gains and losses are.

All expenses and income relating to pensions are recognised as costs of employees.

For information about the Group's defined benefit plans, see Note 25.

Note 1 continued over

Note 1 contd.

Changed accounting principle

The Group charges all actuarial gains and losses arising in relation to defined benefit plans directly to equity. In the financial statements for periods beginning before 1 Jan 2007, the Group applied the corridor method to recognized actuarial gains and losses in the income statement over the expected average remaining employment period of employees covered by the plan. This accounting principle has been altered because the Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses applies from 1 Jan 2007. The altered accounting principle has been applied retroactively in accordance with the transition rules for IAS 19, and comparison figures have been recalculated. The changed accounting principle has had the following effect on the Group's balance sheet on 31 December:

	2007	2006
Accumulated increase in pension obligations	38.8	36.1
Accumulated increase in provisions	9.4	8.7
Accumulated deduction in retained earnings	48.2	44.8

The change has not had any affect on the income statement.

Remuneration on termination of employment

A cost for remuneration in connection with termination of employment for employees is recognized only if the company is demonstrably obliged in a formal detailed plan to terminate employment ahead of the normal point in time, with no realistic possibility of withdrawal. When remuneration is paid as an incentive for voluntary departure, a cost is charged if it is likely that the offer will be accepted and the number of employees accepting the offer can be reliably estimated.

PROVISIONS

A provision is recognized in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimation of the amount can be made. When the effect of the timing of the payment is important, provisions are calculated by discounting the expected future cash flow at a pre-tax interest rate which reflects current market assessments of the time value of money and, if applicable, the risks associated with the liability.

Restructuring

A provision for restructuring is recognized when the Group has established a detailed, formal restructuring plan, and the restructuring has either begun or been publicly announced. No provision is made for future operating costs.

FIXED ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

A fixed asset (or disposal group) is classified as held for sale if its carrying amount will be recovered principally through a sale transaction rather than through use.

Immediately prior to classification as held for sale, the carrying amount of the assets (and all assets and liabilities in a disposal group) must be determined in accordance with applicable standards. Upon first classification as held for sale, fixed assets held for sale and disposal groups are recognized at the lower of carrying amount and fair value less costs to sell. According to IFRS 5.5, certain balance sheet items are exempt from the measurement provisions in IFRS 5. For each increase in fair value with a deduction for costs to sell a gain is recognized, although not exceeding an amount equal to previous impairments.

Losses resulting from decreases in value upon first classification as held for sale are included in the income statement, even if it is a revaluation. The same applies for gains or losses in subsequent revaluations.

A discontinued operation is a component of a company's operation which represents an independent business segment or a major operation in a geographical area, or a subsidiary acquired solely with the intention of resale.

Classification as a discontinued operation takes place upon disposal or at an earlier point when the operation fulfils the criteria for being classified as held for sale. A disposal group to be discontinued can also qualify as a discontinued operation if it fulfils the size criteria specified above.

CONTINGENT LIABILITIES

A contingent liability is recognized when there is a possible obligation arising from past events and the existence of which is substantiated only by one or more uncertain future events, or when there is an obligation which is not recognized as a liability or provision because it is not likely that an outflow of resources will be needed.

THE PARENT COMPANY'S ACCOUNTING PRINCIPLES

The Parent Company has prepared its Annual Report in accordance with the Swedish Annual Accounts Act (1995:1554) and Recommendation RR 32:06 of the Swedish Financial Accounting Standards Council, on Accounting for Legal Entities. Statements issued by the Swedish Financial Accounting Standards Council's Emerging Issues Task Force for publicly listed companies are also applied. RR 32:06 means that the Parent Company in the annual report for the legal entity shall apply all EU-approved IFRS standards and statements as far as possible within the framework of the Annual Accounts Act, taking into consideration the relationship between accounting and taxation. The recommendation stipulates which exceptions and additions to IFRS shall be applied. The Parent Company does not apply IAS 39 due to the relationship between accounting and taxation with regard to the hedging clause pertaining to foreign currencies in Section 14 §8 of the Swedish Income Tax Act. Therefore point 71 of Recommendation RR 32:06 of the Swedish Financial Accounting Standards Council is applied in advance, which entails that all financial instruments are measured based on cost in accordance with the Annual Accounts Act.

Differences between the Group's and Parent Company's accounting principles

The differences between the Group's and Parent Company's accounting principles are shown below. The accounting principles shown below for the Parent Company have been applied consistently to all periods presented in the Parent Company's financial reports.

Subsidiaries

Investments in subsidiaries are accounted for in the Parent Company in accordance with the cost method. Only dividends received are recognized as income, providing they originate from profit earned after the acquisition. Dividends exceeding this earned profit are regarded as a repayment of the investment and reduce the shares' carrying amount.

Revenue

Financial instruments

The Parent Company does not apply the valuation rules of IAS 39, although other previous information on financial instruments also applies in the Parent Company. In the Parent Company financial fixed assets are measured at cost less any write-down, and financial current assets at the lower of cost or net realizable value.

Hedge accounting

Derivatives not used for hedging are recognized in the Parent Company at the lower of cost or net realizable value. Accounting for derivatives used for hedging is guided by the hedged item. This means that only accrued coupon interest is continually recognized in the income statement and balance sheet, and that the derivative is otherwise treated as an off balance item, i.e. the change in fair value due to altered market interest rates is not recognized. Balance sheet items hedged against changes in value due to altered exchange rates are initially recognized at the forward contract's spot rate, and the forward contract's interest rate difference is allocated linearly across the contract's term and recognized in the income statement on an ongoing basis.

Anticipated dividends

Anticipated dividends from subsidiaries are recognized if the Parent Company has the sole right to determine the size of the dividend, and the Parent Company has decided on the size of the dividend before publishing its financial reports.

Tangible fixed assets

Tangible fixed assets in the Parent Company are stated at cost less accumulated depreciation and any write-down in the same way as for the Group but with an addition for any revaluations.

Leased assets
In the Parent Company, all lease agreements are accounted for in accordance with the regulations on operating leases.

Intangible fixed assets
Amortization
Amortization of goodwill and trademarks is carried out on a linear basis over the asset's estimated useful life.

Estimated useful lives:

– goodwill	5 years
– trademarks	3–20 years

Research and development
In the Parent Company, all expenses for development are recognized as a cost in the income statement.

Employee benefits
Defined benefit plans
The Parent Company uses different grounds for calculating defined benefit plans to those given in IAS 19. The Parent Company follows the Law on safeguarding of pension commitments and the Financial Supervisory Authority's rules as this is a prerequisite for entitlement to tax deduction. The most significant differences compared with the rules in IAS 19 are how the discount rate is established, that the defined benefit obligation is calculated based on the current pay level without assumptions about future salary increases, and that all actuarial gains and losses are recognized in the income statement as they arise.

Taxes
Untaxed reserves including deferred tax liability are recognized in the Parent Company. In the consolidated accounts however, untaxed reserves are divided into deferred tax liability and equity.

Group contributions and shareholders' contributions to legal entities
The company accounts for group contribution and shareholders' contributions in accordance with the statement from the Swedish Financial Accounting Standards Council's Emerging Issues Task Force. Shareholders' contributions are recognized directly in equity by the recipient and set up as an asset in shares and holdings by the issuer, to the extent that write-downs are not required. Group contributions are reported according to their financial significance. This means that Group contributions made with the aim of minimizing the Group's total tax are recognized directly against retained earnings after deductions for their current tax effect.

Group contributions comparable with a dividend are recognized as a dividend. This means that group contributions received and their current tax effect are recognized in the income statement. Group contributions paid and their current tax effect are recognized directly against retained earnings.

Group contributions comparable with shareholders' contributions are recognized, taking into consideration the current tax effect, by the recipient directly against retained earnings. The issuer reports the Group contribution and its current tax effect as an investment in participations in Group companies, to the extent write-down is not required.

NOTE 2 DISTRIBUTION OF REVENUES

Net sales in the Group and Parent Company comprise, in all essentials, of revenue from the sale of goods.

NOTE 3 REPORTING BY SEGMENT

Segment information is presented in respect of the Group's business areas and geographical areas. The Group's internal reporting system is structured based on monitoring return on the Group's goods and services, which is why the business units are the primary basis for division.

Internal prices between the Group's different segments are set based on the 'arm's length' principle, i.e. between parties that are independent of each other, well-informed and have an interest in ensuring the transactions take place.

The segments' profit, assets and liabilities include directly attributable items as well as items that can be divided among the segments in a reasonable, reliable way. Unallocated items mainly comprise head office costs. Assets and liabilities not divided by segment are cash and cash equivalents, interest-bearing liabilities and deferred tax liabilities.

The segments' investments in tangible and intangible fixed assets include all investments except for investment in expendable equipment and equipment of minor value.

Business areas
The business areas comprise the Group's primary segment reporting format. The Group comprises the following business areas:

V&S Absolut Spirits produces and markets the Group's international spirits brands. In addition to ABSOLUT VODKA these include Level Vodka, Fris Vodka, Plymouth Gin and Cruzan Rum.

V&S Distillers produces and sells spirits with mainly local or regional distribution in Northern Europe. The product portfolio for 2007 encompasses a broad range of both traditional and more modern products in Sweden, Denmark, Finland and Poland, as well as a slightly more limited range in Germany.

V&S Wine sells wine in the Nordic countries and Estonia. Sales include own products and agency brands alike, and the product portfolio encompasses table wines, quality wines, sparkling wines, fortified wines, fruit-based wines and special products such as mulled wine.

Other operations include Future Brands and Maxxium, as well as those parts of Cruzan International, Inc. not related to Cruzan Rum.

Geographical areas
The Group's segments are divided into the following geographical areas:

Sweden
Other Nordic, Baltic states
Other European countries, including CIS, the Middle East and Africa
North America: USA and Canada
Central and South America
Asia and the Pacific region

Geographical areas comprise the Group's secondary segment reporting format. The information presented regarding the segments' revenue refers to the geographical areas grouped according to where the customers are located. The information regarding the segments' assets and investments in tangible and intangible fixed assets during the period is based on the geographical areas grouped according to where the assets are located.

Note 3 continued over

Note 3 contd.

BUSINESS AREAS

GROUP

SEK millions	V&S Absolut Spirits 2007	2006	V&S Distillers 2007	2006	V&S Wine 2007	2006	Other operations 2007	2006	Eliminations 2007	2006	Group 2007	2006
External net sales	5,876.8	5,713.6	2,041.1	1,925.0	2,258.1	2,159.2	136.6	547.6	–	–	10,312.6	10,345.4
Ingternal net sales	207.3	168.4	9.1	22.5	0.2	0.2	–	–	–216.6	–191.1	–	–
Total net sales	**6,084.1**	**5,882.0**	**2,050.2**	**1,947.5**	**2,258.3**	**2,159.4**	**136.6**	**547.6**	**–216.6**	**–191.1**	**10,312.6**	**10,345.4**
Shares in associated companies' and joint ventures' results											222.6	238.3
Other operating revenues											240.1	312.8
											10,775.3	**10,896.5**
Operating profit by business area	2,023.5	1,914.0	321.1	284.2	108.1	111.7	–99.1	45.2	–6.7	4.8	2,346.9	2,359.9
Unallocated expenses											–41.6	–85.0
Operating profit											**2,305.3**	**2,274.9**
Net financial income and expenses											–91.8	–280.9
Tax expense for the year											–744.8	–416.8
Profit for the year											**1,468.7**	**1,577.2**
Assets	8,168.9	8,402.3	3,692.7	3,849.8	1,914.8	1,616.8	25.8	791.8			13,802.2	14,660.7
Unallocated assets											3,283.1	3,213.4
Total assets											**17,085.3**	**17,874.1**
Liabilities	1,439.2	1,434.7	1,036.1	951.9	799.2	620.4	32.5	115.1			3,307.0	3,122.1
Unallocated liabilities											5 808,3	7 504,6
Total liabilities											**9,115.3**	**10,626.7**
Investment	285.1	208.8	53.9	76.2	7.1	11.2	–	16.5	–	–	346.1	312.7
Depreciation and amortization/write-down	96.4	94.6	67.4	71.2	14.1	15.9	16.8	82.7	–	–	194.7	264.4

In terms of organizational structure, V&S is divided into business areas, and the primary financial means of control used to run the operation are operating profit and return on capital employed. For reasons of efficiency, the Group has co-ordinated important procedures that impact cash flow, such as logistics, the accounts receivable ledger, the accounts payable ledger and excise tax procedures. It therefore makes more sense for V&S to monitor and control the cash flow centrally at Group level than to do so at business area level.

The segment reporting described above is based on V&S's division into business areas and therefore encompasses the essential financial means of control V&S uses in monitoring the performance of its business areas. As cash flow by business area is not included in these means of control, that information has not been included in the segment reporting.

PARENT COMPANY

SEK millions	V&S Absolut Spirits 2007	2006	V&S Distillers 2007	2006	V&S Wine 2007	2006	Other operations 2007	2006	Parent company 2007	2006
Net sales	4,490.7	4,249.1	499.3	491.9	1,044.2	910.3	–	2.4	6,034.2	5,653.7

External sales based on the location of the consumers are shown below:

GEOGRAPHICAL AREAS

GROUP

SEK millions	2007	2006
Sweden	1,590.8	1,405.0
Other Nordic, Baltic states	1,901.7	2,064.7
Other European countries, including CIS, the Middle East and Africa	1,944.8	1,573.1
North America	4,424.6	4,822.4
Central and South America	269.9	223.6
Asia and the Pacific region	180.8	256.6
	10,312.6	**10,345.4**

The carrying amounts of assets and the periods investments in tangible and intangible fixed assets based on the location of the Group's assets are shown below:

SEK millions	Assets 2007	2006	Investment 2007	2006
Sweden	9,392.8	10,419.4	221.8	202.4
Other Nordic, Baltic states	2,302.9	2,114.6	55.4	76.9
North America	3,329.6	3,545.7	62.7	25.0
Other regions	2,060.0	1,794.4	6.2	8.4
	17,085.3	**17,874.1**	**346.1**	**312.7**

NOTE 4 BUSINESS COMBINATIONS

2007

On 16 March 2007 the Group acquired the remaining 50.0% of shares in V&S Norway AS for SEK 55.1 mn in a cash purchase. The acquisition has resulted in goodwill of SEK 41.3 mn as the result of acquired market shares in Norway. The company sells and distributes alcoholic beverages. Following the acquisition, V&S has a 100% holding in V&S Norway AS. The effect on the minority share of profit was SEK – 0.9 mn.

2006

On 23 March 2006 the Group acquired the remaining 36.4% of shares in Cruzan International, Inc. for SEK 658.2 mn in a cash purchase. The company produces and distributes alcoholic beverages. Following the acquisition, V&S has a 100% holding in Cruzan International, Inc.

SEK millions	Fair value recognized in Group 2007	2006
Intangible fixed assets	41.3	110.1
Minority interest	13.8	540.3
Provision for deferred tax	–	7.8
Purchase price paid	**55.1**	**658.2**

NOTE 5 OTHER OPERATING REVENUES

SEK millions	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Freight costs billed to customers	5.4	7.5	2.0	4.2
Capital gain from divestment of business	31.9	–	–	–
Profit from sale of fixed assets	2.0	148.0	1.5	143.7
Damages received	18.4	–	18.4	–
Repayment of supervision fee	24.6	–	24.6	–
Rental income	6.3	4.9	2.7	1.2
Energy contribution	–	0.1	–	–
Billed services	2.2	4.5	90.3	47.3
Other	149.3	147.8	15.8	10.7
	240.1	**312.8**	**155.3**	**207.1**

NOTE 6 EMPLOYEES AND COSTS OF EMPLOYEES

Average number of employees

	2007	of whom men, %	2006	of whom men, %
Parent company				
Sweden	806	62	747	65
France	–	–	3	67
Total in Parent Company	**806**	**62**	**750**	**65**
Subsidiaries				
Denmark	501	65	538	65
Finland	206	55	195	57
Estonia	9	58	18	61
Germany	19	61	26	54
United Kingdom	15	49	14	43
Norway	17	41	17	47
France	–	–	1	0
China	3	73	3	67
USA	200	61	425	65
Poland	328	53	317	52
Total in subsidiaries	**1,298**	**59**	**1,554**	**61**
Group total	**2,104**	**60**	**2,304**	**62**

Gender distribution of the Board and senior management

	2007 Women, %	2006 Women, %
Parent Company		
Board	22	18
Other senior management	11	11
Group total		
Board	16	13
Other senior management	11	11

Salaries, other remuneration and social security expenses

SEK millions	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Salaries	844.1	990.8	338.4	316.2
Social security expenses	157.7	163.9	113.5	105.3
Pension expenses	98.8	143.3	88.0	58.8
Other employees expenses	120.8	109.4	51.2	48.5
Total	**1,221.4**	**1,407.4**	**591.1**	**528.8**

SEK millions	2007 Salaries and remunerations	2007 Social security expenses	2006 Salaries and remunerations	2006 Social security expences
Parent company (of which pension expenses[1])	338.4	201.5 (88.0)	316.2	164.1 (58.8)
Subsidiaries (of which pension expenses)	505.7	77.8 (33.6)	674.6	143.1 (84.5)
Group eliminations (of which pension expenses)		–22.8 (–22.8)		– –
Group total	**844.1**	**256.5**	**990.8**	**307.2**
(of which pension expenses [2])		**(98.8)**		**(143.3)**

1 Of the Parent Company's pension expenses, SEK 6.9 (6.7) mn refers to senior management, including special employer's contributions. The Company's outstanding pension obligations to these parties amount to SEK 7.5 (6.2).

2 Of the Group pension expenses, SEK 7.4 (21.8) mn refers to senior management. The Company's outstanding pension obligations to these parties amount to SEK 7.5 (6.2) mn.

Salaries and other remuneration by country, and by senior management and other employees

SEK millions	2007 Senior management	2007 Other employees	2006 Senior management	2006 Other employees
Parent Company				
Sweden	20.1	318.3	18.6	297.6
(of which bonus)	(0.9)	(16.6)	(0.6)	(12.6)
France	–	–	–	–
Parent company, total **(of which bonus)**	**20.1** **(0.9)**	**318.3** **(16.6)**	**18.6** **(0.6)**	**297.6** **(12.6)**
Subsidiaries				
Denmark (of which bonus)	1.5 (–)	219.9 (3.2)	1.5 (0.1)	233.0 (3.5)
Finland (of which bonus)	1.3 (–)	64.4 (2.2)	1.2 (–)	63.8 (3.2)
Poland (of which bonus)	– (–)	46.9 (–)	1.5 (–)	42.1 (3.5)
USA (of which bonus)	6.5 (0.5)	138.1 (10.0)	30.6 (7.7)	271.5 (24.4)
Other (of which bonus)	3.2 (0.2)	23.8 (2.5)	6.0 (0.1)	23.4 (0.7)
Subsidiaries total **(of which bonus)**	**12.5** **(0.7)**	**493.2** **(17.9)**	**40.8** **(7.9)**	**633.8** **(35.3)**
Group total **(of which bonus)**	**32.6** **(1.6)**	**811.5** **(34.5)**	**59.4** **(8.5)**	**931.4** **(47.9)**

Sick leave in Parent Company

%	2007	2006
Total sick leave as a percentage of ordinary working hours	4.2	4.9
Percentage of total sick leave relating to continuous sick leave of 60 days or more	56.3	57.5

Total sick leave as a percentage of each group's ordinary working hours

Sick leave by gender:		
Men	4.0	4.7
Women	4.6	5.2
Sick leave by age:		
29 years of younger	2.9	3.6
30–49 years	3.2	4.2
50 years or older	6.9	6.8

For information on post-employment benefits, see Note 25 Pensions.

Note 6 continued over

Note 6 contd.

Remuneration and other benefits to senior management (Parent Company)

SEK thousand	Basic salary, fee	Variable remuneration	Other benefits	Social security expenses	Pension expense	Total	Retirement age
2007							
Board members, as specified below	1,695.7	–	–	549.8	–	2,245.5	
Bengt Baron, CEO	3,764.5	–	121.2	1,259.7	1,363.0	6,508.4	65
Rolf Cassergren, EVP	2,216.9	149.6	99.3	799.4	804.4	4,069.6	60
Mats Andersson	1,347.5	95.6	117.8	506.1	406.2	2,473.2	65
Jacob Broberg	1,198.1	93.1	122.3	458.3	408.8	2,280.6	65
Ketil Eriksen	2,582.4	180.0	100.6	928.2	493.3	4,284.5	65
Anders Carlson	1,896.6	102.9	114.5	685.4	515.7	3,315.1	65
Ola Salmén	1,598.3	114.3	95.9	586.3	1,036.3	3,431.1	60
Mikael Spångberg	1,471.8	103.5	86.0	538.6	478.5	2,678.4	65
Gunilla Winlund	1,366.3	103.5	139.3	521.7	1,386.9	3,517.7	60
	19,138.1	**942.5**	**996.9**	**6,833.5**	**6,893.1**	**34,804.1**	
2006							
Board members, as specified below	1,545.1	–	–	500.9	–	2,046.0	
Bengt Baron, CEO	3,515.1	–	111.1	1,175.6	1,319.2	6,121.0	65
Rolf Cassergren, EVP	2,288.3	112.2	95.6	809.2	818.3	4,123.6	60
Mats Andersson	1,277.5	82.2	112.2	477.2	406.9	2,356.0	65
Jacob Broberg	1,129.4	24.1	120.0	412.9	468.3	2,154.7	65
Ketil Eriksen	2,402.3	116.7	95.4	847.6	498.6	3,960.6	65
Anders Carlson [1]	1,599.0	–	75.4	542.9	430.6	2,647.9	65
Ola Salmén	1,532.8	101.2	96.7	561.1	981.5	3,273.3	60
Mikael Spångberg	1,410.2	92.1	85.6	514.8	487.2	2,589.9	65
Gunilla Winlund	1,319.8	88.0	131.9	499.2	1,307.6	3,346.5	60
	18,019.5	**616.5**	**923.9**	**6,341.4**	**6,718.2**	**32,619.5**	

1 Part of the year.

Remuneration to the Board

	2007				2006			
SEK thousand	Board fee	Committee fee	Social security expenses	Total	Board fee	Committee fee	Social security expenses	Total
Anders Narvinger [1, 2]	250.0	60.0	100.5	410.5	–	–	–	–
Jonas Iversen	164.5	35.0	64.7	264.2	107.0	35.0	46.0	188.0
Patrik Jönsson [3]	55.0	–	17.8	72.8	–	–	–	–
Eva Lindqvist [1]	110.0	–	35.7	145.7	–	–	–	–
Ebbe M Loiborg	164.5	45.0	67.9	277.4	107.0	45.0	49.3	201.3
Helle Kruse Nielsen	164.5	–	53.3	217.8	108.2	–	35.0	143.2
Mats G Ringesten	164.5	15.0	58.2	237.7	107.0	15.0	39.6	161.6
Johan Lund	74.7	–	24.2	98.9	107.0	–	34.7	141.7
Jan Lundin	74.7	–	24.2	98.9	107.0	–	34.7	141.7
Kent Karlsson [4]	47.4	–	15.4	62.8	53.5	–	17.3	70.8
Roger Möller [4]	47.4	–	15.4	62.8	53.5	–	17.3	70.8
Board members up to the Annual General Meeting								
Claes Dahlbäck [5]	114.5	–	37.1	151.6	229.5	95.0	105.2	429.7
Anders Björck [5]	54.5	–	17.7	72.2	107.0	–	34.7	141.7
Lars Danielsson	–	–	–	–	107.0	15.0	39.6	161.6
Sonia Karlsson [5]	54.5	–	17.7	72.2	54.5	–	17.7	72.2
Inger Lundberg	–	–	–	–	39.4	–	12.8	52.2
Arne Mårtensson	–	–	–	–	52.5	–	17.0	69.5
Total	**1,540.7**	**155.0**	**549.8**	**2,245.5**	**1,340.1**	**205.0**	**500.9**	**2,046.0**

1 Elected at the Annual General Meeting 20 March 2007.
2 Elected to the Audit and Remuneration Committee at the Annual General Meeting 2007.
3 Elected at the Extraordinary General Meeting 15 June 2007.
4 Deputy.
5 Up to Annual General Meeting 20 March 2007.

BENEFITS FOR SENIOR MANAGEMENT

Principles

Fees are paid to the Board Chairman and Board members elected at the AGM in accordance with the AGM's decision for the period 1 July–30 June. Extra fees may be payable for committee work. Fees for the first half of the 2007 calendar year were therefore determined at the 2006 AGM and fees for the second half of the year were determined at the 2007 AGM. Employee representatives and deputies are paid a fee corresponding to a basic amount in accordance with the Swedish National Insurance Act (1962:381), which amounted to SEK 40,300 in 2007.

Remuneration to the CEO comprises a monthly salary and pension premiums, and other benefits.

Remuneration to other senior management comprises a basic salary, a variable proportion, other benefits and a pension provision in the form of premiums or entered as a liability. The benefits are in addition to basic salary in all cases. "Other senior management" refers to those people who make up or have made up the Group Management during the financial year, in addition to the CEO. The variable proportion comprises bonuses and is based on results in relation to set goals.

Remuneration and other benefits during the year

CEO

The CEO of V&S Vin & Sprit AB (publ) has a fixed monthly salary. In addition, there is a pension premium equaling 30% of the pensionable salary. Pensionable salary is defined as 12.2 monthly salaries plus the value of free lunches. The CEO's salary does not include a variable proportion. "Other benefits" comprises use of company car, free lunches and health insurance.

Other senior management

Remuneration to other senior management comprises a basic salary, a variable proportion, other benefits and a pension provision in the form of premiums or entered as a liability. None of the above figures include the variable proportion of remuneration for 2007. A total provision of approximately SEK 1.0 mn has been made based on preliminary calculations. The variable proportion of remuneration relating to 2006 which was paid in 2007 is presented in the table above.

Bonuses

The CEO is not paid a bonus. For other senior management the bonus is based half on the Group's operating profit and half on individual goals. The maximum bonus payable is one month's salary.

Pensions

The CEO has a fee-based pension solution, whereby the cost of the pension comprises 30% of the pensionable salary. The pension age is 65 years.

Other senior management within the Group management are guaranteed pension benefits through the ITP plan with a pension from the age of 65. This pension plan also offers the opportunity for senior management to choose alternative pension solutions. In some cases there are also pension benefits with a pension from the age of 60 (see table above). The pension amounts to 70% of salary between the ages of 60 and 65. These pension obligations are recognized under "Provisions for pensions" in the balance sheet. The benefit of a pension at 60 years of age is accrued on a linear basis and is vested.

Severance pay

The company and CEO have agreed a mutual period of notice of 6 months. Upon notice of termination by the employer, the CEO is entitled to a severance pay corresponding to 18 months' salary, including the period of notice. Any remuneration from subsequent employment will be subtracted from the severance pay.

The company and other senior management have agreed a mutual period of notice of 6 months. Upon notice of termination by the employer, the employees are entitled to a severance pay corresponding to 12–24 months' salary, including the period of notice. Any remuneration from subsequent employment will be subtracted from the severance pay.

Preparation and decision-making

For the CEO's salary and terms of employment, a remuneration committee appointed by the Board prepares and proposes pay and other terms of employment for the CEO, after which the proposal passes to the Board for a decision.

For other senior management, the CEO decides the pay and other conditions of employment, based on market conditions and in accordance with guidelines from the state regarding terms of employment for senior executives in state-owned companies.

NOTE 7 FEES AND REIMBURSEMENTS PAID TO AUDITORS

	GROUP		PARENT COMPANY	
SEK millions	**2007**	2006	**2007**	2006
KPMG				
Audit assignments	6.9	3.9	2.6	1.5
Other assignments	3.6	5.7	1.8	2.3
Ernst & Young				
Other assignments	0.4	0.2	0.4	0.2
PricewaterhouseCoopers				
Other assignments	2.5	3.2	2.5	3.2
Other				
Audit assignments	0.6	2.6	–	–
Other assignments	0.7	1.6	–	–
	14.7	**17.2**	**7.3**	**7.2**

"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 or performance of such other tasks. All other work is "other assignments".

NOTE 8 NET FINANCIAL INCOME AND EXPENSE

	GROUP	
SEK millions	**2007**	2006
Interest income	27.0	16.3
Dividends	107.5	97.8
Exchange rate gains	108.5	–
Capital gain/loss from sale of shares	7,3	–5.7
Other	–0.9	–
Financial income	**249.4**	**108.4**
Interest expenses	–341.2	–382.0
Net changes in value at revaluation of financial assets/liabilities	–	–7,3
Financial expenses	**–341.2**	**–389.3**
Net financial and expenses	**–91.8**	**–280.9**

	Profit from investments in Group Companies		Profit from other securities and other receivables which are fixed assets	
SEK millions	**2007**	2006	**2007**	2006
Parent Company				
Dividend	96.4	70.8	107.5	97.8
Capital gain/loss from sale of shares	–87.1	2.6	–	–
Write-downs	–8.3	–134.2	–	–
	1.0	**–60.8**	**107.5**	**97.8**

Note 8 continued over

Note 8 contd.

SEK millions	Interest income and similar items 2007	2006	Interest expenses and similar items 2007	2006
Parent Company				
Interest income, Group companies	29.5	86.5	–	–
Interest income, other	14.6	9.6	–	–
Exchange rate gains	482.8	498.8	–	–
Interest expenses, Group companies	–	–	–66.7	–45.5
Interest expenses, other	–	–	–336.0	–363.6
	526.9	**594.9**	**–402.7**	**–409.1**

SEK millions	GROUP 2007	2006	PARENT COMPANY 2007	2006
Net proceeds				
Interest income referable to liquidity, loans and accounts receivables	27.4	23.1	44.1	96.0
Dividend on financial assets available-for-sale	107.5	97.8	203.9	168.6
Net profit including interest on derivatives held for hedge accounting	42.6	–	–	–
Net profit of cash flow hedges	140.1	120.7	123.3	99.3
Net profit from derivatives held for trading[1]	13.4	–25.8	18.1	–26.4
Net costs				
Interest expenses on financial liabilities measured at amortised cost	–214.6	–216.6	–276.8	–256.3
Net loss including interest on derivatives held for hedge accounting	–	–19.0	–66.7	–70.8
Interest rate loss on other liabilities	–110.7	–52.3	–	–
Write-down of accounts receivables[2]	–5.4	–3.5	–2.7	–0.3

1 Relates to economic hedges of commercial and financial flows where hedge accounting has not been applied, and the use of a set risk mandate from the Board of Directors. The result largely eliminates exchange rate fluctuations on accounts receivable, accounts payable and other financial currency positions.

2 For further information on Accounts receivables see Note 20.

NOTE 9 APPROPRIATIONS

SEK millions	PARENT COMPANY 2007	2006
Difference between depreciation/amortization recognized and according to plan		
– Trademarks	–196.1	–508.4
– Machinery and equipment	30.2	50.2
Tax allocation reserve for the year	–445.0	–398.9
Tax allocation reserve, reversal for the year	441.2	313.3
	–169.7	**–543.8**

NOTE 10 TAXES

Tax recognized in income statement

SEK millions	GROUP 2007	2006	PARENT COMPANY 2007	2006
Current tax expense (–)/tax income (+)				
Tax expense for the period	–569.3	–558.9	–386.0	–335.1
Adjustment for taxes related to previous years	0.7	–0.7	–	–
	–568.6	**–559.6**	**–386.0**	**–335.1**
Deferred tax expense (–)/tax income (+)				
Deferred tax on temporary differences	–150.7	88.8	0.4	1.4
Deferred tax income on tax value in loss carry forwards capitalized during the year	–	84.9	–	–
	–150.7	**173.7**	**0.4**	**1.4**
Taxes on share of profits in associated companies'	**–25.5**	**–30.9**	**–**	**–**
Total recognized tax expense	–744.8	**–416.8**	**–385.6**	**–333.7**

Reconcilliation of effective tax

SEK millions	GROUP 2007 (%)	2007	2006 (%)	2006
Profit before taxes		2, 213.5		1,994.0
Tax in line with the applicable tax rate for the Parent Company	28.0	–619.8	28.0	–558.3
Effect of other tax rates for foreign affiliates	1.7	–37.6	5.8	–115.7
Non-deductible expenses	4.0	–88.5	2.8	–55.8
Non-taxable revenues	–1.8	39.8	–1.9	37.9
Non-deductible exchange rate fluctations on assets	2.8	–61.9	6.3	–125.6
Utilization of loss carry forwards previously not recognized	–	–	–1.4	27.9
Standard interest on tax allocation reserve	0.7	–15.5	0.7	–14.0
Change in initial tax base of trademarks	–	–	–19.6	390.8
Other	–1.7	38.7	0.2	–4.0
Recognized effective tax	**33.7**	**–744.8**	**20.9**	**–416.8**

Taxes are calculated based on the national tax rate in each country.

SEK millions	PARENT COMPANY 2007 (%)	2007	2006 (%)	2006
Profit before taxes		1,393.6		1,155.3
Tax in line with the applicable tax rate for the Parent Company	28.0	–390.2	28.0	–323.4
Non-deductible expenses	2.7	–37.6	4.0	–46.2
Non-taxable revenues	–4.1	57.1	–4.2	48.6
Standard interest on tax allocation reserve	1.2	–16.7	1.3	–15.0
Other	–0.1	1.8	–0.2	2.3
Recognized effective tax	**27.7**	**–385.6**	**28.9**	**–333.7**

Recognition and tax effects of the holding in Beam Global Spirits & Wine
V&S's holding of shares in Beam Global Spirits & Wine, Inc. amounts to USD 498 mn. The holding is fiscally classified as a business-related holding and any change in value is therefore not subject to taxation. Currency risks associated with the holding have been protected, as the Group raised loans and entered into forward contracts for a corresponding amount at the time of acquisition. In 2004 V&S applied for advance notice from the Swedish National Tax Board to ascertain whether value changes in the protecting loans/forwards are also exempt from taxation. In spring 2007 the Supreme Administrative Court came to the decision that this was not the case. V&S has therefore during 2007 increased the amount in forwards so that the total value in loans and forwards for currency protection on the shareholding now amounts to USD 691 mn. The Group therefore has effective protection against exchange rate fluctuations for this holding. In the consolidated income statement exchange rate gains and losses in

assets and liabilities are recognized as financial income and expenses. As the total amount of the loans and forwards used to protect the holding in Beam Global Spirits & Wine, Inc. are higher than the value of the shares, an exchange rate gain arises which is recognized as financial income. The Group's tax expense changes by exactly the same amount, which means that post-tax profit is completely unaffected.

Tax items recognized directly in equity

SEK millions	GROUP 2007	2006
Exchange rate difference in foreign currency hedging	–53.2	65.1
Exchange rate differences	–1.4	–7.0
Hedging reserve	–15.7	–13.8
	–70.3	**44.3**

Tax recognized in balance sheet

Recognized deferred tax assets and liabilities relate to the following:

GROUP	Deferred tax assets		Deferred tax liability		Net	
SEK millions	**2007**	2006	**2007**	2006	**2007**	2006
Intangible assets	–399.6	–	715.9	281.2	316.3	281.2
Buildings and land improvements	–0.8	–2.4	54.7	63.0	53.9	60.6
Machinery and equipment	–16.7	–17.1	284.4	264.5	267.7	247.4
Inventory	–67.5	–70.9	3.2	5.0	–64.3	–65.9
Accounts receivables	–8.5	–3.3	36.0	70.8	27.5	67.5
Interest-bearing liabilities	–0.1	–6.2	561.5	565.1	561.4	558.9
Other provisions	–18.2	–16.5	3.1	3.0	–15.1	–13.5
Tax allocation reserve	–	–	653.0	652.0	653.0	652.0
Other	–82.4	–59.9	48.8	–	–33.6	–59.9
Loss carry forwards	–147.9	–150.5	–	–	–147.9	–150.5
Tax assets/ –liabilities	**–741.7**	**–326.8**	**2,360.6**	**1,904.6**	**1,618.9**	**1,577.8**
Offset	152.4	–269.4	–152.4	269.4		
Net tax assets/ –liabilities	**–589.3**	**–596.2**	**2,208.2**	**2,174.0**	**1,618.9**	**1,577.8**

PARENT COMPANY	Deferred tax assets		Deferred tax liability		Net	
SEK millions	**2007**	2006	**2007**	2006	**2007**	2006
Buildings and land improvements	–	–	27.4	32.2	27.4	32.2
Pension provisions	–11.1	–14.8	–	–	–11.1	–14.8
Other	–	–0.7	–	–	–	–0.7
Tax assets/ –liabilities	**–11.1**	**–15.5**	**27.4**	**32.2**	**16.3**	**16.7**

Of the deferred tax liabilities in the Group of SEK 2,208.2 (2,174.0) mn, SEK 275.5 (264.5) mn refers to untaxed reserves in the form of accumulated excess depreciation.

Deferred tax assets not recognized

Deferred tax assets have not been recognized in the income statement and balance sheet for the following:

SEK millions	GROUP 2007	2006
Taxable losses	29.1	27.1
	29.1	**27.1**

Taxable loss carry forwards relate to foreign subsidiaries. Deferred tax assets has not been recognized for this item, because it seems unlikely that the Group will use it to offset against taxable profit within a reasonable time frame. Of the non-recognized taxable loss carry forwards, SEK 4.4 mn has no expiration date, while SEK 24.7 mn expires in 2011 or there after.

Change in deferred tax in temporary differences and loss carry forwards:

GROUP SEK millions	Opening balance	Recog-nized in income	Recog-nized in equity	Acqui-sition/ sale of business	Closing balance
2007					
Intangible assets	281.2	67.5	–12.6	–19.8	316.3
Buildings and land improvements	60.6	–4.2	0.1	–2.6	53.9
Machinery and equipment	247.4	32.5	0.9	–13.1	267.7
Inventory	–65.9	–1.1	0.4	2.3	–64.3
Accounts receivables	67.5	–25.0	–15.5	0.5	27.5
Interest-bearing liabilities	558.9	49.5	–52.8	5.8	561.4
Other provisions	–13.5	5.2	–	–6.8	–15.1
Tax allocation reserve	652.0	1.0	–	–	653.0
Other	–59.9	25.3	–0.6	1.6	–33.6
Loss carry forwards	–150.5	–	9.8	–7.2	–147.9
	1,577.8	**150.7**	**–70.3**	**–39.3**	**1,618.9**
2006					
Intangible assets	661.8	–364.4	–23.1	6.9	281.2
Buildings and land improvement	52.7	9.5	–1.6	–	60.6
Machinery and equipment	99.7	149.5	–1.8	–	247.4
Inventory	–74.3	8.0	0.4	–	–65.9
Accounts receivable	15.3	52.0	0.2	–	67.5
Interest-bearing liabilities	469.2	23.8	65.9	–	558.9
Other provisions	–11.1	–2.7	0.1	0.2	–13.5
Tax allocation reserve	629.7	22.3	–	–	652.0
Other	–60.3	13.2	–12.8	–	–59.9
Loss carry forwards	–82.6	–84.9	17.0	–	–150.5
	1,700.1	**–173.7**	**44.3**	**7.1**	**1,577.8**

PARENT COMPANY SEK millions	Opening balance	Recog-nized in income	Recog-nized in equity	Acqui-sition/ sale of business	Closing balance
2007					
Buildings and land improvement		32.2	–4.8	–	27.4
Pension provisions		–14.8	3.7	–	–11.1
Other		–0.7	0.7	–	0.0
		16.7	**–0.4**	–	**16.3**

PARENT COMPANY SEK millions	Opening balance	Recog-nized in income	Recog-nized in equity	Acqui-sition/ sale of business	Closing balance
2006					
Buildings and land improvement		30.2	2.0	–	32.2
Pension provisions		–9.2	–5.6	–	–14.8
Other		–2.9	2.2	–	–0.7
		18.1	**–1.4**	**–**	**16.7**

NOTE 11 PROFIT PER SHARE

SEK millions	**2007**	2006
Net profit for the year attributable to Parent Company shareholders	1,468.3	1,571.9
Number of outstanding shares	500	500
Profit per share	2.9	3.1

There is only one kind of share in the company.

NOTE 12 INTANGIBLE FIXED ASSETS

GROUP SEK millions	Trademarks with definite useful lives	Trademarks with indefinite useful lives	Goodwill	Total
2007				
Accumulated costs				
Opening balance (excluding emission rights)	17.7	2,857.5	1,157.1	4,032.3
Acquisitions of operations	–	–	41.3	41.3
Other acquisitions	1.9	–	–	1.9
Reclassifications	0.1	–0.1	–	–
Sales and disposals	–7.5	–6.5	–258.8	–272.8
Exchange rate differences	0.3	26.2	38.9	65.4
Closing balance	**12.5**	**2,877.1**	**978.5**	**3,868.1**
Accumulated amortization				
Opening balance	–14.3	–	–	–14.3
Sales and disposals	7.4	–	–	7.4
Amortization for the year	–1.4	–	–	–1.4
Exchange rate differences	–0.5	–	–	–0.5
Closing balance	**–8.8**	**–**	**–**	**–8.8**
Accumulated write-downs				
Opening balance	–	–	–10.4	–10.4
Write-downs for the year	–	–4.6	–4.9	–9.5
Sales and disposals	–	4.6	4.9	9.5
Closing balance	**–**	**–**	**–10.4**	**–10.4**
Carrying amounts				
On 1 Jan 2007	3.4	2,857.5	1,146.7	4,008.8
On 31 Dec 2007	3.7	2,877.1	968.1	3,848.9
2006				
Accumulated costs				
Opening balance (excluding emission rights)	12.4	2,903.7	1,191.7	4,107.8
Other investments	–	90.0	–	90.0
Reclassifications	7.1	–7.1	–	–
Sales and disposals	–	–5.1	–	–5.1
Reclassification to assets held for sale	–1.8	–	–	–1.8
Exchange rate differences	–	–124.0	–34.6	–158.6
Emission rights				1.2
Closing balance	**17.7**	**2,857.5**	**1,157.1**	**4,033.5**
Accumulated amortization				
Opening balance	–11.1	–	–	–11.1
Reclassification to assets held for sale	0.7	–	–	0.7
Amortization for the year	–3.9	–	–	–3.9
Closing balance	**–14.3**	**–**	**–**	**–14.3**
Accumulated write-downs				
Write-downs for the year	–	–	–10.4	–10.4
Closing balance	**–**	**–**	**–10.4**	**–10.4**
Carrying amounts				
On 1 Jan 2006	1.3	2,903.7	1,191.7	4,096.7
On 31 Dec 2006	3.4	2,857.5	1,146.7	4,008.8

PARENT COMPANY

SEK millions	Trademarks	Goodwill	Total
2007			
Accumulated costs			
Opening balance (excluding emission rights)	1,567.1	274.1	1,841.2
Acquisitions	1.8	–	1.8
Closing balance	**1,568.9**	**274.1**	**1,843.0**
Accumulated amortization			
Opening balance	–96.5	–135.2	–231.7
Amortization for the year	–84.0	–13.9	–97.9
Closing balance	**–180.5**	**–149.1**	**–329.6**
Carrying amounts			
On 1 Jan 2007	1,470.6	138.9	1,610.7
On 31 Dec 2007	1,388.4	125.0	1,513.4
2006			
Accumulated costs			
Opening balance (excluding emission rights)	175.8	274.1	449.9
Acquisitions	1,392.5	–	1,392.5
Sales and disposals	–1.2	–	–1.2
Emission rights			1.2
Closing balance	**1,567.1**	**274.1**	**1,842.4**
Accumulated amortization			
Opening balance	–60.6	–121.2	–181.8
Sales and disposals	0.5	–	0.5
Amortization for the year	–36.4	–14.0	–50.4
Closing balance	**–96.5**	**–135.2**	**–231.7**
Carrying amounts			
On 1 Jan 2006	115.2	152.9	268.1
On 31 Dec 2006	1,470.6	138.9	1,610.7

Carrying amounts of trademarks with indefinite useful lives

	GROUP	
SEK millions	**2007**	2006
Cruzan Rum	1,162.1	1,162.1
Aalborg Akvavit	805.3	781.0
Gammel Dansk	345.1	334.7
Plymouth Gin	236.4	251.1
Malteserkreuz	219.5	213.2
	2,768.4	**2,742.1**
Other trademarks, overall	108.7	115.4
	2,877.1	**2,857.5**

Cash generating units with recognized goodwill values

	GROUP	
SEK millions	**2007**	2006
V&S Danmark A/S	252.9	490.2
V&S Finland Oy	485.1	466.9
V&S Vin & Sprit AB	163.4	163.4
V&S Norway AS	46.1	3.3
	947.5	**1,123.8**
Cash generating units with no significant goodwill values, overall	20.6	22.9
	968.1	**1,146.7**

Trademarks with definite useful lives
Trademarks with finite useful lives are amortized on a linear basis over the useful life, which varries between 3–10 years. The La Chasse trademark, part of the V&S Wine business area, was amortized over 5 years and was fully amortized at the end of 2007. All trademarks are acquired.

Trademarks with indefinite useful lives
Most of V&S's acquired trademarks are deemed to have indefinite useful lives as several of the now established spirits brands were created more than 100 years ago. The trademarks Cruzan Rum and Plymouth Gin are part of the V&S Absolut Spirits business area. The Danish brands Aalborg Akvavit and Gammel Dansk, as well as the German Malteserkreuz, refers to the V&S Distillers business area. Other acquired trademarks with indefinite useful lives include Lord Calvert and Friis Vodka which are part of the V&S Distillers and V&S Absolut Spirits business areas respectively.

Goodwill
The goodwill attributed to the cash generating unit V&S Denmark refers both to the V&S Wine business area SEK 95.5 (92.0) mn and the V&S Distillers business area SEK 157.4 (398.0) mn. The goodwill attributed to V&S Distillers has been affected by SEK 256 mn as a result of the divestment during the year of the yeast operation in Grenaa, Denmark. The goodwill attributed to V&S Finland refers to the V&S Wine business area, and the goodwill attributed to V&S Vin & Sprit AB relates to the V&S Absolut Spirits business area. During the year the remaining 50% of shares in Norwegian wine and spirits importer V&S Norway AS (formerly Amundsen AS) were acquired, which led to goodwill of SEK 42.6 mn as a result of market shares acquired in Norway. All goodwill items have arisen through acquisition.

Other intangible assets
In the 2006 accounts, intangible assets included allocated, unutilized emission rights at a value of SEK 1.2 mn. As the emission rights received during 2005–2007 are only valid until 2007, no value is being entered in the balance sheet this year. 11,738 emission rights were received in 2005, 12,319 in 2006 and 12,817 in 2007. Total utilization in 2005–2007 amounted to 9,482. The utilization was measured at the average cost. The value of the emission rights and related provisions has been measured at market value on the balance sheet date. No emission rights have been bought or sold. Any emission rights received in 2005-2007 and remaining after the company has 'paid' with emission rights on 30 April 2008 will be annulled by the state. The new emission period of 2008-2012 will begin being reported in 2008.

Impairment test of assets not amortized
Trademarks with indefinite useful lives and goodwill are no longer amortized in the consolidated accounts. Instead an impairment test is conducted annually, or if there is an indication of an impairment, to ensure that the carrying amount of the asset in question does not exceed the recoverable amount. An impairment test is carried out for each trademark.

Impairment tests in 2007 were based on estimates of value in use of all trademarks (bar two) that have indefinite useful lives. Impairment tests for V&S's cash generating units to which goodwill has been attributed were also based on estimates of value in use.

The values in use are based on cash flow forecasts for a total of 50 years, of which the first three are based on the three-year business plan established by the Board for each trademark or cash generating unit to which goodwill has been attributed. The cash flows forecast after the first three years were based on an annual growth rate in line with inflation, according to a harmonized indices of consumer prices. For trademarks the rate of inflation on the market where the brand is sold has been used (1–3%), as the cash generating units correspond to a particular country the national rate of inflation has been used (0–2%). The forecasted cash flows have been computed at present value with a discount rate of 8% before tax. This discount rate equals to a WACC (Weighted Average Cost of Capital) at an equity/assets ratio of 35% and a required return of 10.5%, which are the financial goals defined for V&S by its owner.

For the Plymouth Gin and Cruzan Rum trademarks, the 2007 impairment test has been based on fair value less costs to sell. Fair value less costs to sell has been calculated on the average price paid, expressed in volume sold, on a number of acquisitions of comparable trademarks, multiplied by the company's volume in the past years after deduction of calculated costs to sell.

The impairment tests for 2007 have not revealed any need for write-downs. The calculated recoverable amount for the Lord Calvert trademark, which has a carrying amount of SEK 104 mn in the Group, amounted to SEK 105 mn in last year's impairment test, which meant that a slight change in the assumptions on which the calculation was founded would necessitate a write-down. In this year's impairment test the calculated recoverable amount was SEK 178 mn, primarily due to improved profitability for the trademark.

No reasonable changes in the important assumptions are deemed to lead to the estimated recoverable amount being less than the carrying amount, as the estimated recoverable amounts are considerably higher than the carrying amounts.

NOTE 13 TANGIBLE FIXED ASSETS

GROUP

SEK millions	Buildings, land and land improvements	Machinery and technical plants	Equipments, tools and installations	Constructions in progress	Total
2007					
Accumulated costs					
Opening balance	1,097.1	1,873.0	205.3	298.0	3,473.4
Acquisitions	48.8	141.3	11.4	144.6	346.1
Reclassifications	306.4	–38.3	14.8	–219.2	63.7
Sales and disposals	–33.9	–146.1	–30.3	–7.7	–218.0
Exchange rate differences	13.3	23.4	5.1	0.7	42.5
Closing balance	**1,431.7**	**1,853.3**	**206.3**	**216.4**	**3,707.7**
Accumulated depreciation					
Opening balance	–361.8	–1,084.9	–139.8	–	–1,586.5
Depreciation for the year	–38.5	–118.5	–26.6	–	–183.6
Reclassifications	–13.6	–50.1	–	–	–63.7
Sales and disposals	18.9	94.8	24.9	–	138.6
Exchange rate differences	–9.6	–21.9	–3.5	–	–35.0
Closing balance	**–404.6**	**–1,180.6**	**–145.0**	**–**	**–1,730.2**
Accumulated write-downs					
Opening balance	–28.4	–40.9	–	–	–69.3
Sales and disposals	–	0.2	–	–	0.2
Exchange rate differences	–0.4	–0.2	–	–	–0.6
Closing balance	**–28.8**	**–40.9**	**–**	**–**	**–69.7**
Carrying amounts					
On 1 Jan 2007	706.9	747.2	65.5	298.0	1,817.6
On 31 Dec 2007	998.3	631.8	61.3	216.4	1,907.8
2006					
Accumulated costs					
Opening balance	1,258.0	1,984.0	222.6	175.7	3,640.3
Acquisitions	5.1	16.5	10.8	280.3	312.7
Reclassifications	59.9	56.5	33.5	–152.2	–2.3
Sales and disposals	–96.5	–71.2	–56.6	–2.4	–226.7
Reclassifications to assets held for sale	–84.6	–78.8	–	–0.5	–163.9
Exchange rate differences	–44.8	–34.0	–5.0	–2.9	–86.7
Closing balance	**1,097.1**	**1,873.0**	**205.3**	**298.0**	**3,473.4**
Accumulated depreciation					
Opening balances	–382.6	–1,045.3	–144.6	–	–1,572.5
Depreciation for the year	–35.6	–127.1	–29.7	–	–192.4
Reclassifications	–	21.0	–18.7	–	2.3
Sales and disposals	48.0	48.0	49.8	–	145.8
Reclassifications to assets held for sale	–	5.2	–	–	5.2
Exchange rate differences	8.4	13.3	3.4	–	25.1
Closing balance	**–361.8**	**–1,084.9**	**–139.8**	**–**	**–1,586.5**
Accumulated write-downs					
Opening balance	–6.4	–5.3	–	–	–11.7
Write-down for the year	–21.9	–35.8	–	–	–57.7
Exchange rate differences	–0.1	0.2	–	–	0.1
Closing balance	**–28.4**	**–40.9**	**–**	**–**	**–69.3**
Carrying amounts					
On 1 Jan 2006	869.0	933.4	78.0	175.7	2,056.1
On 31 Dec 2006	706.9	747.2	65.5	298.0	1,817.6

PARENT COMPANY

SEK millions	Buildings, lands and land improvements	Machinery and technical plants	Equipment, tools and installations	Construction in progress	Total
2007					
Accumulated costs					
Opening balance	488.6	1,186.7	95.3	262.5	2,033.1
Acquisitions	0.1	136.1	0.6	84.9	221.7
Reclassifications	288.2	–125.4	–	–162.8	–
Sales and disposals	–0.5	–20.2	–6.7	–	–27.4
Closing balance	**776.4**	**1,177.2**	**89.2**	**184.6**	**2,227.4**
Accumulated depreciation					
Opening balance	–167.7	–758.0	–75.4	–	–1,001.1
Depreciation for the year	–11.5	–68.1	–9.1	–	–88.7
Sales and disposals	0.2	18.4	6.6	–	25.2
Closing balance	**–179.0**	**–807.7**	**–77.9**	**–**	**–1,064.6**
Accumulated write-downs					
Opening balance	–21.9	–35.8	–	–	–57.7
Write-down for the year	–	0.2	–	–	0.2
Closing balance	**–21.9**	**–35.6**	**–**	**–**	**–57.5**
Carrying amounts					
On 1 Jan 2007	299.0	392.9	19.9	262.5	974.3
On 31 Dec 2007	575.5	333.9	11.3	184.6	1,105.3
2006					
Accumulated costs					
Opening balance	540.0	1,154.6	103.3	109.5	1,907.4
Acquisitions	0.7	1.2	2.0	198.4	202.3
Reclassifications	3.5	39.6	–	–43.1	–
Sales and disposals	–55.6	–8.7	–10.0	–2.3	–76.6
Closing balance	**488.6**	**1,186,7**	**95.3**	**262.5**	**2,033.1**
Accumulated depreciation					
Opening balance	–185.0	–693.2	–74.3	–	–952.5
Depreciation for the year	–12.3	–71.7	–10.4	–	–94.4
Sales and disposals	29.6	6.9	9.3	–	45.8
	–167.7	**–758.0**	**–75.4**	**–**	**–1,001.1**
Accumulated write-downs					
Write-down for the year	–21.9	–35.8	–	–	–57.7
Closing balance	**–21.9**	**–35.8**	**–**	**–**	**–57.7**
Carrying amounts					
On 1 Jan 2006	355.0	461.4	29.0	109.5	954.9
On 31 Dec 2006	299.0	392.9	19.9	262.5	974.3

Tax-assessed value

	PARENT COMPANY	
	31 Dec 07	31 Dec 06
Tax-assessed value, buildings (Sweden)	196,5	151,2
Tax-assessed value, land (Sweden)	16,6	15,5

Tax-assessed values of the Group's buildings and land in Sweden corresponds with the Parent Company's values.

Leased production equipment

The Group leases production equipment through a financial lease agreement. When the lease come to an end, the Group has the option of buying the equipment at a pre-determined price. There are also option to extend the lease. The lease contain interest fluctuation clauses. On 31 Dec 2007 the value of the leased assets was SEK 105.7 (117.1) mn. The leased assets act as security for the leasing liabilities. (See note 23.)

Tangible fixed assets under construction

In 2005, a project began to build a new bottling plant in Åhus. The aim is to supplement the existing plant and increase capacity. The plant had partially begun operating at the end of 2007.

NOTE 14 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINT VENTURES CONSOLIDATED IN ACCORDANCE WITH THE EQUITY METHOD

	GROUP	
SEK millions	**2007**	2006
Carrying amount at beginning of year	2,875.6	3,110.1
Share of profit in associated companies and joint ventures	197.1	206.7
Dividend	–185.1	–173.7
Translation difference	–98.4	–267.5
Acquisitions	–	–
	2,789.2	**2,875.6**

Below is a specification of Group amounts regarding the owned proportion of revenue, profit, assets and liabilities.

SEK millions	Country	Revenue	Profit	Assets	Liabilities	Equity	Share of equity in %
2007							
Associated companies and joint ventures							
Maxxium Worldwide B.V.	Netherlands	4,951.4	60.3	3,066.3	2,316.9	749.4	25.0
Future Brands LLC [1]	USA	478.4	135.1	185.7	126.9	58.8	49.0
Premier Wines & Spirits, Ltd	US Virgin Islands	59.0	1.5	27.0	17.0	10.0	45.0
Antillean Liquors	Netherlands	15.1	0.2	5.6	3.3	2.3	33.8
		5,503.9	**197.1**	**3,284.6**	**2,464.1**	**820.5**	
2006							
Associated companies and joint ventures							
Maxxium Worldwide B.V.	Netherlands	3,981.9	61.3	2,980.4	2,242.3	738.1	25.0
Future Brands LLC [1]	USA	509.4	143.8	177.5	109.9	67.6	49.0
Premier Wines & Spirits, Ltd	US Virgin Islands	59.2	1.1	28.5	20.0	8.5	45.0
Antillean Liquors	Netherlands	17.9	0.5	6.8	4.4	2.4	33.8
		4,568.4	**206.7**	**3,193.2**	**2,376.6**	**816.6**	

1 Future Brands LLC is a joint venture.

NOTE 15 RECEIVABLES FROM GROUP COMPANIES AND ASSOCIATED COMPANIES

	Receivables from Group Companies		Receivables from associated companies	
SEK millions	**2007**	2006	**2007**	2006
Accumulated costs				
At the beginning of the year	1,353.7	2,066.9	268.6	174.2
Additional receivables	2,697.6	2,805.4	1,186.6	896.7
Settled receivables	–2,922.9	–3,518.6	–1,146.9	–802.3
	1,128.4	**1,353.7**	**308.3**	**268.6**

NOTE 16 FINANCIAL INVESTMENTS

	GROUP	
SEK millions	**2007**	2006
Financial investments which are fixed assets		
Available-for-sale financial assets		
Shares and participations	3,303.2	3,521.4
	3,303.2	**3,521.4**

Financial investments essentially comprise a 10% preference shareholding in Beam Global Spirits & Wine, Inc. amounting to SEK 3,293.7 (3,514.8) mn. The shares were acquired in 2001 and 2006. Beam is a non-listed American company owned 90% by Fortune Brands, Inc., which is listed on the NYSE. As the holding is non-listed, it has not been possible to calculate the fair value from market value; instead the value has been adjusted due to the change in exchange rates since the acquisition date. The holding is hedged, and the gain or loss from exchange rate effects of both the asset and the hedging instrument is recognized in the Group income statement.

NOTE 17 OTHER LONG-TERM HOLDINGS OF SECURITIES

SEK millions	PARENT COMPANY 2007	2006
Accumulated costs		
At the beginning of the year	4,930.5	3,803.9
Acquisition	2.5	1,126.6
	4,933.0	**4,930.5**

The holding comprise primarily shares in Beam Global Spirits & Wine, Inc. and is an asset in USD. A hedge exists in the borrowing in the corresponding currency which is described in Note 1 and Note 29.

NOTE 18 LONG-TERM RECEIVABLES AND OTHER RECEIVABLES

SEK millions	GROUP 2007	2006
Long-term receivables which are fixed assets		
Other	10.9	2.2
	10.9	**2.2**
Other receivables which are current assets		
Receivables from associated companies	338.2	304.1
Derivatives held for hedging	40.9	172.6
Value-added tax	19.7	3.5
Other	77.8	104.9
	476.6	**585.1**

NOTE 19 INVENTORIES

SEK millions	GROUP 2007	2006	PARENT COMPANY 2007	2006
Raw materials and supplies	392.4	398.7	156.9	161.8
Semi-finished products	35.1	47.9	0.4	0.7
Finished goods and merchandise	712.4	508.3	210.2	183.4
	1,139.9	**954.9**	**367.5**	**345.9**

Cost of goods sold in the Group, includes write-down of inventories of SEK 15.6 (30.8) mn.

Cost of goods sold in the Parent Company, includes write-down of inventories of SEK 7.9 (11.8) mn.

NOTE 20 ACCOUNTS RECEIVABLE

The costs for bad debt losses during the year, amounted to SEK 5.4 (3.5) mn.

Allowance account for doubtful receivables

SEK millions	GROUP 2007	2006	PARENT COMPANY 2007	2006
Allowance at the beginning of year	72.8	77.0	–	1.5
Allowance for doubtful receivables during the year	3.2	3.1	1.1	–
Realized bad debt losses during the year	–28.1	–5.1	–	–1.5
Exchange rate differences	7.7	–2.2	–	–
	55.6	**72.8**	**1.1**	**–**

Age analysis	2007		2006	
SEK millions	**Carrying amount receivables not written down**	**Carrying amount receivables written down**	Carrying amount receivables not written down	Carrying amount receivables written down
GROUP				
Accounts receivables not past due	1,318.2	–	1,441.6	–
Accounts receivables past due 0–30 days	660.1	0.4	522.1	0.5
Accounts receivables past due > 30–90 days	86.4	0.3	67.3	0.3
Accounts receivables past due > 90–180 days	40.5	3.6	39.6	1.7
Accounts receivables past due > 180 days	13.9	49.4	18.4	69.3
	2,119.1	**53.7**	**2,089.0**	**71.8**

NOTE 21 PREPAID EXPENSES AND ACCRUED REVENUES

SEK millions	GROUP 2007	2006	PARENT COMPANY 2007	2006
Prepaid insurance premiums	14.4	7.3	9.2	4.4
Prepaid rent	23.3	10.5	10.6	9.9
Prepaid pension payments	9.4	4.3	4.9	4.3
Prepaid marketing expenses	7.2	0.3	6.7	0.1
Prepaid IS/IT expenses	–	9.2	–	9.2
Accrued interest income	11.4	–	11.2	–
Accrued dividend	26.5	29.8	26.5	29.8
Unrealized gain on electricity derivatives	6.3	4.5	6.3	4.5
Unrealized gain on foreign exchange forward contracts	96.6	221.9	96.6	221.9
Other items	70.7	65.5	14.1	23.1
	265.8	**353.3**	**186.1**	**307.2**

NOTE 22 EQUITY

GROUP

SEK millions	Share capital	Other capital contributed	Reserves	Retained earnings including profit for the year	Total	Minority interest	Total equity
	Equity attributable to Parent Company shareholders						
Opening balance 2006	500.0	100.0	134.9	5,588.5	6,323.4	562.9	6,886.3
Adjustment for change in accounting policy[1]	–	–	–	–32.9	–32.9	–	–32.9
Adjusted equity 2006	**500.0**	**100.0**	**134.9**	**5,555.6**	**6,290.5**	**562.9**	**6,853.4**
Change in translation reserve for the year	–	–	–108.0	–	–108.0	–12.7	–120.7
Change in hedging reserve for the year	–	–	44.9	–	44.9	–	44.9
Actuarial loss pensions	–	–	–	–11.9	–11.9	–	–11.9
Acquisition of minority	–	–	–	–	–	–540.3	–540.3
Total change in net wealth recognized directly in equity, excluding transactions with company owner	**–**	**–**	**–63.1**	**–11.9**	**–75.0**	**–553.0**	**–628.0**
Profit for the year	–	–	–	1,571.9	1,571.9	5.3	1,577.2
Dividend	–	–	–	–600.0	–600.0	–	–600.0
Closing balance 2006	**500.0**	**100.0**	**71.8**	**6,515.6**	**7,187.4**	**15.2**	**7,202.6**
Opening balance 2007	500.0	100.0	71.8	6,515.6	7,187.4	15.2	7,202.6
Change in translation reserve for the year	–	–	55.9	–	55.9	–	55.9
Change in hedging reserve for the year	–	–	–41.6	–	–41.6	–	–41.6
Actuarial loss pensions	–	–	–	–3.4	–3.4	–	–3.4
Business combinations	–	–	–	–	–	4.5	4.5
Acquisition of minority	–	–	–	–	–	–16.1	–16.1
Total change in net wealth recognized directly in equity, excluding transactions with company owner	**–**	**–**	**14.3**	**–3.4**	**10.9**	**–11.6**	**–0.7**
Profit for the year	–	–	–	1,468.3	1,468.3	0.4	1,468.7
Dividend	–	–	–	–710,0	–710,0	–	–710,0
Closing balance 2007	**500.0**	**100.0**	**86.1**	**7,270.5**	**7,956.6**	**4.0**	**7,960.6**

1 The accounting principle has been altered because the Amendment to IAS 19 Employee Benefits – Actuarial Gains and Losses applies from 1 Jan 2007. Comparison figures for 2006 have been recalculated.

Specification of capital item reserves

SEK millions	GROUP 2007	2006
Translation reserve		
Opening translation reserve	26.2	134.2
Exchange rate difference for the year	15.6	–471.3
Hedge of currency risk in foreign business	40.3	363.3
	82.1	**26.2**

Hedging reserve		
Opening hedging reserve	45.6	0.7
Cash flow hedges		
Charged directly to equity	–24.1	69.0
Transferred to profit or loss for the period[1]	–17.5	–24.1
	4.0	**45.6**
Total reserves		
Opening reserves	71.8	134.9
Change in translation reserve for the year	55.9	–108.0
Change in hedging reserve for the year	–41.6	44.9
	86.1	**71.8**
[1] Transferred to income statement		
Cost of goods sold	–0.3	–0.9
Net sales	17.8	25.0
	17.5	**24.1**

PARENT COMPANY

SEK millions	Restricted equity: Share capital	Legal reserve	Non-restricted equity: Translation reserve	Retained earnings	Profit for the year	Total equity
Opening balance 2006	500.0	100.0	7.5	3,370.5	–	3,978.0
Exchange rate difference for the year[1]	–	–	–0.3	–	–	–0.3
Profit for the year	–	–	–	–	821.7	821.7
Dividend	–	–	–	–600.0	–	–600.0
Closing balance 2006	**500.0**	**100.0**	**7.2**	**2,770.5**	**821.7**	**4,199.4**
Opening balance 2007	500.0	100.0	7.2	3,592.2	–	4,199.4
Profit for the year	–	–	–	–	1,008.0	1,008.0
Dividend	–	–	–	–710.0	–	–710.0
Closing balace 2007	**500.0**	**100.0**	**7.2**	**2,882.2**	**1,008.0**	**4,497.4**

1 Charged directly to equity.

Capital management
According to Board policy, V&S's financial objective is to have a capital structure that ensures good financial stability, so that the Group can secure the credit markets' trust, while also laying a foundation for continued positive development of the business operation. Capital is defined as total equity including minority interests. The Group's equity/assets ratio target is at least 35%.

The Group's aim is to achieve a return on capital employed of at least 12.5%, which translated into return on equity and with certain assumptions regarding costs for external capital, tax rates etc., correspondes to a return of just over 20%. The owner's requirement is a dividend corresponding to at least 10.5% of the average recorded equity in the long term. When establishing the dividend, the company's financial position and anticipated capital requirements shall be taken into consideration. The Board of Directors has proposed a dividend of SEK 800 mn which correspondes to 10.6% of average equity in 2007. In the past five years the standard dividend has been 9.6% of the average equity. This means that just over half of the Group's profit per share has been paid out in the form of ordinary dividends.

There has been no change in the Group's capital management during the year. Neither the Parent Company nor any subsidiary company is in need of external capital.

Share capital
Registered share capital on 31 Dec 2007 encompassed 500 shares (500). The company's shares have a nominal amount of SEK 1 mn each. Shareholders are entitled to a dividend set on an ongoing basis, and each share entitles the holder to one vote at the Annual General Meeting. All shares have the same entitlement to the Company's remaining net assets.

Translation reserve
The translation reserve encompasses all exchange rate differences arising from translation of financial statements of foreign businesses that has been prepared in a currency other that the currency in which the Group's financial statements are presented. The Parent Company and the Group present their financial statements in SEK. The translation reserve also includes exchange rate differences which arise in the revaluation of liabilities recognized as hedging instruments for a net investment in a foreign business.

Hedging reserve
The hedging reserve encompasses the effective portion of the accumulated net change in fair value of a cash flow hedging instrument attributable to hedging transactions that have not yet taken place.

Dividend
After the balance sheet date, the Board proposed the following dividend. The dividend has not yet been decided and there are no income tax consequences.

SEK millions	**2007**	2006
SEK 1,600,000 per share (1,420,000)	800.0	710.0
Proposed dividend per share	1.60	1.42
Recognized dividend per share	1.42	1.20

PARENT COMPANY

Restricted funds
Restricted funds may not be reduced through dividends.

Legal reserve
The aim of the legal reserve is to save a proportion of the net profit which is not used to cover loss brought forward.

Non-restricted equity
Retained earnings
Comprises the previous year's non-restricted equity after any transfer to the legal reserve and after any dividend has been paid. Together with net profit for the year and the translation reserve it makes up non-restricted equity, i.e. the sum that is available to be paid as a dividend to shareholders.

NOTE 23 INTEREST-BEARING LIABILITIES

The note contains information about the Groups contractual terms regarding interest-bearing liabilities. For further information about the Groups exposure to interest rate risk and currency risk, see Note 29.

	GROUP	
SEK millions	**2007**	2006
Long-term liabilities		
Bond loans	2,398.4	3,518.5
Financial lease liabilities	121.6	126.3
	2,520.0	**3,644.8**
Current liabilities		
Short-term credit line	10.1	–
Commercial Paper Programmes	403.6	1,309.5
Short-term part of bond loans	993.4	599.6
Accrued interest	11.2	18.9
Short-term part of financial lease liabilities	4.7	4.5
	1,423.0	**1,932.8**

Terms and payback periods
Bond loans
See Note 29 for liability specification.
No formal collateral has been given for the loans. However, the credit agreements do stipulate the standard requirements that the Group's equity must amount to a certain minimum along with restrictions on raising new loans and the sale or pledging of the company's assets. The loans have mainly been used to finance the Group's shareholding in Beam Global Spirits & Wine, Inc. for investments in the new distribution solution implemented in 2001, and for acquisition of foreign subsidiaries. These loans are recognized in accordance with hedge accounting in the Parent Company accounts, which is why they have been stated at the original cost. Hedge accounting is also used for these loans in the consolidated accounts.
If the liabilities were translated at the rate in force on the balance sheet date, they would be SEK 2,203 (2,302) mn lower in the Parent Company. The difference has been recognized less deferred tax in equity.

Financial lease liabilities
Financial lease liabilities fall due for payment as follows:

GROUP 2007	Minimum lease payments	Interest	Principal
Within one year	8.3	3.6	4.7
Between one and five years	34.2	13.0	21.2
Later than five years	118.4	18.0	100.4
	160.9	**34.6**	**126.3**
2006			
Within one year	8.2	3.7	4.5
Between one and five years	33.8	13.5	20.3
Later than five years	127.1	21.0	106.1
	169.1	**38.2**	**130.9**

An agreement was entered into during 2003 to finance distillation equipment through a lease. The plant was completed in early 2005 and the lease began on 1 April 2005. The agreement is a 16-year lease at a total cost of SEK 137 mn. The lease has been classified as financial lease.

NOTE 24 LIABILITIES TO CREDIT INSTITUTIONS

	PARENT COMPANY	
SEK millions	**2007**	2006
Long-term liabilities		
Bond loans	3,872.5	5,609.9
	3,872.5	**5,609.9**
Current liabilities		
Accrued interest	11.2	19.4
Short-term credit line	10.1	–
Commercial Paper Programme	403.5	1,309.0
Short-term part of bond loans	1;722,5	810,5
	2,147.3	**2,138.9**

NOTE 25 PENSIONS

SEK millions	GROUP 2007	2006
Present value of fully or partially funded obligations	235.9	230.5
Fair value of plan assets	–213.8	–139.7
Net fully or partially funded obligations	**22.1**	**90.8**
Present value of non-funded obligations	37.4	39.6
Net recognized regarding defined benefit plans	**59.5**	**130.4**

The net amount is recognized under provisions for pensions in the balance sheet. The entire net amount refers to obligations in Sweden.

Defined benefit plans
The Group has two defined benefit plans which provide remuneration to employees when they retire.

The first plan is the regular pension plan with a pension at the age of 65 and follows the ITP supplementary pensions for salaried employees. With the ITP plan, the old-age pension is earned from the age of 28 until retirement at the age of 65. The pension is co-ordinated with previous earnings in similar or equivalent pension plans from previous employers. The period of service required to receive maximum ITP is 360 months. With a full service period an old-age pension gives the following:

10% of salary up to 7.5 basic amounts
65% of salary between 7.5 and 20 basic amounts
32.5% of salary between 20 and 30 basic amounts

If the full pensionable service is not achieved, the pension will be reduced in proportion to the period lacking. Pensionable salary comprises the ordinary monthly salary including payment for holiday taken in cash and the value of free food. Bonuses from the V&S bonus programme do not affect pensionable income.

For employees with salaries exceeding 10 basic amounts, the employer and employee may agree to apply a different pension solution – known as alternative rule – for the portion of salary between 7.5 and 30 basic amounts, rather than the main rule (above). Upon application of this alternative rule, the employee can instead take out a different pension solution for the equivalent premium cost the ITP plan would have entailed.

The other pension plan, a direct pension solution with retirement at 60 years, has been agreed with a few senior executives. This pension benefit entitles the employee to retire at the age of 60. The pension benefit amounts to 70% of salary and is paid from the age of 60 until the age of 65, when the ordinary ITP plan (see above) begins. The pension is accumulated every year up to the age of 65, using the same percentages Alecta applies to adjust maturing pensions.

The pension paid from the age of 60 is earned linearly from the time the pension promise is given to the employee until the age of 60 when it is fully earned. The pension is currently safeguarded in the balance sheet. The pensionable salary is calculated in the same way as with the ITP plan. Bonuses from the V&S bonus programme are not pensionable income.

Defined contribution plans
In Sweden the Group has defined contribution pension plans for employees which are financed wholly by the company.

Overseas there are defined contribution plans which are wholly or partly financed by the subsidiaries. Payment for these plans takes place on an ongoing basis in accordance with the rules of the plan in question.

Changes to the net obligation for defined benefit plans recognized in the balance sheet

SEK millions	GROUP 2007	2006
Obligation for defined benefit plans on 1 Jan	270.1	260.8
Payments made	–17.8	–14.8
Cost recognized in income statement	21.4	20.5
Actuarial loss	–0.4	7.5
Curtailment and settlements	–	–3.9
Obligation for defined benefit plans on 31 Dec	**273.3**	**270.1**

SEK millions	GROUP 2007	2006
Fair value of plan assets on 1 Jan	139.6	144.5
Fee from employer	80.0	–
Paid remunerations	–10.1	–10.3
Expected return on plan assets	7.4	7.6
Actuarial loss	–3.1	–2.1
Fair value of plan assets on 31 Dec	**213.8**	**139.7**

Plan assets consists of bonds and bank balances.
Actual return on plan assets amounted to SEK 4.2 (5.4) millions.

Cost recognized in income statement

SEK millions	GROUP 2007	2006
Costs for service during current period	11.7	11.3
Interest expense on obligation	9.7	9.2
Expected return on plan assets	–7.4	–7.6
Total net cost in income statement	**14.0**	**12.9**

Actuarial losses charged directly to equity

SEK millions	GROUP 2007	2006
Accumulated actuarial losses on 1 Jan	36.1	26.5
Actuarial loss during the year	2.7	9.6
Actuarial losses charged directly to equity on 31 Dec	**38.8**	**36.1**
Deferred special employer's contribution on 1 Jan	8.7	6.4
Special employer's contribution on actuarial losses during the year	0.7	2.3
Deferred special employer's contribution charges directly to equity on 31 Dec	**9.4**	**8.7**
Accumulated actuarial losses on 1 Jan	44.8	32.9
Actuarial loss during the year	3.4	11.9
Actuarial losses charged directly to equity on 31 Dec	**48.2**	**44.8**

Assumptions for defined benefit obligations
The most significant actuarial assumptions on the balance sheet date (expressed as weighted averages).

	GROUP 2007	2006
Discount rate on 31 Dec	4.30%	3.80%
Expected return on plan assets on 31 Dec	5.50%	5.50%
Future salary increase	3.25%	3.00%
Future pension increase	2.00%	2.00%

Historical information

SEK millions	2007	GROUP 2006	2005
Present value of defined benefit obligation	273.3	270.1	260.8
Fair value of plan assets	–213.8	–139.7	–144.5
Loss on plan assets	**59.5**	**130.4**	**116.3**

Parent Company pension obligation secured by Pension fund

SEK millions	2007	2006
PRI	171.2	110.8
Less: Capital in the pension fund	–206.4	–130.8
	–35.2	**–20.0**
Of which credit insured via FPG/PRI	171.2	110.8

Parent Company pension obligation in accordance with Law on safe guarding of pension commitments, and other pension commitments

SEK millions	2007	2006
PRI	–	54.5
Other pensions	44.2	43.3
	44.2	**97.8**
Of which credit insured via FPG/PRI	–	54.5

	PARENT COMPANY	
SEK millions	2007	2006
Capital value of pension obligations		
Pension obligations regarding retirements arranged by the company on 1 Jan	208.6	208.0
Cost excl. interest expense charged to profit	13.6	12.1
Interest expense	6.3	6.2
Pension payments	–13.0	–14.6
Effects of redemption and acquired/sold operations	–	–3.1
Pension obligations regarding retirements arranged by the company on 31 Dec	**215.5**	**208.6**
Fair value regarding separable assets		
Fair value on 1 Jan	130.8	134.0
Return on separable assets	3.5	4.8
Payment to/from pension fund or equivalent	72.1	–8.0
Fair value on 31 Dec	**206.4**	**130.8**
Net pension obligations on 31 Dec		
Capital value of pension obligation	215.5	208.6
Fair value regarding separable assets	–206.4	–130.8
Surplus in separable assets	35.1	20.0
Net amount recognized in balance sheet regarding pension obligations	**44.2**	**97.8**
Costs relating to pensions arranged by the company		
Cost excl. interest expense charged to profit	13.6	12.1
Interest expense	6.3	6.2
Return on separable assets	–3.5	–4.8
Effects of redemption etc.	–	–3.1
Costs relating to pensions arranged by the company	**16.4**	**10.4**
Pensions through insurance		
Insurance premiums	39.2	38.7
	55.6	**49.1**
Tax on returns from pension funds	0.4	2.1
Special employer's contribution on pension expenses	16.4	10.4
Cost of credit insurance	0.4	0.3
Pension expenses for the year	**72.8**	**61.9**
Expenses covered by surplus in separable assets/increase in surplus in separable assets	15.2	–3.1
Recognized net expenses relating to pensions	**88.0**	**58.8**

The Group's pension expenses are reported in Note 6.

NOTE 26 OTHER PROVISIONS

Change in provisions during the year.

GROUP SEK millions	Restruc-turing measures	Return-able bottles	Special empl. contr. on actuarial loss	Other	Total
Opening balance	18.9	2.1	8.7	0.3	30.0
Provisions during the period	8.7	–	0.7	–	9.4
Amounts utilized during the period	–1.2	–	–	–0.3	–1.5
Unused amounts reversed during the period	–	–0.6	–	–	–0.6
Exchange rate differences	–	0.1	–	–	0.1
Closing balance	**26.4**	**1.6**	**9.4**	–	**37.4**

	GROUP	
SEK millions	2007	2006
Provisions which are long-term liabilities		
Costs for restructuring measures	25.2	17.7
Special employer's contribution on actuarial loss	9.4	8.7
Estimated liabilities to customers for returnable bottles outstanding	1.6	2.1
Other	–	0.1
	36.2	**28.6**
Provisions which are current liabilities		
Costs for restructuring measures	1.2	1.2
Other	–	0.2
	1.2	**1.4**

PARENT COMPANY SEK millions	Restructuring measures
Opening balance	18.9
Provisions during the period	8.7
Amounts claimed during the period	–1.2
Closing balance	**26.4**

	PARENTCOMPANY	
SEK millions	2007	2006
Provisions which are long-term liabilities		
Costs for restructuring measures	25.2	17.7
	25.2	**17.7**
Provisions which are current liabilities		
Costs for restructuring measures	1.2	1.2
	1.2	**1.2**

Provisions for restructuring
Last year's provision for restructuring following V&S's plan to close down the Sundsvall factory has been increased during the year. Moreover, parts of last year's provisions for an onerous contract have been utilized during the year. These provisions are recognized in the Parent Company's financial statements.

Special employer's contribution on actuarial loss
A provision for special employer's contribution on pension expenses arising as an actuarial loss has been charged directly to equity.

Provisions for returnable bottles
The provision is an estimated outstanding liability for returnable bottles in Denmark.

NOTE 27 OTHER LIABILITIES

SEK millions	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Liabilities to associated companies	42.8	21.8	–	–
Liabilities to joint venture	31.1	91.4	–	–
Excise taxes	592.4	604.6	290.3	309.6
Value-added tax	226.6	196.6	74.4	75.8
Other items	132.2	244.9	30.6	25.4
	1,025.1	**1,159.3**	**395.3**	**410.8**

NOTE 28 ACCRUED EXPENSES AND PREPAID REVENUES

SEK millions	GROUP 2007	GROUP 2006	PARENT COMPANY 2007	PARENT COMPANY 2006
Holiday pay liability incl. payroll overheads	40.2	40.8	29.6	25.7
Accrued employees costs	27.3	39.4	6.8	6.2
Accrued social security expenses	35.4	27.6	18.6	16.2
Severance pay incl. payroll overheads	1.0	10.0	1.0	3.6
Marketing expenses and royalty	254.7	266.2	175.1	151.3
Unrealized losses on foreign exchange forward contracts	167.6	103.0	167.0	102.3
Accrued interest	0.3	4.9	–	–
Other items	275.1	220.3	55.1	55.2
	801.6	**712.2**	**453.2**	**360.5**

NOTE 29 FINANCIAL RISKS AND POLICIES

The Group's financial risks are controlled and dealt with by a central treasury department. The principles for its work are described in a treasury policy set out by the Board of Directors. The following outlines the main aspects of the policy, as well as some of the more important financial risks and how they are dealt with.

MARKET RISKS

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to changes in market prices. IFRS standards divide market risk into three types: Currency risk, interest rate risk and price risk in raw material.

CURRENCY RISKS

V&S is an international Group operating in several countries, and its products are sold in many different parts of the world. Because of this the Group is affected by the way currencies fluctuate in relation to each other. The currency exposure is normally divided into two main groups: transaction exposure and translation exposure.

Transaction exposure

Transaction exposure originates partly in the Group's commercial flows, i.e. cross-border sales and purchases, and partly in financial flows. The Group's treasury policy states that forecasted flows can be hedged for up to one year.

The table below shows the contracted and forecasted commercial net flows for the most important currencies over one year. A currency flow with a negative amount means that the Group buys more in that currency than it sells in the same currency, while a positive amount means that the Group sells more than it buys in that currency. The table also shows that the USD is the Group's biggest sales currency and that the EUR is the Group's biggest purchase currency.

Currency	One years flow, SEK millions	Percentage hedged 07-12-31, %	Currency risk, SEK millions	Unrealized gain/loss, SEK millions	Of which recogn. in income statement SEK millions
AUD	–55.8	83	–1.0	–0.6	–0.6
CAD	118.2	37	–7.5	–1.3	–1.3
EUR	–681.8	49	–34.5	7.0	1.6
GBP	53.4	0	–5.3	–	–
MXN	70.9	0	–7.1	–	–
NOK	24.1	0	–2.4	–	–
PLN	78.6	40	–4.7	0.1	0.1
USD	2,199.7	22	–171.9	35.7	35.7
			–234.4	**40.9**	**35.6**

Exchange rate risk by currency and in total refers to the consequential effect on profit of an adverse 10% shift in exchange rates on unhedged amounts for the next year, expressed in absolute figures.

Unrealized exchange rate gains on the Group's total forwards related to hedging of commercial flows amounted to net SEK 40.9 mn on 31 Dec 2007. A gain of net SEK 35.6 mn mainly attributable to hedging of accounts receivable has been recognized in income. Sales in USD and purchases in EUR are currently hedge accounted, and unrealized gains or losses not attributable to hedge accounting are recognized in the income statement. The exceptions to this rule are USD sold within a three-month frame, which are attributable to accounts receivable in V&S Absolut Spirits.

EUR bought under forward contracts which primarily relate to wine purchases and which are not taken up as income amount to EUR 30 million. USD-related currency forwards sold are taken up as income in their entirety.

In terms of financial flows, the nominal loan amounts are hedged in full whilst interest flows are not hedged. The result of these hedges and the underlying asset/liability is transferred to the income statement. See also Note 1, Receivables and liabilities denominated in foreign currency.

Translation exposure

Note 1 describes how the Group manages cash flow hedges, fair value hedges and hedges of net investments. These hedges are also shown in the table "Fair value" further on in this note.

The Group has invested capital in several different countries, and conversion to SEK, the Group's presentation currency, is based on the exchange rate in force at the end of the financial period in question. Therefore, the SEK value of foreign net capital changes in proportion with the exchange rates. Such changes are recognized directly in Group equity under reserves.

In accordance with the Group's treasury policy, foreign net capital excluding goodwill on consolidation has mostly been financed in the same currency. Both loans and forward contracts have been used to achieve this, and tax effects have also been taken into account. In order to meet exchange rate differences on the invested foreign net capital, exchange rate differences for such loans and forward contracts, both realized and unrealized, have been recognized directly in equity. This is shown in Note 22 under the heading "Translation reserve".

The table below shows how much capital excluding goodwill the Group has invested in the most important currencies on 31 Dec 2007, and how large a proportion of this has been hedged in loans and forwards respectively.

Currency	Net assets, SEK millions	Percentage hedged
DKK	1,044	104
EUR	1,043	94
USD	2,189	84
PLN	686	0
Other	155	0

Another form of translation exposure is the accumulated financial results of foreign subsidiaries during the year, which have an ongoing effect on foreign equity. The Group normally adjusts the amount by which foreign equity is to be hedged once a year in connection with drawing up the annual accounts. The reason why the percentage hedged on 31 Dec is not 100% for EUR and USD, is because the accumulated results for 2007 have not yet been hedged.

EXCHANGE RATE SENSITIVITY

As shown above, the Group's transaction exposure largely comprises of export income in USD. For this type of exposure, there is very little opportunity to compensate for any exchange rate fluctuations for example by means of price adjustment. Any coverage measures taken therefore mainly lead only to a delay in the exchange rate effects for the duration of the forward contracts in place and also create better conditions for forecasting results.

On an annual basis, it is estimated that a fluctuation of SEK 0.10 in the USD exchange rate would affect the operating profit by approximately SEK 42 mn, including the effect when translating the year's profit.

INTEREST RATE RISK

The Group's loans have an average interest term of just over 5 months, which is within the treasury policy's limit of one year.

All bond loans in USD, except for the loan of USD 33 mn, are subject to fixed interest. The Group has used interest rate swaps, which are directly connected to the respective bond loan, to change the fixed interest rate to floating rate interest. The Group reports these interest rate swaps in accordance with hedge accounting which means that changes in the fair value of the swaps and the underlying bond loans have been recognized in the income statement.

Based on the Group's net loan debt on 31 Dec 2007, a general increase in market interest rates of one percentage point would increase interest expense by approximately SEK 33 mn a year.

ELECTRICITY PRICE RISK

In its operations the Group is affected by electricity price fluctuations, and the Parent Company therefore hedges some of its electricity purchases through Nordpool. The aim is to optimize and as far as possible achieve predictability for future electricity costs.

Purchases of electricity through Nordpool amounted to 72,843 MWh in 2007, and according to policy the company can hedge up to 80% of the forecast volume.

A 10 per cent increase in the electricity price on 31 Dec 2007 would lead to a change in equity of SEK 1.5 mn and in profit of SEK 3.3 mn, given that all other known factors remain unchanged.

FINANCING RISK

The Group's treasury policy states that long-term financing, including equity, provisions, long-term loans and loan promises should at least equal capital employed. Long-term loans and loan promises refer to loans with an original tenor of one year. The policy also states that the average term of long-term loans must be more than two years. The proportion of capital employed that has been financed long-term, i.e. the matching ratio, was 120.6% on 31 Dec 2007.

LIQUIDITY RISKS

The treasury policy states that the Group should minimize the liquidity risk by ensuring access at all times to cash and cash equivalents equalling 8% of annual sales, although at least SEK 400 mn, within a maximum of three banking days.

Of the total financial loans, which totalled SEK 3,943 mn at the year-end (Note 23), 36% fall due in 2008, 23% in 2009, 38% in 2010 and 3% in 2020.

On 31 Dec 2007, the Group had unused credit facilities of SEK 4,582 mn. Together with cash and cash equivalents of SEK 555 mn, this provides a total liquidity reserve of SEK 5,137 mn.

CREDIT RISK

Counterparty risk

Counterparty risk is the risk that the other party in a transaction will not be able to fullfill its committments when an obligation is due.

The Group's financial transactions are exclusively with banks and credit institutions with a long-term credit rating equal to or better than A2 (Moody's) or A (Standard & Poor's). International Swap Dealers' Association (ISDA) agreements have been established with a majority of the Group's banks.

Total receivables regarding financial instruments where V&S has a receivable on the counterparty amounted to SEK 569 mn on 31 Dec 2007, of which cash and cash equivalents amounted to SEK 536 mn. The biggest receivable on a single counterparty totalled SEK 394 mn, of which cash and cash equivalents amounted to SEK 394 mn.

Customer credit risk

The risk that the Group's customers will default, i.e. that no payment will be received for accounts receivable, constitutes a customer credit risk. V&S's customer credit risk is assessed as relatively low as the majority of customers are companies with a good reputation and a good credit rating. Bad debt losses account for no more than 0.5 (0.3) ‰ in relation to the Group's total net sales.

Long-term loans and loan promises amounted to the following (USD mn):

Loan	Credit Facility frame	Utilized amount on 31 Dec 07	Due for repayment	Funding basis[1]	Interest rate, %
Syndicated loan[2]	380	0	2012	Floating	
Bond loans	33	33	2010	Floating 6 m	5.63
Bond loans	160	160	2008	Fixed	
Effect of swap	160	160	2008	Floating 6 m	5.51
Bond loans	140	140	2009	Fixed	
Effect of swap	140	140	2009	Floating 6 m	5.56
Bond loans	200	200	2010	Fixed	
Effect of swap	200	200	2010	Floating 6 m	5.44

1 See above under Interest Rate Risk.

2 Refers to an agreement with 8 banks regarding a syndicated credit facility amounting to USD 380 million in the form of a Multi-Currency Revolving Credit Facility. No formal collateral has been given for the loan. However, the agreement does stipulate the standard demands that the Group's equity must amount to a certain minimum along with restrictions on raising new loans and the sale or pledging of the company's assets. On 31 December 2007 the entire amount was unutilized.

Note 29 continued over

Note 29 contd.

FAIR VALUE

The table below shows the carrying amount and fair value for each type of financial instrument. The differences between carrying amount and fair value regarding shares and participations and bank loans are explained by the hedge accounting described in Notes 17, 18 and 23.

Fair values and carrying amounts are recognized in the balance sheet below:

GROUP SEK millions	Derivatives held for hedge accounting [1]	Derivatives held for trading [2]	Accounts receivables and loans	Available-for-sale financial assets	Other liabilities	Carrying amount	Fair value
2007							
Financial investments				3,303.2		3,303.2	3,303.2
Accounts receivable			2,172.9			2,172.9	2,172.9
Cash and cash equivalents			555.4			555.4	555.4
Receivables from associated companies			338.2			338.2	338.2
Foreign exchange forward contracts: Assets	41.6	48.4				90.0	90.0
Electricity derivatives: Assets	6.3					6.3	6.3
Loans					–3,943.0	–3,943.0	–3,943.0
Interest rate swaps: Liabilities	–41.1					–41.1	–41.1
Foreign exchange forward contracts: Liabilities		–121.2				–121.2	–121.2
Financial lease liabilities: Liabilities					–126.3	–126.3	–126.3
Accounts payable					–1,013.7	–1,013.7	–1,013.7
						1,220.7	**1,220.7**
2006							
Financial investments				3,521.5		3,521.5	3,521.5
Accounts receivable			2,243.8			2,243.8	2,243.8
Cash and cash equivalents			400.1			400.1	400.1
Receivables from associated companies			304.1			304.1	304.1
Cross-currency swaps: Assets	95.6					95.6	95.6
Foreign exchange forward contracts: Assets	83.7	138.2				221.9	221.9
Electricity derivatives: Assets	4.5					4.5	4.5
Loans					–5,577.6	–5,577.6	–5,577.6
Interest rate swaps: Liabilities	–150.7					–150.7	–150.7
Foreign exchange forward contracts: Liabilities	–2.0	–19.1				–21.1	–21.1
Financial lease liabilities: Liabilities					–130.8	–130.8	–130.8
Accounts payable					–906.1	–906.1	–906.1
						5.2	**5.2**

1 Of which SEK 5.4 (63.3) mn relates to cash flow hedges charged to equity.

2 Relates in its entirety to derivatives for financial hedges.

PARENT COMPANY SEK millions	Derivatives held for hedge accounting	Derivatives held for trading[1]	Accounts receivables and loans	Available-for-sale financial assets	Other liabilities	Carrying amount	Fair value
2007							
Other long-term securities				4,933.0		4,933.0	3,296.3
Accounts receivable			1,509.3			1,509.3	1,509.3
Cash and cash equivalents			420.9			420.9	420.9
Foreign exchange forward contracts: Assets		46.4				46.4	90.9
Electricity derivatives: Assets	6.3					6.3	6.3
Loans					–7,839.7	–7,839.7	–5,672.0
Interest rate swaps: Liabilities	–2.4					–2.4	–41.1
Foreign exchange forward contracts: Liabilities		–118.5				–118.5	–122.9
Other liabilities: Accounts payable and other liabilities					–573.7	–573.7	–573.7
						–1,618.4	**–1,086.0**
2006							
Other long-term securities				4,930.5		4,930.5	3,515.4
Accounts receivable			1,649.1			1,649.1	1,649.1
Cash and cash equivalents			190.5			190.5	190.5
Cross-currency swaps: Assets	4.3					4.3	95.6
Foreign exchange forward contracts: Assets		136.7				136.7	223.5
Electricity derivatives: Assets	4.5					4.5	4.5
Loans					–8,947.8	–8,947.8	–6,646.0
Interest rate swaps: Liabilities	–2.7					–2.7	–150.7
Foreign exchange forward contracts: Liabilities		–17.1				–17.1	–21.2
Other liabilities: Accounts payable and other liabilities					–410.3	–410.3	–410.3
						–2,462.3	**–1,549.6**

1 Relates in its entirety to derivatives for financial hedges.

IAS 39 is not applied by the Parent Company.

MEASUREMENT OF FAIR VALUE

The following is a summary of the main methods and assumptions used to establish the fair value of the financial instruments presented in the table above.

Securities

Financial investments essentially comprise a 10% preference shareholding in Beam Global Spirits & Wine, Inc., which was acquired in 2001 and 2006. The company is a non-listed American company owned 90% by Fortune Brands, Inc., which is listed on the NYSE. As the holding is non-listed, it has not been possible to calculate the fair value from a market value; instead the value has been adjusted due to the change in exchange rates since the acquisition date. The holding is hedged, and the gain or loss from exchange rate effects of both the asset and the hedging instrument is recognized in the consolidated income statement.

Derivative instruments

Foreign exchange forward contracts are valued at the applicable forward rate with the profit discounted to present value. In order to determine the fair value of interest rate swaps and cross-currency swaps, future cash flows are discounted by the applicable swap curve.

Interest-bearing liabilities

Fair value is calculated by discounting future payments at the balance sheet date using the market rates of interest in effect on 31 Dec 2007.

Financial lease liabilities

Fair value is based on the present value of future cash flows discounted at the market rate of interest for similar lease agreements. The calculated fair value reflects changes in interest rates.

Accounts receivable and accounts payable

All accounts receivable and accounts payable fall due for payment within one year, which is why the carrying amount is considered to reflect the fair value.

Exchange rates

	Closing day rate 31 Dec 2007	**Average rate 2007**	Closing day rate 31 Dec 2006	Average rate 2006
USD/SEK	6.4302	6.7607	6.8749	7.3766
EUR/SEK	9.4501	9.2481	9.0536	9.2549
DKK/SEK	1.2670	1.2413	1.2143	1.2408
PLN/SEK	2.6201	2.4453	2.3617	2.3777

NOTE 30 OPERATING LEASES

Lease agreements in which the companies are lessee
Property and premises
Non-cancellable lease payments amount to:

	GROUP		PARENT COMPANY	
SEK millions	**2007**	2006	**2007**	2006
Within one year	67.5	70.2	36.7	36.3
Between one and five years	157.4	188.2	65.7	93.4
Later than five years	94.7	113.1	20.1	19.3
	319.6	**371.5**	**122.5**	**149.0**

Equipment
Non-cancellable lease payments amount to:

	GROUP		PARENT COMPANY	
SEK millions	**2007**	2006	**2007**	2006
Within one year	12.3	8.7	6.6	6.1
Between one and five years	20.4	14.2	14.0	10.9
	32.7	**22.9**	**20.6**	**17.0**

Group
Lease payments for property and premises refer to rent for office premises in Stockholm, New York, Odense, Florida and Helsinki. Moreover, rent for storage premises in Stockholm, Åhus and Odense as well as a production unit in Turku, are also included. The rental agreements apply commercial terms with regard to prices and duration. The rental agreements are index-linked (presented as contingent rent) and any property taxes are excluded. The New York office was relocated to new premises in April 2007. The current premises is being sublet until the lease expires, future minimum lease payments amount to SEK 53.4 mn. The office premises in Florida were leased until mid-2007. A rental agreement has been signed for office premises in Copenhagen from March 2008.

Equipment refers to forklift trucks, container cars and the lease of approximately 190 cars (130).

The Group's net profit for 2007 includes a cost of SEK 77.6 (79.4) mn regarding operating leases, of which SEK 74.3 (77.6) mn refers to minimum lease payments and SEK 3.3 (1.9) mn to contingent rents.

V&S has an agreement regarding total supply of IT services and operation for all V&S operations in Sweden and most of the operation in Denmark. The service commitment from the supplier is farreaching, which means that V&S purchases functionality and accessibility for specified IT services at the end-user site according to an End-to-End SLA (Service Level Agreement). This means that hardware is also included in the service. However, it is not possible to separate the costs for this. The IT service is priced according to a structure founded on a basic price for an agreed basic volume. The price is based on an agreement period of 5 years with an option for a further 2 years.

Parent Company
Lease payments for property and premises pertain to rent on office and storage premises in Stockholm, and storage premises in Åhus. The rental contracts apply commercial terms with regard to prices and duration. The rental contracts are index-linked (presented as contingent rent) and any property taxes are excluded.

Equipment refers to forklift trucks, container cars and the lease of approximately 90 cars (100).

The Parent Company's net profit for 2007 includes a cost of SEK 44.5 (49.6) mn regarding operating leases, of which SEK 42.1 (47.8) mn refers to minimum lease payments and SEK 2.4 (1.9) mn to contingent rents.

NOTE 31 PLEDGED ASSETS AND CONTINGENT LIABILITIES

	GROUP		PARENT COMPANY	
SEK millions	**2007**	2006	**2007**	2006
Pledged assets	None	None	None	None
Contingent liabilities				
Guarantees, FPG/PRI	3.4	3.3	3.4	3.3
Guarantees on behalf of Parent Company	28.2	31.6	28.2	31.6
Guarantees on behalf of subsidiaries	64.8	65.3	8.0	7.7
Guarantees on behalf of associated companies	590.6	565.8	590.6	565.8
	687.0	**666.0**	**630.2**	**608.4**

NOTE 32 RELATED PARTIES

Group
The Group is under a controlling influence from the Swedish state. Other state-owned companies and organizations are not considered in this context.

Parent Company
In addition to the related party relationships reported for the Group, the Parent Company has related party relationships which encompass a controlling influence with its subsidiaries, see Note 33.

Summary of transactions with related parties

Related party transactions		Sales to related parties	Purchases from related parties	Liability to related parties on 31 Dec	Receivables from related parties on 31 Dec
GROUP					
Associated companies	2007	1,355.2	391.9	42.8	338.2
Associated companies	2006	1,061.4	271.2	21.8	304.1
Joint venture	2007	–	428.5	31.1	–
Joint venture	2006	–	432.7	91.4	–
PARENT COMPANY					
Subsidiaries	2007	2,697.6	304.4	1,923.4	1,128.4
Subsidiaries	2006	2,805.4	291.2	1,256.9	1,353.7
Associated companies	2007	1,186.6	365.9	37.3	308.3
Associated companies	2006	896.7	261.5	15.3	268.6

Transactions with related parties are priced in accordance with market conditions.

Transactions with key people in senior posts
There have been no transactions with key people in senior posts except for those reported in Note 6.

NOTE 33 SHARES IN GROUP COMPANIES

Holding in subsidiaries

	Subsidiary's domicile, country	Ownership in % 2007	2006
The Absolut Spirits Company, Inc.	USA	100.0	100.0
V&S Danmark A/S	Denmark	100.0	100.0
V&S Deutschland GmbH	Germany	100.0	100.0
V&S Finland Oy	Finland	100.0	100.0
V&S Plymouth Ltd	United Kingdom	100.0	100.0
V&S Luksusowa Zielona Góra S.A.	Poland	100.0	99.9
V&S Eesti AS	Estonia	100.0	100.0
V&S Norway AS (formerly Amundsen AS)	Norway	100.0	50.0
Sichuan TCX Liquor Sales Co. Ltd.	China	51.0	–
V&S Absolut Spirits Asia Pacific Ltd.	Hong Kong	100.0	100.0

SEK millions	PARENT COMPANY 2007	2006
Accumulated costs		
At the beginning of the year	7,148.3	7,215.8
Acquisitions	60.7	0.2
Close-down	–	–67.7
Divestments	–356.7	–
	6,852.3	**7,148.3**
Accumulated write-downs		
At the beginning of the year	–493.7	–393.1
Close-down	–	32.4
Write-downs for the year	–	–133.0
	–493.7	**–493.7**
Carrying amount	**6,358.6**	**6,654.6**

Acquisitions during the year comprise shares in V&S Norway AS, Norway and Sichuan TCX Liquor Sales Co. Ltd., China.

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

	Holding (%)	Carrying amount 2007	Carrying amount 2006
The Absolut Spirits Company, Inc. USA	100.0	2,383.8	2,383.8
V&S Danmark A/S, Denmark	100.0	1,731.8	2,088.5
V&S Deutschland GmbH, Germany	100.0	998.5	998.5
V&S Finland Oy, Finland	100.0	708.2	708.2
V&S Plymouth Ltd, United Kingdom	100.0	102.3	102.3
V&S Luksusowa Zielona Góra S.A., Poland	100.0	351.7	350.8
V&S Eesti AS, Estonia	100.0	15.8	15.8
V&S Norway AS (formerly Amundsen AS), Norway	100.0	61.2	6.1
Sichuan TCX Liquor Sales Co. Ltd., China	51.0	4.6	–
Other subsidiaries which are dormant or less significant		0.7	0.6
		6,358.6	**6,654.6**

NOTE 34 UNTAXED RESERVES

SEK millions	PARENT COMPANY 2007	2006
Accumulated excess depreciation/amortization:		
Trademarks		
Opening balance	599.6	91.2
Excess amortization for the year	196.1	508.4
	795.7	**599.6**
Machinery and equipment		
Opening balance	201.3	251.5
Excess depreciation for the year	–30.2	–50.2
	171.1	**201.3**
Tax allocation reserve		
Provision in 2002 taxes	–	425.5
Provision in 2003 taxes	436.7	434.5
Provision in 2004 taxes	404.4	421.1
Provision in 2005 taxes	335.0	336.2
Provision in 2006 taxes	312.3	312.3
Provision in 2007 taxes	398.8	398.8
Provision in 2008 taxes	445.0	–
	2,332.2	**2,328.4**
Total untaxed reserves	**3,299.0**	**3,129.3**

NOTE 35 CASH FLOW ANALYSIS

Cash and cash equivalents

SEK millions	GROUP 2007	GROUP 2006	PARENT COMP 2007	PARENT COMP 2006
The following items are included in cash and cash equivalents:				
Cash and bank balances	188.5	77.6	53.9	114.5
Short-term investments, equal to cash and cash equivalents	367.0	322.5	367.0	76.0
Total in accordance with balance sheet	**555.5**	**400.1**		
Total in accordance with cash flow analysis	**555.5**	**400.1**	**420.9**	**190.5**

Short-term investments have been classified as cash and cash equivalents based on the following assumptions:

- The risk of fluctuations in value is insignificant.
- They can easily be converted into cash.
- They have a maximum term of three months from the acquisition date.

Interest paid and dividend received

SEK millions	GROUP 2007	GROUP 2006	PARENT COMP 2007	PARENT COMP 2006
Dividend received	110.8	89.2	270.2	160.1
Interest received	27.0	16.3	32.9	95.7
Interest paid	–333.5	–380.5	–410.4	–410.6
	–195.7	**–275.0**	**–107.3**	**–154.8**

Adjustment for items not included in cash flow

SEK millions	GROUP 2007	GROUP 2006	PARENT COMP 2007	PARENT COMP 2006
Depreciation/amortization/write-downs	194.5	264.4	186.5	202.5
Reversed exchange gain	245.2	–	–	–
Unrealized exchange rate differenses	–1.8	230.1	–	–
Share of profit in associated companies and joint ventures	–197.1	–238.3	–	–
Capital gain from sale of tangible fixed assets	2.6	–166.7	1.0	–160.2
Capital gain from divestment of businesses	53.0	4.5	85.3	–2.6
Provisions for pensions	9.1	6.3	–53.6	4.4
Other provisions	16.0	4.6	7.4	19.0
Other items not affecting liquidity	–44.0	164.1	–120.0	–177.0
	277.5	**269.0**	**186.6**	**–113.9**

Acquisitions of subsidiaries and other business units

SEK millions	GROUP 2007	GROUP 2006
Acquired assets		
Intangible fixed assets	41.3	110.1
	41.3	**110.1**
Acquired provisions and liabilities		
Long-term provisions	–	7.8
Total provisions and liabilities	–	**7.8**
Minority interest	13.8	540.3
Purchase price paid	55.1	658.2
Less: Cash and cash equivalents in the business aquired	**–**	**–**
Effect on cash and cash equivalents	**55.1**	**658.2**

Divestment of subsidiaries and other business units

SEK millions	GROUP 2007	GROUP 2006
Divested assets and liabilities		
Intangible fixed assets	252.0	–
Tangible fixed assets	229.5	–
Financial assets	–	–
Inventories	170.7	–
Operating receivables	78.0	–
Cash and cash equivalents	0.8	37.8
	731.0	**37.8**
Divested provisions and liabilities		
Long-term provisions	–53.2	–
Long-term interest-bearing liabilities	–	–
Current operating liabilities	–87.0	–
	–140.2	**–**
Selling price:		
Purchase price received	537.8	37.8
Less: Cash and cash equivalents in the divested business	–	–37.8
Effect on cash and cash equivalents	**537.8**	**–**

Unutilized credits

SEK millions	GROUP 2007	GROUP 2006	PARENT COMP 2007	PARENT COMP 2006
Unutilized credits	4,582.1	3,859.7	4,543.0	3,820.2

Change in net loans

SEK millions	GROUP 2007	GROUP 2006	PARENT COMP 2007	PARENT COMP 2006
Net loans at the beginning of the year	5,307.9	5,152.8	7,656.1	7,413.1
Raising of new interest-bearing liabilities	357.5	2,353.3	357.5	2,353.3
Change in interest-bearing liabilities	–1,768.3	–1,899.7	–1,763.8	–1, 895.4
Unrealized exchange rate difference in interest-bearing liabilities	–319.5	–657.7	–324.3	–181.2
Other changes in interest-bearing liabilities	95.8	87.1	1.6	–
Changes in pension provisions	–70.9	45.8	–53.6	4.4
Change in cash and cash equivalents	–155.5	226.3	–230.4	–38.1
	3,447.0	**5,307.9**	**5,643.1**	**7,656.1**

NOTE 36 EVENTS AFTER THE BALANCE SHEET DATE

There has been no significant events after the balance sheet date.

NOTE 37 IMPORTANT ESTIMATES AND ASSESSMENTS

With the Board's audit committee, the corporate management has discussed development, election and disclosures regarding the Group's critical accounting principles and estimates, as well as the way in which they are applied.

Impairment test of intangible assets
In calculating the recoverable amounts of cash generating units to assess any write-down requirement for goodwill and trademarks, several assumptions have been made regarding future circumstances and parameter estimates. These assumptions are reported in Note 12. Should these assumptions and estimates change in 2008, it could have an effect on the value of intangible assets.

Foreign currency exposure
Exchange rate fluctuations can have relatively serious effects on the company in general. Note 29 provides a detailed analysis of foreign currency exposure, as well as risks associated with exchange rate fluctuations.

Assumptions relating to pensions
The corporate management has assumed an expected return on plan assets of 1.7 percentage points above the discount rate, as this is the average return achieved in the past three years. If the actual return in 2008 falls below the expected long-term return, the Group's recognized actuarial losses would increase, which would mean these would have to be recognized in the balance sheet for 2008. Considerable positive deviations could entail that actuarial gains need to be recognized.

NOTE 38 DETAILS OF THE PARENT COMPANY

V&S Vin & Sprit AB (publ) is a limited company registered in Sweden with the domicile of the Board of Directors in Stockholm. The corporate identity number is 556015-0178. The address of the head office is Årstaängsvägen 19a in Stockholm, and the postal address is 117 97 Stockholm, Sweden.

The consolidated accounts for 2007 comprises the Parent Company and its subsidiaries, jointly referred to as the Group. The Group also includes owned portions of holdings in associated companies and joint venture companies.

Proposed disposition of earnings

The Board of Directors propose that the retained earnings of SEK 3,897,440,571.41, at disposal be allocated as follows:

SEK millions	
Dividend (500 shares x SEK 1,600,000 per share)	800
To be carried forward	3,097
Total	**3,897**

The consolidated accounts and the Annual Report have been prepared in accordance with the international accounting standards referred to in Regulation (EC) No. 1606/2002 of the European Parliament and the Council of 19 July 2002 on the application of international accounting standards and with generally accepted accounting principles, and provide a true and fair view of the Group's and the Parent Company's position and financial results. The Board of Directors' Report for the Group and the Parent Company respectively provides a true and fair view of the Group's and the Parent Company's operations, position and financial results, and outlines significant risks and uncertainty factors faced by the Parent Company and the Group companies.

Stockholm, 21 February 2008

Anders Narvinger
Chairman

Jonas Iversen

Patrik Jönsson

Eva Lindqvist

Ebbe M Loiborg

Helle Kruse Nielsen

Mats G Ringesten

Johan Lund
Employee Representative

Jan Lundin
Employee Representative

Bengt Baron
Chief Executive Officer

Our Audit Report was submitted on 21 February 2008

KPMG Bohlins AB

Stefan Holmström
Authorized Public Accountant

Audit Report

To the Annual General Meeting of the shareholders of V&S Vin & Sprit AB (publ)
Corporate identity number 556015-0178

We have audited the annual accounts, the consolidated accounts, the accounting records and the administration of the Board of Directors and the Chief Executive Officer of V&S Vin & Sprit AB (publ) for the year 2007. The annual accounts and the consolidated accounts are presented in the printed version of this document on pages 46–94. The Corporate Governance Report which is included on pages 36–45 has not been subject to our audit. The Board of Directors and the Chief Executive Officer are responsible for these accounts and the administration of the company as well as for the application of the Annual Accounts Act when preparing the annual accounts and the application of International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act when preparing the consolidated accounts. Our responsibility is to express an opinion on the annual accounts, the consolidated accounts and the administration based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in Sweden. Those standards require that we plan and perform the audit to obtain high but not absolute assurance that the annual accounts and the consolidated accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and their application by the Board of Directors and the Chief Executive Officer and significant estimates made by the Board of Directors and the Chief Executive Officer when preparing the annual accounts and the consolidated accounts as well as evaluating the overall presentation of information in the annual accounts and the consolidated accounts. As a basis for our opinion concerning discharge from liability, we examined significant decisions, actions taken and circumstances of the company in order to be able to determine the liability, if any, to the company of any board member or the Chief Executive Officer. We also examined whether any board member or the Chief Executive Officer has, in any other way, acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association. We believe that our audit provides a reasonable basis for our opinion set out below.

The annual accounts have been prepared in accordance with the Annual Accounts Act and give a true and fair view of the company's financial position and results of operations in accordance with generally accepted accounting principles in Sweden. The consolidated accounts have been prepared in accordance with International Financial Reporting Standards IFRSs as adopted by the EU and the Annual Accounts Act and give a true and fair view of the group's financial position and results of operations. The statutory administration report is consistent with the other parts of the annual accounts and the consolidated accounts.

We recommend to the Annual General Meeting of shareholders that the income statements and balance sheets of the Parent Company and the group be adopted, that the profit of the Parent Company be dealt with in accordance with the proposal in the administration report and that the members of the Board of Directors and the Chief Executive Officer be discharged from liability for the financial year.

Stockholm, 21 February 2008

KPMG Bohlins AB

Stefan Holmström
Authorized Public Accountant

Comments on the responsibility report

Contents

HOW V&S REPORTS RESPONSIBILITY AND SUSTAINABILITY

This sixth Corporate Responsibility Report is the Group's second Responsibility Report to be integrated into the Annual Report. Reporting on responsibility and sustainability issues is done on an annual basis and the reporting period is the same as the calendar year. More space has been devoted to the report this year, so that the printed version can include all the essential information needed by stakeholders to get a picture of how V&S has performed in the areas of sustainability and responsibility.

The V&S code of business ethics and conduct shows how the company supports the UN Global Compact and its 10 principles for corporate responsibility. This Responsibility Report deals only with principles 6 to 10 as V&S operation does not ordinarily come into contact with forced labour, child labour or other violations of human rights (principles 1 to 5). V&S does however stipulate that its suppliers fulfil international conventions and agreements in these areas.

The organizational scope generally follows the same principles as the financial report. It encompasses a description of responsibility and sustainability issues for companies in the Group within the three business areas: V&S Absolut Spirits, V&S Distillers and V&S Wine. Responsibility issues in relation to part-owned sales companies, other associated companies and joint ventures are not covered. However, the aim is to also include subsidiaries with a significant impact on the economy, environment or society, starting with the 2008 report.

Data are collected from corporate staff departments, business areas and production units and logistics centres. As of 2004, climate impact is reported using the principles of the Greenhouse Gas Protocol developed by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD) (ghgprotocol.org). Official emission figures are used where no reliable data is available from energy providers. No onward sales by production units of purchased electrical energy have been included in the calculation.

For transport related environmental data, calculation methods developed by the Network for Transport and Environment, NTM (ntm.a.se) are used, which harmonize with other international measurement methods.

The Commitment and Leadership Index report is the same as the one presented in the 2006 report. This is because employee surveys are conducted every two years.

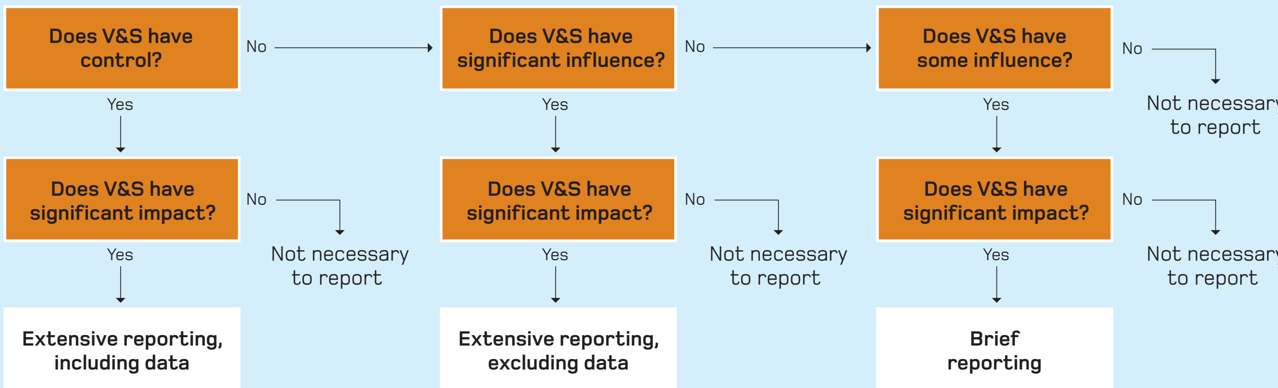
Of the changes made in the Group's size, structure or operations since last years' report (published in March 2007), one change has had a significant impact on this year's Responsibility Report. The factory for producing industrial alcohol and yeast and molasses alcohol in Grenaa, Denmark, has been divested, which primarily affects the reporting of environmental data. It has not been possible to compile precise environmental data for 2007 from the Grenaa plant. To facilitate comparison with previous years, 2006 data have been used for the part of 2007 during which the factory was in V&S ownership.

ASSURANCE OF V&S RESPONSIBILITY REPORT

V&S has prepared this report according to the criteria for Level A+ based on the application levels developed by the Global Reporting Initiative. See the Assurance Report on page 107.

APPLICATION LEVEL	C	B	A
Report	**C+ = Report externally assured**	**B+ = Report externally assured**	**A+ = Report externally assured**
Profile disclosures	Reporting criteria 1.1, 2.1-2.10, 3.1-3.8, 3.10-3.12, 4.1-4.4, 4.14-4.15	Report on all criteria	Report on all criteria
Management approach disclosures	Not required	Required for each indicator category	Required for each indicator category
Performance indicators	Report on a minimum of 10 Performance Indicators, including at least one from each of: sociaty, economic and environment.	Report on a minimum of 20 Performance Indicators, at least one from each of: economic, environment, human rights, labor, sociaty, product responsibility.	Respond on each core indicator with due regard to the materiality principle by either reporting on the indicator or explaining the reason for its omission.

V&S'S DETERMINATION PROCESS FOR REPORTING ACCORDING TO GRI GUIDELINES



In accordance with GRI guidelines V&S reports extensively, either in narrative or with data, the areas over which it exercises control or significant influence, and where the company's operation also has a significant impact on society, the economy or the environment. For areas where V&S's operation has significant impact but where V&S has limited influence, only a brief reporting is generally provided. Areas with only some influence are not reported. The reasoning behind the assessment of each area is provided under each indicator category.

GRI REPORTING

To determine which issues to report, an assessment is made by V&S of the areas over which the company has significant influence, and where the company's operation has a significant impact on society, the economy or the environment.

Also included in this assessment is the knowledge of which areas concern the most important stakeholders of V&S; customers, employees, owners, business partners, authorities and various non-governmental organizations (NGOs).

V&S is an active member, either directly or via partners, in most relevant organizations and networks in the alcohol industry. These give the Group a sound understanding of what different stakeholders perceive as important responsibility issues, especially when it comes to responsible marketing of alcoholic beverages and measures to reduce alcohol abuse. The most important organizations in this area are EFRD, DISCUS, Century Council and national spirits and wine suppliers' associations.

V&S maintains an ongoing dialogue on responsibility issues with the owner, e.g. by taking part in regular discussions within the framework of the Swedish Partnership for Global Responsibility, a Swedish government initiative. V&S also takes part in annual alcohol policy meetings with politicians, temperance organizations and other participants. By being part of the Alcohol Update Forum, representatives from V&S have a chance to meet industry colleagues, government representatives, researchers, temperance organizations and others.

V&S new strategy, which means the company will take targeted initiatives to counteract drinking among young people and reduce alcohol-related harm and risks among this group (see page 26), means that the company maintains a continuous dialogue with representatives working with school issues and youth projects.

V&S holds regular discussions with local and national trade unions. The company has had a European Works Council (EWC) since 2001. The purpose of the EWC is to provide a forum for consultation and exchanging information in transnational issues. Employees' opinions also emerge in the regular employee survey carried out every other year.

V&S is an active participant in various environmental initiatives and regularly meets representatives from different environmental organizations. Through membership of the business network Swedish Association of Environmental Managers, (NMC), International Chamber of Commerce (ICC), V&S has the opportunity to discuss different aspects of V&S responsibility work with environmental and CSR managers in the business community.

The matrices and tables below show how the various GRI indicators have been classified with regard to V&S control and influence, as well as the company's impact on society, the economy and the environment. This has led to a focused report on how V&S works with responsible marketing, promotion of responsible drinking, support for positive community initiatives, creating a healthy, safe and attractive workplace, as well as continuous improvement in environmental performance. The tables show on which page of this Annual Report the GRI indicators are reported, as well as the type of reporting given for each performance indicator.

Extensive reporting = Describes how V&S is working on the issue either in the form of tables, graphs, figures or other factual text showing the results for each indicator.

Brief reporting = Only a short description of V&S view of the issue, either due to reasons of space or the parameter's relative importance to other responsibility issues.

Omitted, see reason = Not reported as V&S impact is deemed only minor. The reason can be found under each matrix with the sub-header Minor Impact.

Further information about V&S's responsibility and sustainability performance is available at vsgroup.com. Contacts for issues regarding V&S's overall work on responsibility and sustainability:

Claes Åkesson, Vice President Corporate Responsibility & Quality, +46 8 744 73 84.

Sofia Leffler Moberg, Manager Corporate Responsibility, + 46 8 744 70 18.

GRI PROFILE FOR V&S

The table below shows how V&S fulfils GRI criteria for: Strategy and Analysis, Organizational Profile, Report Parameters and Governance, Commitments, and Engagement

GLOBAL REPORTING INITIATIVE

Profile		Disclosure	Page
1. Strategy and Analysis			
1.1	CEO statement about the relevance of sustainability to the organization and its strategy. Vision & strategy. Strategic priorities and key topics.	Extensive	2–3, 6, 43 + Cobec 2-3
1.2	Description of key impacts, risks, and opportunities. The organization's impact on sustainability and vice-versa, the sustain-ability trends impact on the organization's performance.	Extensive	8, 22, 48–49 + Cobec 5, 15, 19
2. Organizational Profile			
2.1	Name of the organization.	Extensive	34
2.2	Primary brands, products, and/or services. The reporting organization should indicate the nature of its role in providing these products and services, and the degree to which it utilizes outsourcing.	Extensive	4–21
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	Extensive	40, 90- 91
2.4	Location of organization's headquarters.	Extensive	112
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	Extensive	69
2.6	Nature of ownership and legal form.	Extensive	34
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	Extensive	4-21, 69
2.8	Scale of the reporting organization.	Extensive	1
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	Extensive	1, 96-97
2.10	Awards received in the reporting period.	Extensive	32
3. Report Parameters			
3.1	Reporting period.	Extensive	96-97
3.2	Date of most recent previous report.	Extensive	96-97
3.3	Reporting cycle.	Extensive	96-97
3.4	Contact point for questions regarding the report or its contents.	Extensive	96-97
3.5	Process for defining report content	Extensive	96-97
3.6	Boundary of the report.	Extensive	96-97
3.7	Specific limitations on the scope or boundary of the report.	Extensive	96-97
3.8	Basis for reporting that can significantly affect comparability from period to period and/or between organizations.	Extensive	96-97
3.9	Data measurement techniques and the bases of calculations.	Extensive	96-97
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement.	Extensive	96-97
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	Extensive	96-97
3.12	Table identifying the location of the Standard Disclosures in the report.	Extensive	98 ff.
3.13	Policy and current practice with regard to seeking external assurance for the report. If not included in the assurance report accompanying the sustainability report, explain the scope and basis of any external assurance provided. Also explain the relationship between the reporting organization and the assurance provider(s).	Extensive	96, 107
4. Governance, Commitments, and Engagement			
4.1	Governance structure of the organization.	Extensive	34
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	Extensive	35-36, 40, 42, 99
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	Extensive	37, 99
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	Extensive	99
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance).	Extensive	39, 41, 48, 72, 99
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided.	Extensive	99
4.7	Process for determining the qualifications and expertise of the members of the highest governance body for guiding the organization's strategy on economic, environmental, and social topics.	Extensive	99
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental, and social performance and the status of their implementation.Explain the degree to which these: * Are applied across the organization in different regions and department/units; and * Relate to internationally agreed standards.	Extensive	6-9, 22 + Cobec 2-3, 24
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance.	Extensive	40–43, 99

Profile		Disclosure	Page
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance.	Extensive	37–38, 40–43, 99
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization.	Brief	30-31 + Cobec 19
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses.	Extensive	22, 24, 34
4.13	Memberships in associations and/or national/international advocacy organizations in which the organization: * Has positions in governance bodies; * Participates in projects or committees; * Provides substantive funding beyond routine membership dues; or * Views membership as strategic.	Extensive	22, 24
4.14	List of stakeholder groups engaged by the organization. Examples of stakeholder groups are: * Communities; * Civil society; * Customers; * Shareholders and providers of capital; * Suppliers; and * Employees, other workers, and their trade unions.	Extensive	97
4.15	Basis for identification and selection of stakeholders with whom to engage. This includes the organization's process for defining its stakeholder groups, and for determining the groups with which to engage and not to engage.	Extensive	97
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group.	Extensive	97
4.17	Key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting.	Extensive	22-32, 97, 104

EXPLANATORY TEXT

1. Strategy and Analysis
The CEO's statement aims to provide a reflection on the results and future prospects of the entire operation. The CEO also outlines the focus issues for the responsibility area over the past year. When it comes to analyzing risks and opportunities, primarily the risks are emphasized. Responsibility-related risks are integrated in the description of other risks.

2. Organizational Profile
This header encompasses all essential facts about V&S Group. These are not limited to the Responsibility section but can be found in various places throughout the Annual Report.

3. Report Parameters
Most of the report parameters are described in the introduction to this section. The tables are divided into the various key areas, and this is also where the selection process is outlined. The external Assurance Report is found on page 107.

4. Governance, Commitments, and Engagement
Most of the items in this section are dealt with in the Corporate Governance Report on pages 34-45. Some of the parameters are described in further detail below:

4.2 and 4.3. From the GRI's perspective, the independence of Board members aspect is intended mainly for organizations where there is no clear distinction between Board of Directors and Group Management, for example where the Chairman of the Board and CEO are the same person. V&S is governed by an external Board of which the CEO is not a member. The CEO is responsible operationally and answers to the Board, which in turn answers to the AGM which is V&S's highest decision-making body.

4.4. Employees are represented on the Board by two members and two deputies elected by the trade unions. In this way the Board is made aware of the employees' wishes and viewpoints and can take them into consideration. No specific processes are necessary as V&S has only a single owner.

4.5 Special remuneration for social and environmental results is paid to relevant members of the Group Management.

4.6 To avoid conflicts of interest, these are dealt with according to the V&S code of conduct which stipulates the following:
– V&S employees shall be allowed to conduct external assignments, e.g. board assignments, as long as it does not negatively affect the employee's work or is in conflict with V&S business. Board representation in commercial companies shall require approval from Business Area management, Group Management or the Board of Directors. If in doubt, employees shall inform their line manager who in turn decides if approval by a higher ranked manager is needed.
– V&S employees shall not participate in any business activities that are in conflict with the interests of the company. All potential conflicts of interest shall immediately be reported to management.
– V&S employees shall not use the V&S name or their position in V&S for their own personal gain.

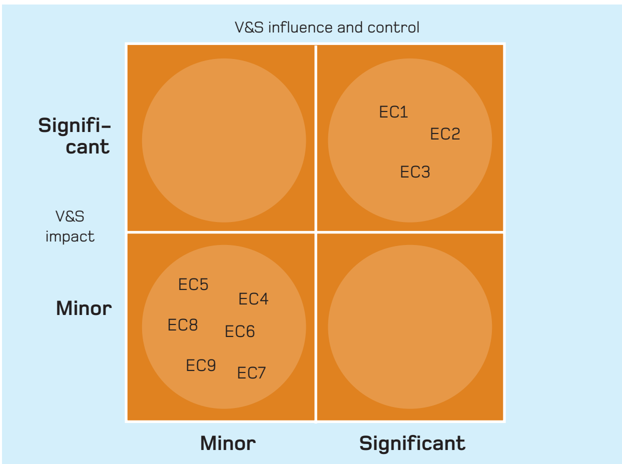
4.7 There is no specific process for establishing 'sustainability expertise' among members of the Board or Group Management. Both the Board and the Group Management strive for a good combination of competencies. There is expertise in V&S's corporate staff functions, although external experts are also brought in as required.

4.9 and 4.10. V&S view is that sustainability issues should not be dealt with separately but integrated into the overall management of the company. The Board performs an annual review of the rules of procedure. These rules state that the Board of Directors deals with the Annual Report and auditors' reports and this now also incorporates the Responsibility Report (see page 35). The head of Corporate Responsibility & Quality regularly informs the Group Management about the status of and plans for work on responsibility and sustainability issues.

ECONOMIC PERFORMANCE

The matrix and table below show how the economic GRI indicators have been classified with regard to V&S influence and impact.

CLASSIFICATION OF ECONOMIC INDICATORS



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

V&S reports net sales by stakeholder in a collective diagram. Details of donations and other community investments (EC1) are not included as V&S deems the sums involved to be of only minor interest. However, V&S does report how it supports various kinds of community initiatives. For a more detailed financial report, see the Board of Directors' Report and the Notes to the financial statements.

Financial implications and other risks and opportunities for the organization's activities due to climate change (EC2) are outlined in the Annual Report under the risk management sections, but not separately in the Responsibility section. Coverage of the organization's defined benefit plan obligations (EC3) is reported in the Board of Directors' report (Note 25).

MINOR IMPACT

V&S receives no financial assistance from government (EC4). The agreement between Cruzan Rum and the authorities in the US Virgin Islands continues. The agreement, which essentially entails Cruzan Rum declining tax relief and instead receiving a proportion of the tax income from rum sales, was reported in the 2006 Annual Report.

Because V&S has no significant operations in developing countries, factors EC5-EC7 are not deemed to have any significant impact on sustainability.

In the same way significant indirect economic impacts of V&S operation (EC8-EC9) are not significant in relation to direct economic impact, even though the operation does generate a contribution to local trade and industry and to the community's tax income.

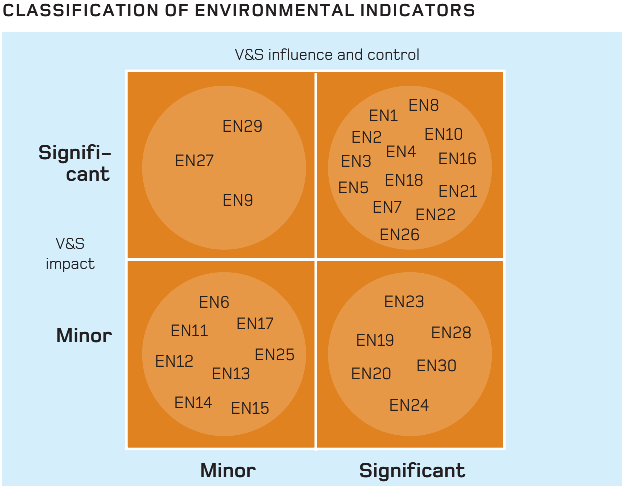
GLOBAL REPORTING INITIATIVE

Economic Performance		Disclosure	Page
Aspect: Economic Performance			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments. CORE	Extensive	1 ff., 100
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change. CORE	Extensive	8, 22, 49-50, 100
EC3	Coverage of the organization's defined benefit plan obligations. CORE	Extensive	84, 100
EC4	Significant financial assistance received from government. CORE	Omitted	100
Aspect: Market Presence			
EC5	Range of ratios of standard entry level wage compared to local minimum wage at significant locations of operation. ADDITIONAL	Omitted	100
EC6	Policy, practices, and proportion of spending on locally-based suppliers at significant locations of operation. CORE	Omitted	100
EC7	Procedures for local hiring and proportion of senior management hired from the local community at significant locations of operation. CORE	Omitted	100
Aspect: Indirect Economic Impacts			
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement. CORE	Omitted	100
EC9	Understanding and describing significant indirect economic impacts, including the extent of impacts. ADDITIONAL	Omitted	100

ENVIRONMENTAL PERFORMANCE

The matrix and table below show how the environmental GRI indicators have been classified with regard to V&S influence and impact.

CLASSIFICATION OF ENVIRONMENTAL INDICATORS



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

Most of the environmental indicators can be found in the energy and materials balance and adjoining graphs, see page 32-33. (See also V&S's responsibility reports for 2005 and 2006). Of the total amount of raw materials, food ingredients, water, process and office materials (4.9 million tonnes), only glass and process materials are made of non-renewable material (3%).

Water is an important ingredient in V&S distilled products, which places demands on water quality. When it comes to water issues, it is important that our production plants take account of the character and sensitivity of watercourses, and continuous improvement in water-conservation measures to reduce the pressure on the surface and groundwater. For this reason total water withdrawal (EN8, EN10) and water discharge (EN21) are also important environmental aspects.

Climate impact (EN16) is one of the most important environmental aspects for V&S operations. V&S can choose indirect energy sources for electricity, but has less of an influence when it comes to heat. Other indirect emissions of greenhouse gases from transport are also included. However, emissions from agriculture are not included as V&S has only a limited ability to influence such emissions. Various measures have been implemented during the year to reduce emissions of carbon dioxide (EN18). In addition V&S has also offset carbon dioxide by planting trees.

Large amounts of raw materials also generate large volumes of waste (EN22). Wet stillage, a rest product from the production of alcohol, is the largest waste product by volume.

The products' greatest environmental impact (EN26) is the choice of agricultural method which V&S can only influence to some extent. Of the direct materials in V&S end products (423,901 tonnes), only glass packaging (130,731 tonnes) is non-renewable. This means that 69 per cent of the sold volume is renewable material .

SIGNIFICANT IMPACT – MINOR INFLUENCE

V&S has not mapped in detail water sources that may be significantly affected by the operation's withdrawal of water (EN9). As this is generally regulated by the permits the operation is obliged to comply with, it is V&S duty not to exceed these limits. For that reason there are no data to report for this indicator.

V&S has sales on 126 markets. On markets that have statutory collection systems, V&S is a part of those systems. However, V&S has only limited insight and ability to affect the degree of recycling and reuse, particularly on markets where producer responsibility has not been introduced. It is therefore not possible to provide comprehensive data on collection levels, (EN27).

V&S imports wines from all over the world to the Nordic market and exports spirits worldwide. This leads to extensive transport, which in turn results in significant environmental impact (EN29). V&S reports standardized but established calculations of transport's climate impact, but no data are reported for other environmental impact as this information is held by suppliers.

MINOR IMPACT

Environmental aspects with regards to biodiversity (EN11-EN15, EN25) are not significant given that V&S does not have operations close to sensitive areas. Nor are emissions of ozone-depleting substances (EN19) deemed significant since V&S has phased out their use. As for other significant air emissions (EN20), V&S is deemed to only release small amounts of NOx and SOx. There are however exceptions for individual facilities with their own combustion. Although spills are generally a factor with low impact on the environment (EN23), V&S has decided to report the spill of sodium hydroxide in Åhus, Sweden. V&S's operations generates only small amounts of hazardous waste and contracts approved transport companies which comply with laws and regulations (EN24). As no significant fines or non-monetary sanctions have been reported during the year, the impact is deemed only minor (EN28). V&S currently charts the extent of climate impact from employees' business trips, primarily air travel. V&S intends to report the environmental impact of travel as soon as reliable environmental data are available (EN17).

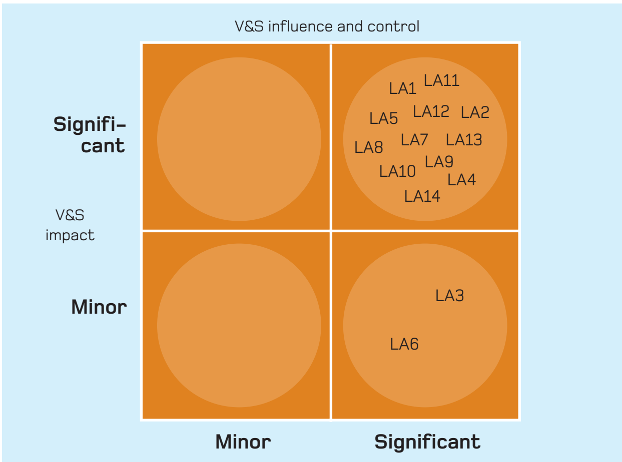
GLOBAL REPORTING INITIATIVE

Environmental Performance		Disclosure	Page
Aspect: Materials			
EN1	Materials used by weight or volume. CORE	Extensive	30–33, 100-101
EN2	Percentage of materials used that are recycled input materials. CORE	Extensive	30–33
Aspect: Energy			
EN3	Direct energy consumption by primary energy source. CORE	Extensive	30–33
EN4	Indirect energy consumption by primary source. CORE	Extensive	30–33
EN5	Energy saved due to conservation and efficiency improvements.ADDITIONAL	Extensive	30–33
EN6	Initiatives to provide energy-efficient or renewable energy-based products and services, and reductions in energy requirements as a result of these initiatives. ADDITIONAL	Omitted	–
EN7	Initiatives to reduce indirect energy consumption and reductions achieved. ADDITIONAL	Extensive	30–33
Aspect: Water			
EN8	Total water withdrawal by source. CORE	Extensive	30-33, 100
EN9	Water sources significantly affected by withdrawal of water. ADDITIONAL	Brief	101
EN10	Percentage and total volume of water recycled and reused. ADDITIONAL	Extensive	30-33, 100
Aspect: Biodiversity			
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. CORE	Omitted	101
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. CORE	Omitted	101
EN13	Habitats protected or restored. ADDITIONAL	Omitted	101
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity. ADDITIONAL	Omitted	101
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk. ADDITIONAL	Omitted	101
Aspect: Emissions, Effluents, and Waste			
EN16	Total direct and indirect greenhouse gas emissions by weight. CORE	Extensive	33, 100
EN17	Other relevant indirect greenhouse gas emissions by weight. CORE	Brief	101
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved. ADDITIONAL	Extensive	30-31, 100
EN19	Emissions of ozone-depleting substances by weight. CORE	Omitted	101
EN20	NOx, SOx, and other significant air emissions by type and weight. CORE	Omitted	101
EN21	Total water discharge by quality and destination.CORE	Extensive	33, 100
EN22	Total weight of waste by type and disposal method. CORE	Extensive	33, 100
EN23	Total number and volume of significant spills. CORE	Extensive	32, 101
EN24	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III, and VIII, and percentage of transported waste shipped internationally. ADDITIONAL	Extensive	32-33, 101
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff. ADDITIONAL	Omitted	101
Aspect: Products and Services			
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. CORE	Extensive	31–32, 101
EN27	Percentage of products sold and their packaging materials that are reclaimed by category. CORE	Brief	101
Aspect: Compliance			
EN28	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations. CORE	Omitted	101
Aspect: Transport			
EN29	Significant environmental impacts of transporting products and other goods and materials used for the organization's operations, and transporting members of the workforce. ADDITIONAL	Extensive	31, 33, 101
Aspect: Overall			
EN30	Total environmental protection expenditures and investments by type. ADDITIONAL	Extensive	32

SOCIAL PERFORMANCE – LABOUR PRACTICES AND DECENT WORK

The matrix and table below show how the GRI indicators related to labour practices and decent work have been classified with regard to V&S influence and impact.

CLASSIFICATION OF SOCIAL INDICATORS – LABOUR PRACTICES AND DECENT WORK



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

Data and explanatory text are provided for the LA1 and LA2 indicators, but a full report on employee turnover is not possible with the current system for collecting and reporting data. The aim is to be able to provide complete data 2008.

For LA4 the reported figure is based on details from the operational units in different countries as labor regulations varies. An approximate percentage for all employees is calculated, based on the percentages from the units in each country and the number of employees in those countries. Notice periods also vary between different countries, from a couple of weeks to six months (LA5).

For several years V&S has reported sick leave and accident statistics in the form of tables with explanatory text (LA7). These statistics are reported for the Group as a whole and are not broken down by region. For sick leave, there is however a breakdown by gender and age group in Note 6. Throughout the Group, many preventive healthcare activities (LA8) are being carried out. These activities are described in detail but without extensive data since the health profile system and health and safety manual are not being introduced until 2008. Preventive healthcare activities are not specifically targeted against serious diseases and focuses exclusively on in-house employees, as V&S does not operate in countries where serious diseases represent a major threat to the local population (such as countries stricken by HIV/AIDS). Health and safety topics are included as an important component in countries where collective agreements exist, although it is not specified which issues will be prioritized (LA9). Instead the agreements emphasize the importance of a systematic management approach to health and safety. This is also reflected in the V&S Code of Business Ethics and Conduct.

Training and education of the workforce is one of the most important parameters to V&S success and it is therefore given extensive coverage in the report (LA10-LA12).

When it comes to diversity indicators (LA13), the factors of gender and age have been included in this year's report. However, V&S has not found a practical solution for reporting ethnic or other diversity at Group level. It is hard to find a useful definition of the term minority, and furthermore it is illegal in some countries to register ethnic or other affinity. The focus is therefore not on collecting statistics but on working proactively with tolerance, respect and non-discrimination to ensure that the workforce reflects the local communities in which V&S operates, and that the Group as a whole reflects V&S target group. Reporting of differences in salaries between men and women (LA14) is a new feature of this year's report. It has been possible to collect data from Sweden, Finland and Poland.

MINOR IMPACT

With 95% full-time employees, temporary or part-time employees represent only a very small proportion of the workforce. Benefits may of course vary between full-time and temporary or part-time employees, but in no case are temporary or part-time employees exploited with inferior benefits (LA3). This additional indicator is of minor significance and no data are therefore reported.

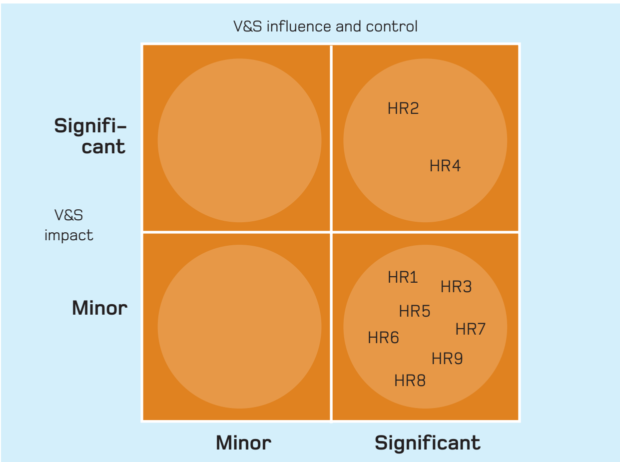
GLOBAL REPORTING INITIATIVE

Social Performance: Labour Practices & Decent Work		Disclosure	Page
Aspect: Employment			
LA1	Total workforce by employment type, employment contract, and region. CORE	Extensive	28-29, 47-48, 71, 102,
LA2	Total number and rate of employee turnover by age group, gender, and region. CORE	Extensive	29, 102
LA3	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. ADDITIONAL	Omitted	102
Aspect: Labor/Management Relations			
LA4	Percentage of employees covered by collective bargaining agreements. CORE	Extensive	29, 48, 102
LA5	Minimum notice period(s) regarding significant operational changes, including whether it is specified in collective agreements. CORE	Extensive	28-29, 102
Aspect:Occupational Health and Safety			
LA6	Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. ADDITIONAL	Omitted	–
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region. CORE	Extensive	29, 71, 102
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. CORE	Omitted	102
LA9	Health and safety topics covered in formal agreements with trade unions. ADDITIONAL	Extensive	102
Aspect: Training and education			
LA10	Average hours of training per year per employee by employee category. CORE	Extensive	28-29, 102
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. ADDITIONAL	Extensive	28-29, 102
LA12	Percentage of employees receiving regular performance and career development reviews. ADDITIONAL	Extensive	28-29, 102
Aspect: Diversity and Equal Opportunity			
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity. CORE	Extensive	28-29, 102
LA14	Ratio of basic salary of men to women by employee category. CORE	Brief	28-29, 102

SOCIAL PERFORMANCE – HUMAN RIGHTS

The matrix and table below show how the GRI indicators related to human rights have been classified with regard to V&S influence and impact.

CLASSIFICATION OF SOCIAL INDICATORS – HUMAN RIGHTS



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

The most important aspect relating to V&S influence and impact on human rights is the screening of V&S suppliers and contractors (HR2). This is followed by incidents of discrimination within the organization. No formal report on discrimination has been received (HR4).

MINOR IMPACT

Given the nature of V&S business and the geographical location of operations, the impact on human rights issues is minor in relation to other sustainability issues. There are no significant investment agreements that include human rights clauses or that have undergone human rights screening (HR1). Applicable collectively to HR5, HR6 and HR7 is the fact that no child or forced labor has been identified. Additional indicators HR3 and HR8 also have only a minor impact. No incidents of the type specified in HR9 have been reported. Further information about V&S policies and guidelines in this area can be found in the V&S Code of Business Ethics and Conduct, pages 9-11.

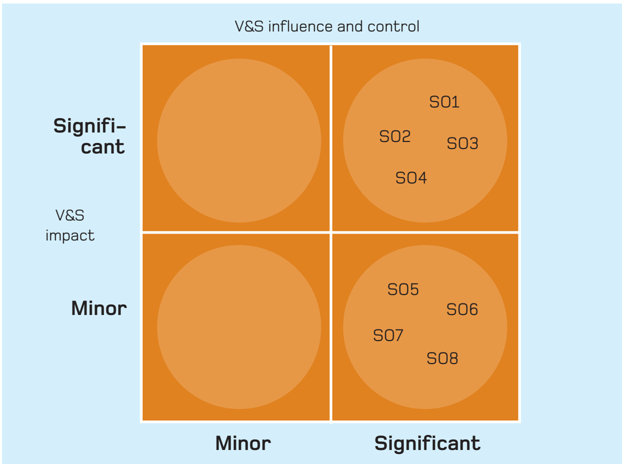
GLOBAL REPORTING INITIATIVE

Social Performance: Human Rights		Disclosure	Page
Aspect: Investment and Procurement Practices			
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. CORE	Omitted	103
HR2	Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. CORE	Extensive	25, 103
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained. ADDITIONAL	Omitted	103
Aspect: Non-Discrimination			
HR4	Total number of incidents of discrimination and actions taken. CORE	Brief	28-29, 103
Aspect: Total number of incidents of discrimination and actions taken. CORE			
HR5	IOperations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. CORE	Omitted	103
Aspect: Child Labour			
HR6	Operations identified as having significant risk for incidents of child labour, and measures taken to contribute to the elimination of child labour. CORE	Omitted	103
Aspect: Forced and Compulsory Labor			
HR7	Operations identified as having significant risk for incidents of forced or compulsory labour, and measures to contribute to the elimination of forced or compulsory labour. CORE	Omitted	103
Aspect: Security Practices			
HR8	Percentage of security personnel trained in the organization's policies or procedures concerning aspects of human rights that are relevant to operations. ADDITIONAL	Omitted	103
Aspect: Indigenous Rights			
HR9	Total number of incidents of violations involving rights of indigenous people and actions taken. ADDITIONAL	Omitted	103

SOCIAL PERFORMANCE – SOCIETY

The matrix and table below show how the GRI indicators related to social issues have been classified with regard to V&S influence and impact.

CLASSIFICATION OF SOCIAL INDICATORS – SOCIETY



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

One expression of V&S commitment for the local community is the active participation in different local networks which support socio-economic development. V&S has a comprehensive programme for restructuring and divesting operations, whereby we work in close collaboration with employee representatives to find acceptable solutions regarding compensation and schemes to help redundant employees find new employment (SO1).

Of the countries where V&S has its own operations, only Poland is ranked as being at a high risk of corruption according to Transparency International (transparency.org) (SO2). No incidents of corruption were reported during the year. Otherwise it is the sales and marketing functions that are deemed as being at risk of corruption. Ninety per cent of relevant employees underwent training in ethical marketing in 2007, which covered areas such as the code of conduct's rules for avoiding undue influence (SO3).

In 2006, nine then employees of V&S were subjected to legal action regarding suspected bribery of store managers at Systembolaget, the Swedish Alcohol Retail Monopoly. Since the suspicions came to light, V&S has intensified instructions and control functions for ensuring good business ethics. V&S's code of business ethics and conduct includes guidelines in this area (SO4).

MINOR IMPACT

V&S is involved in industry organizations and conducts its own lobbying only to a limited extent (SO5). No significant fines or non-monetary sanctions for non-compliance with laws and regulations have been reported during the year (SO8)

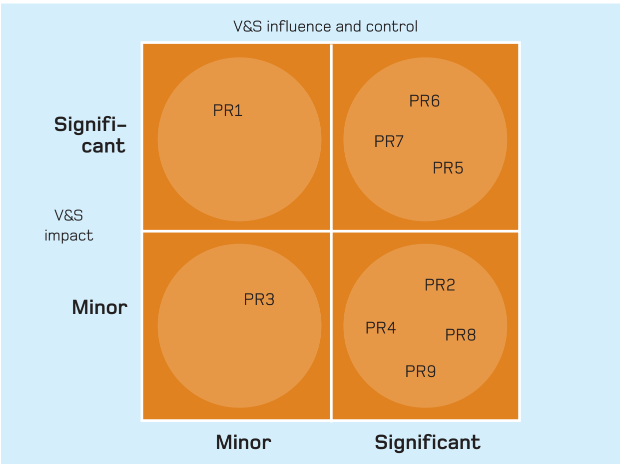
GLOBAL REPORTING INITIATIVE

Social Performance: Society		Disclosure	Page
Aspect: Community			
SO1	Nature, scope, and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating, and exiting. CORE	Brief	29, 47, 104
Aspect: Corruption			
SO2	Percentage and total number of business units analyzed for risks related to corruption. CORE	Brief	104
SO3	Percentage of employees trained in organization's anti-corruption policies and procedures. CORE	Brief	104
SO4	Actions taken in response to incidents of corruption. CORE	Extensive	51-52, 104 + Cobec 6-7
Aspect: Public Policy			
SO5	Public policy positions and participation in public policy development and lobbying. CORE	Omitted	104
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country. ADDITIONAL	Omitted	–
Aspect: Anti-Competitive Behavior			
SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. ADDITIONAL	Omitted	–
Aspect: Compliance			
SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations. CORE	Omitted	104

SOCIAL PERFORMANCE – PRODUCT RESPONSIBILITY

The matrix and table below show how the GRI indicators related to product responsibility have been classified with regard to V&S influence and impact.

CLASSIFICATION OF SOCIAL INDICATORS – PRODUCT RESPONSIBILITY



SIGNIFICANT IMPACT – SIGNIFICANT INFLUENCE

The results of surveys gauging customer satisfaction are reported in the marketplace section (PR5). Marketing communication is an extremely pivotal issue for V&S, which is why reporting related to PR6 and PR7 is extensive.

SIGNIFICANT IMPACT – MINOR INFLUENCE

Consumers' health is entirely dependent on the level of alcohol consumption. Even though V&S as a producer only has limited influence over consumer behaviour, the responsibility must be to actively contribute to mitigating the harmful effects of alcohol consumption (PR1).

MINOR IMPACT

On markets where warning labels, declaration of contents or some other kind of labelling are required for alcoholic beverages, V&S complies with prevailing legislation (PR3). However, V&S has a relatively limited ability to influence decisions in this area. No significant fines for non-compliance with laws and regulations concerning the provision and use of products and services have been reported during the year (PR9).

GLOBAL REPORTING INITIATIVE

Social Performance: Product responsibility		Disclosure	Page
Aspect: Customer Health and Safety			
PR1	Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures. CORE	Extensive	22, 24-27, 105 + Cobec 2, 5, 15-16
PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services, by type of outcomes. ADDITIONAL	Omitted	–
Aspect: Product and Service Labeling			
PR3	Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. CORE	Omitted	105
PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes. ADDITIONAL	Omitted	–
PR5	Practices related to customer satisfaction, including results of surveys measuring customer satisfaction. ADDITIONAL	Extensive	24–25, 105
Aspect: Marketing Communications			
PR6	Programs for adherence to laws, standards, and voluntary codes related to marketing communications, including advertising, promotion, and sponsorship. CORE	Extensive	24–25, 105 + Cobec 4-7
PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes. ADDITIONAL	Extensive	24–25, 105
Aspect: Customer Privacy			
PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data. ADDITIONAL	Omitted	–
Aspect: Compliance			
PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services. CORE	Omitted	105

DEFINITIONS

Carbon offsetting
Carbon offsetting entails investing in tree planting or renewable energy to offset the unavoidable environmental impact caused by carbon dioxine emissions from production within the company. Carbon offsetting is used only as a complement to V&S efforts to curb climate impact through energy rationalization measures, for instance.

Cobec
V&S Code of Business Ethics and Conduct (see vsgroup.com).

Commitment index
A collated key ratio for aspects in V&S employee survey related to the employees' motivation and commitment.

Concept cultivated ingredients
A food ingredient grown in line with ABSOLUT VODKA's cultivation concept, which entails minimum use of fertilizer and reduced nitrogen leaching, less use of chemical pesticides and product traceability.

Degree of internal recruitment
The percentage of job vacancies filled by V&S employees, divided by the total number of positions advertised.

DISCUS
The Distilled Spirits Council of the United States, DISCUS, is an industry organization for producers of spirits in the USA. The Council has developed a code of responsible alcohol marketing for the US market.

Eco-friendly products
Products made from organic, IP or concept cultivated ingredients.

Eco-friendly raw material
Material which is eco-labelled or which consists of at least 40 per cent recycled material, and does not contain any environmentally hazardous substances.

EFRD
The European Forum for Responsible Drinking, EFRD, is aassociation of major European spirits producers. The EFRD has developed a code of responsible alcohol marketing for the European market. V&S personnel concerned about the EFRD code are mainly people in marketing, sales, legal affairs and communication departments working on other markets than the US market.

Energy use
Energy use comprises purchased energy in the form of electricity or district heating and energy produced in-house from gas, oil or biofuel boilers.

Fossil energy sources
Fossil energy sources, such as oil, coal and natural gas, are made up of organic materia, which under high pressure and temperature have been broken down into carbon and carbon compounds. The use of fossil energy sources is a contributor to global warming due to a higher concentration of carbon dioxide in the atmosphere.

Gender diversity
V&S efforts relating to gender diversity strive for a gender distribution which reflects that of society.

Global Compact
The Global Compact was instituted by the UN and launched at the World Economic Forum in Davos in January 1999 with the aim of promoting responsibility among multinational companies. Member companies undertake to support the 10 principles of the Global Compact relating to human rights, labour law, the environment and anti-corruption.

Global warming
Global warming refers to the increase in the greenhouse effect caused by human activities. Contributors include carbon dioxide emissions from the combustion of fuels from fossil energy sources.

Greenhouse gases
Gases that contribute to the greenhouse effect and global warming, such as carbon dioxide, nitrogen oxides, methane, steam and ozone.

GRI
The Global Reporting Initiative, GRI, is a global network providing guidelines for reporting companies' substainability performance.

IFS
International Food Standards, a quality assurance system for the food industry which places demands on traceability, risk assessment, internal audit programmes and control mechanisms to ensure that shortcomings are analyzed, and that corrective and preventive measures are taken.
(food-care.info).

ILO, the International Labour Organization's Declaration on Fundamental Principles and Rights at Work
This declaration aims to promote rights in working life when it comes to freedom of association and collective negotiation rights, prevent forced and compulsory labour, discrimination and the use of child labour.

Ingredients, food ingredients
Wheat, molasses, grapes, wine and bulk alcohol, as well as small quantities of flavourings, spices and sweeteners.

IP cultivated ingredients
An ingredient grown in accordance with an Integrated Production quality and environmental management system or similar.

ISO 14001
A certifiable environmental management system which places demands on continuous improvement in a company's environmental performance.

Leadership index
A collated key ratio for aspects in V&S employee survey related to the employees' assessment of the competence of managers and leaders.

OECD guidelines for multinational companies
Guidelines which aim to encourage the positive contributions multinational companies can make to economic, environmental and social development.
The guidelines contain voluntary principles and norms for good corporate responsibility in a range of areas, including relations between labour market parties, human rights, environmental issues, information and communication, fair trading, taxation, science and technology.

Organically cultivated
An organically cultivated food ingredient checked and approved by control organizations for organic farming.

Precautionary principle
The precautionary principle means that even the risk of injury or damage entails an obligation to take the measures necessary to prevent, check or counter adverse effects on health and the environment.

Raw Materials
Raw materials mainly comprise of materials for product and transport packaging.

Relevant market codes
V&S Marketing Guidelines, EFRD Common Standards, DISCUS Code of Responsible Practices for Beverage Alcohol Advertising and Marketing, national or regional codes and agreements.

Rest products
Solid waste that goes to recycling or landfill, as well as liquid waste that is recycled.

Returned water
Non-polluted water (e.g. cooling water) that is returned back to the water recipient.

Significant suppliers
Since 2004 V&S has evaluated suppliers of raw materials, food ingredients and services of central significance to the Group's core business.

Situational leadership
A model for leadership development which enables managers to analyze needs in the current situation and use the most appropriate style of leadership.

Treated water
Water treated in treatment plant

Untreated water
Wastewater discharged into the water recipient without first being treated.

Waste
Waste or rest products from production, excluding wastewater emissions

Wastewater effluents
Wastewater that passes on to treatment or leaves the production facility untreated.

Water use
Water use encompasses water from an own groundwater source, a surface water source or the municipal waterworks.

Wet stillage
Wet stillage is a rest product of distillation and is made up of fibres, protein and wheat husk. Wet stillage take both solid and liquid form, and when dried can be used as an animal feed thanks to its high nutritional value

360 degree evaluation
An assessment tool for leadership competence.

Assurance report

To the readers of the Responsibility section

At the request of the management of V&S Vin & Sprit AB (publ), further referred to as V&S, we have performed a limited review of the information presented in tables, diagrams and graphs in the section "Responsibility" of the Annual Report for 2007, pages 22–33 (Responsibility report 2007) The purpose of our limited review is to express whether we have found any indication that the reporting is not, in all material aspects, prepared in accordance with the criteria developed and stated by V&S. The limited review has been performed in accordance with FAR SRS's draft standard on independent limited reviews of voluntary separate sustainability reports

The V&S's Board of Directors submitted the Annual Report on 21 February 2008. Corporate Responsibility and any reporting thereon is the responsibility of V&S's management. Corporate Responsibility & Quality Department is responsible for the V&S's overall coordination within environment, working environment, quality and sustainable development as well as for the Responsibility report 2007. Our task is to express an opinion on the information presented in the tables, diagrams and graphs in the Responsibility report, based on our limited review. In addition our task is to express an opinion on the GRI application level (A+) self-declared by V&S, which is to be found on page 96. We express our opinion based on our limited review.

The data and information presented in the tables, diagrams and graphs on pages 22–33 of the Responsibility report 2007 have been prepared based on V&S´s specifically developed and stated principles for calculation and disclosure, which together form the criteria on which our limited review has been based. V&S has self-declared the GRI application level A+ based on the GRI G3 Sustainability Reporting Guidelines, which also constitute the criteria upon which our limited review has been based.

The scope of our limited review procedures included the following activities:

- Discussions with management to obtain information on material incidents and activities during the period to which the report refers.
- Review of the principles for calculation and disclosure of the results of operations of the performance indicators.
- Performing an overall review of the V&S's systems and routines for the registration, accounting and reporting of performance indicators in tables, diagrams and graphs.
- Visiting the production units in Aalborg and Svendborg and interviewing selected employees as well as undertaking visits at Group level in order to assess whether data and information is reported and compiled in a standardised format and in accordance with established principles, in all material aspects.
- Reviewing underlying documentation, on a test basis, to assess whether the information in the tables, diagrams and graphs in the Responsibility report 2007 is based on that documentation.
- Review of V&S´s self-declaration of GRI application level, according to the Application Level criteria in the GRI, Global Reporting Initiative, G3 Sustainability Reporting Guidelines.

We have reported to Vice President Corporate Responsibility & Quality on the continuing results of our limited review.

Based on our limited review procedures, nothing has come to our attention that causes us to believe that the data and information provided in the tables, diagrams and graphs on pages 22–33 or V&S's self-declaration of GRI application level in the Responsibility report 2007 have not, in all material aspects, been prepared in accordance with the above stated criteria.

Stockholm, 21 February 2008

Öhrlings PricewaterhouseCoopers AB

Anders Welin
Authorised Public Accountant

Lars-Olle Larsson
Expert Member, FAR SRS

Review 1998–2007

SEK millions	IFRS				Previous accounting principles*					
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
INCOME STATEMENT										
Net sales	10,312.6	10,345.4	9,578.1	9,013.3	9,027.9	8,749.5	6,453.7	5,711.5	4,028.6	3,446.9
Shares in associated companies' and joint ventures' result	222.6	238.3	213.9	46.7	73.5	55.8	101.1			
Other operating revenues	240.1	312.8	155.5	95.7	144.3	125.6	63.1	104.3	43.2	32.3
	10,775.3	**10,896.5**	**9,947.5**	**9,155.7**	**9,245.7**	**8,930.9**	**6,617.9**	**5,815.8**	**4,017.8**	**3,479.2**
Operating expenses	–8,275.4	–8,357.2	–7,688.7	–7,322.7	–6,945.8	–6,374.3	–4,458.8	–4,177.4	–2,924.9	–2,626.8
Depreciation/amortization and write-down	–194.6	–264.4	–189.7	–199.4	–582.8	–519.2	–394.9	–235.0	–85.6	–130.7
Non-recurring items	–	–	–	–	–	–	–	46.1	–143.3	287.3
Operating profit	**2,305.3**	**2,274.9**	**2,069.1**	**1,633.6**	**1,717.1**	**2,037.4**	**1,764.2**	**1,449.5**	**918.0**	**1,009.0**
Financial items, net	–91.8	–280.9	–133.7	–14.5	–107.5	–168.4	–292.5	–16.2	46.0	50.6
Profit before taxes	**2,213.5**	**1,994.0**	**1,935.4**	**1,619.1**	**1,609.6**	**1,869.0**	**1,471.7**	**1,433.3**	**964.0**	**1,059.6**
Taxes	–744.8	–416.8	–429.7	–519.7	–614.6	–598.5	–462.0	–437.2	–273.5	–197.3
Minority share					–1.2	–5.7	–0.5	–61.9	–0.3	–0.8
Profit for the year	**1,468.7**	**1,577.2**	**1,505.7**	**1,099.4**	**993.8**	**1,264.8**	**1,009.2**	**934.2**	**690.2**	**861.5**
Attributable to parent company shareholders	1,468.3	1,571.9	1,501.3	1,097.3						
Attributable to minority interest	0.4	5.3	4.4	2.1						
BALANCE SHEET										
Intangible assets	3,848.9	4,008.8	4,097.4	2,570.7	2,514.4	2,824.0	2,294.2	2,478.7	1,625.8	229.8
Tangible assets	1,907.8	1,817.6	2,056.1	1,720.5	1,650.3	1,478.1	1,159.4	1,040.4	1,111.7	687.2
Financial assets	6,103.3	6,399.2	5,997.4	5,377.7	6,497.5	7,451.3	8,636.8	15.7	0.0	0.3
Deferred tax assets	589.3	596.2	182.9	108.1						
Current assets	4,641.7	5,052.3	4,787.6	4,950.3	4,239.5	3,949.9	2,837.4	2,176.9	4,494.8	3,000.1
Total assets	**17,091.0**	**17,874.1**	**17,121.4**	**14,727.3**	**14,901.7**	**15,703.3**	**14,927.8**	**5,711.7**	**7,232.3**	**3,917.4**
Equity attributable to parent company shareholders	7,956.6	7,187.4	6,323.4	5,049.0	4,496.3	4,222.1	3,694.2	2,933.8	2,162.8	2,313.2
Attributable to minority interest	4.0	15.2	562.9	69.8	58.7	13.3	10.8	10.5	115.4	1.3
Provisions	–	–	–	–	1,096.4	879.3	645.4	517.1	705.1	549.5
Long-term liabilities	4,823.9	5,977.8	6,758.5	6,759.7	6,787.4	6,657.9	8,631.4	835.9	1,644.0	2.2
Current liabilities	4,306.5	4,693.7	3,476.6	2,848.8	2,462.9	3,930.7	1,946.0	1,414.4	2,605.0	1,051.2
Total equity, provisions and liabilities	**17,091.0**	**17,874.1**	**17,121.4**	**14,727.3**	**14,901.7**	**15,703.3**	**14,927.8**	**5,711.7**	**7,232.3**	**3,917.4**
CASH FLOW ANALYSIS										
Cash and cash equivalent	400.1	626.4	1,462.1	958.1	563.1	248.6	191.0	2,753.3	1,829.0	1,126.8
Cash flow from operating activities	2,026.6	1,590.7	960.8	1,315.2	2,009.3	1,447.8	1,246.2	–102.1	808.3	749.8
Cash flow from investing activities	328.6	–1,644.2	–892.8	–233.6	–29.0	–1,030.0	–8,517.4	–998.3	–685.8	370.9
Cash flow from financing activities	–2,211.7	–146.4	–936.1	–608.9	–1,568.8	–90.7	7,324.0	–1,464.5	801.5	–418.5
Cash flow for the year	**143.5**	**–219.9**	**–868.1**	**472.7**	**411.5**	**327.1**	**52.8**	**–2,564.9**	**924.0**	**702.2**
Exchange rate difference in cash and cash equivalents	11.9	–6.4	32.4	31.3	–16.5	–12.6	4.8	2.6	0.3	–
Cash and cash equivalents, closing balance	555.5	400.1	626.4	1,462.1	958.1	563.1	248.6	191.0	2,753.3	1,829.0

* In the review, each year is presented according to applicable accounting principles. The years 1998–2003 are presented according to generally accepted accounting principles in Sweden for each year respectively. As of 2004 the reporting is based on IFRS.

	IFRS				Previous accounting principles**					
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
KEY RATIOS										
Sales volume										
Volume, million 9-litre cases	26.9	25.7	24.9	24.6	23.4	19.3	14.4	14.6	11.9	10.9
Yield ratios										
Return on equity, %[1]	19.4	22.4	25.1	23.2	22.8	32.0	30.5	34.8	37.2	27.5
Capital ratios										
Interest-bearing net liability, SEK[2]	3,447	5,308	5,153	4,053	6,230	8,086	8,485	682	–963	–1,643
Debt/equity, times[3]	0.4	0.7	0.7	0.8	1.4	1.9	2.3	0.2	–0.4	–0.7
Earnings ratios										
Operating margin, adjusted, %[4]	22.4	22.0	21.6	18.1	19.0	23.3	27.3	24.6	26.3	20.9
Operating margin, %[5]	22.4	22.0	21.6	18.1	19.0	23.3	27.3	25.4	22.8	29.3
Capital turnover										
Turnover rate of capital, times/year[6]	0.59	0.59	0.60	0.62	0.59	0.57	0.63	0.88	0.72	0.94
Sales/employees, SEK[7]	4.9	4.5	4.3	3.9	4.0	5.0	4.8	4.2	5.2	4.9
Turnover rate of inventoires, times/year[8]	9.8	9.2	8.3	8.8	8.9	11.0	11.2	10.8	9.4	10.1
Equity/assets ratio										
Equity/assets ratio, %[9]	46.6	40.3	40.2	34.8	30.2	26.9	24.7	51.4	29.9	59.0
Dividends										
Dividends/capital[10]	10.6	10.5	10.6	8.5	8.0	15.7	15.1	17.9	10.3	40.2
Employees										
Employees, average numer	2,104	2,304	2,245	2,283	2,273	1,751	1,336	1,375	771	698
Environment										
CO_2 emissions, kg/litre of product sold[11]	0.46	0.52	0.55	0.70	0.69	0.74				
Percentage of eco-friendly ingredients, %[12]	49.2	45.1	42.8	38.0	35.2	16.3				
Exchange rates										
EUR/SEK closing day rate	9.45	9.05	9.39	9.01	9.07	9.15	9.42	8.86	8.56	9.47
EUR/SEK average rate	9.25	9.25	9.28	9.13	9.12	9.16	9.25	8.45	8.81	8.93
USD/SEK closing day rate	6.43	6.87	7.96	6.62	7.26	8.76	10.67	9.54	8.52	8.06
USD/SEK average rate	6.76	7.38	7.48	7.35	8.09	9.72	10.33	9.17	8.27	7.95

DEFINITIONS

1 Net profit* as a percentage of average equity. The minority share has been exluded.
2 Interest-bearing liability less interest-bearing assets, all calculated at year-end.
3 Interest-bearing net liability divided by equity, all calculated at year-end.
4 Operating profit* as a percentage of sales.
5 Operating profit as a percentage of sales.
6 Net sales divided by average total assets.
7 Net sales divided by average number of employees.
8 Net sales divided by average inventories.
9 Equity as a percentage of total assets.
10 Dividend for a particular year as a percentage of equity (excl. minority interest) in that year. For 2007 a proposed dividend is shown.
11 CO_2 emissions, kg/litre of product sold.
12 Percentage of products volume sold made from organic, IP cultivated or concept cultivated ingredients.
* Excluding items affecting comparability.
** In the review, each year is precented according to applicable accounting principles. The years 1998–2003 are presented according to generally accepted accounting principles in Sweden for each year repectively. As of 2004 the reporting is based on IFRS.

Quarterly data*

GROUP

		Q1	Q2	Q3	Q4	Total
Net sales, SEK mn	**2007**	**2,223**	**2,460**	**2,666**	**2,964**	**10,313**
	2006	2,238	2,604	2,529	2,974	10,345
Operating profit, SEK mn	**2007**	**458**	**420**	**677**	**750**	**2,305**
	2006	417	668	549	641	2,275
Operating margin, %	**2007**	**20.6**	**17.1**	**25.4**	**25.3**	**22.4**
	2006	18.6	25.7	21.7	21.6	22.0
Net profit for the period, SEK mn	**2007**	**303**	**277**	**423**	**466**	**1,469**
	2006	251	375	329	622	1,577
Sales volume, thousand 9-litre cases	**2007**	**5,522**	**6,594**	**6,986**	**7,828**	**26,930**
	2006	5,240	6,627	6,432	7,433	25,732

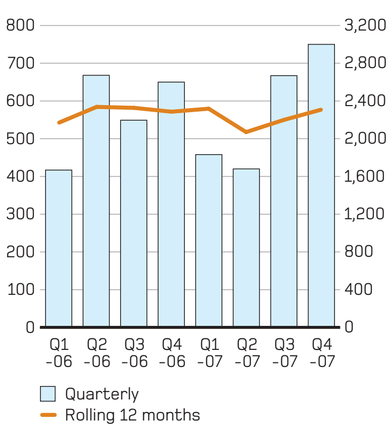
NET SALES BY BUSINESS AREA

SEK millions		Q1	Q2	Q3	Q4	Total
V&S Absolut Spirits	**2007**	**1,284**	**1,447**	**1,667**	**1,686**	**6,084**
	2006	1,322	1,465	1,496	1,599	5,882
V&S Distillers	**2007**	**437**	**481**	**498**	**634**	**2,050**
	2006	384	484	455	625	1,948
V&S Wine	**2007**	**408**	**574**	**557**	**719**	**2,258**
	2006	421	547	506	685	2,159
Other and eliminations	**2007**	**94**	**–42**	**–56**	–75	–79
	2006	111	108	72	65	356
Total	**2007**	**2,223**	**2,460**	**2,666**	**2,964**	**10,313**
	2006	2,238	2,604	2,529	2,974	10,345

* In the fouth quarter of 2006 the Group began applying the equity method rather than the proportional method in accounting for the Group's joint venture, Future Brands. Application is retroactive from the date of the business combination, which means that quarterly data for 2006 have been recalculated.

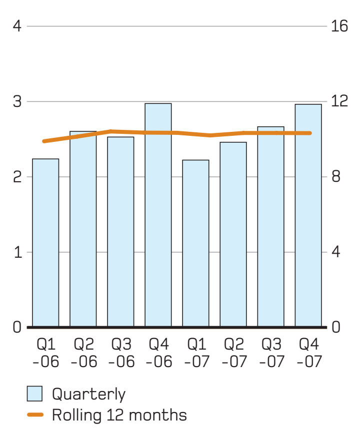
OPERATING PROFIT

SEK mn



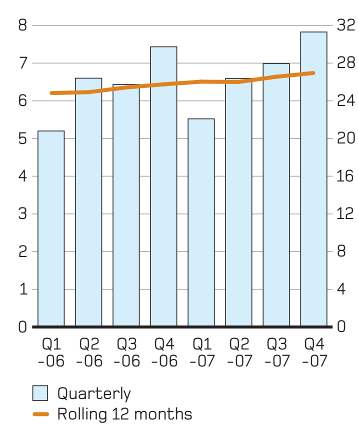
SALES

SEK mn



VOLUME

Million 9-litre cases



OPERATING PROFIT AND MARGIN BY BUSINESS AREA

SEK millions		Q1	Q2	Q3	Q4	Total
V&S Absolut Spirits	**2007**	**429**	**415**	**598**	**582**	**2 024**
	Margin	**33.4%**	**28.7%**	**35.9%**	**34.5%**	**33.3%**
	2006	423	437	461	593	1,914
	Margin	32.0%	29.8%	30.8%	37.1%	32.5%
V&S Distillers	**2007**	**36**	**57**	**72**	**156**	**321**
	Margin	**8.2%**	**11.9%**	**14.5%**	**24.6%**	**15.7%**
	2006	28	73	53	130	284
	Margin	7.3%	15.1%	11.6%	20.8%	14.6%
V&S Wine	**2007**	**–6**	**16**	**38**	**60**	**108**
	Margin	**neg**	**2.8%**	**6.8%**	**8.3%**	**4.8%**
	2006	–2	27	26	61	112
	Margin	neg	4.9%	5.1%	8.9%	5.2%
Capital gains/losses, write-downs	**2007**	**–**	**12**	**9**	**–62**	**–41**
	2006	–	136	7	–82	61
Other and eliminations	**2007**	**–1**	**–80**	**–40**	**14**	**–107**
	2006	–32	–5	2	–61	–96
Total	**2007**	**458**	**420**	**677**	**750**	**2,305**
	Margin	**20.6%**	**17.1%**	**25.4%**	**25.3%**	**22.4%**
	2006	417	668	549	641	2,275
	Margin	18.6%	25.7%	21.7%	21.6%	22.0%

VOLUME BY BUSINESS AREA

Thousand 9-litre cases		Q1	Q2	Q3	Q4	Total
V&S Absolut Spirits	**2007**	**2,532**	**2,866**	**3,319**	**3,323**	**12,040**
	2006	2,344	2,825	2,903	3,123	11,195
V&S Distillers	**2007**	**1,238**	**1,436**	**1,521**	**1,943**	**6,138**
	2006	1,090	1,398	1,362	1,753	5,603
V&S Wine	**2007**	**1,863**	**2,423**	**2,292**	**2,760**	**9,338**
	2006	1,897	2,512	2,289	2,767	9,465
Other and eliminations	**2007**	–111	–131	–146	–198	–586
	2006	–91	–108	–122	–210	–531
Total	**2007**	**5,522**	**6,594**	**6,986**	**7,828**	**26,930**
	2006	5,240	6,627	6,432	7,433	25,732

DISTRIBUTION BETWEEN QUARTERS

%		Q1	Q2	Q3	Q4
Net sales	**2007**	**21**	**24**	**26**	**29**
	2006	22	25	24	29
Operating profit	**2007**	**20**	**18**	**29**	**33**
	2006	18	29	24	28
Sales volume	**2007**	**21**	**24**	**26**	**29**
	2006	20	26	25	29

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V&S Group 90 years

V&S Group was founded on 17 October 1917. Ninety years later, V&S can look back on a long, successful journey.

1760
Cruzan Rum distillery on St. Croix founded.

1793
Black Friars Distillery in Plymouth founded.

1879
LO Smith's Absolut rent Bränvin introduced. His picture can be seen on all ABSOLUT VODKA bottles.

1881
Danish Distillers founded.

1917
V&S founded 17 October 1917.

1930
In the 1930s, the most popular alcoholic beverage was pure vodka.

1950
The 1950s saw a greater interest in wine, partly due to an excise tax increase on spirits.

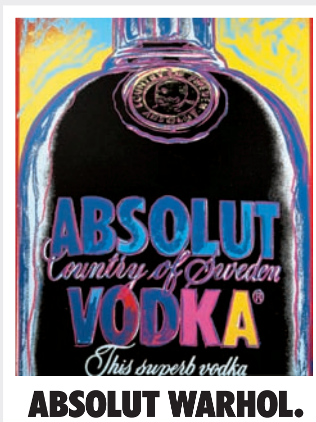
1979
Exports of ABSOLUT VODKA begin to the United States, and later to other markets.

The story of V&S – or AB Vin- och Spritcentralen as the company was known until 1989 – began in 1917, when for reasons of alcohol policy the Swedish State, in agreement with labour market parties, implemented a national monopoly for the production, import, export and wholesale trade of alcoholic beverages in Sweden.

Vodka had been produced in Sweden for centuries when Absolut rent Bränvin – Absolut pure Vodka – was introduced in 1879. The new brand was produced by continuous distillation, a revolutionary method that minimized fusel oils while also retaining the character of the raw ingredients.

When Sweden joined the EU in 1995, V&S's domestic monopolies were abolished. V&S decided to replace lost market shares in Sweden by strong positions in neighbouring countries. The first major step was the acquisition of Danish Distillers, a company founded in 1881. The picture shows the topping-out party in Aalborg, 1931.

Having had a small sales company in Poland for some years, V&S acquired the majority holding in Polmos Zielona Góra in 2003. The acquisition encompassed both production and a sales organization, as well as several well-known Polish brands including potato vodka Luksusowa. Poland is one of the world's most important vodka markets, and V&S is the fourth largest player on the Polish spirits market.



ABSOLUT has grown virtually every year since being launched in 1979, bolstered by a stringent quality concept and innovative marketing.

1995
In 1995 Sweden becomes a member of the EU and V&S's domestic monopoly position comes to an end.

1999
V&S launches expansion through acquisitions in Northern Europe.

2001
V&S builds a global distribution network through its part-ownership of Future Brands and Maxxium.

2003
Luksusowa, other Polish brands and production facilities in Zielona Góra are acquired.

2005
After a period of collaboration in distribution, the majority holding in Cruzan International, Inc. is acquired.

2007
V&S is one of the world's leading international spirits companies, with its own operations in ten or so countries and sales worldwide.

Due to a more widespread interest in wine in the mid-20th century, V&S began importing wine in tanks by ship. The wine was then bottled in re-usable bottles. Three vessels – the Vinia, Vinlandia and Vindemia – shipped the wine, primarily from the Mediterranean countries.

V&S has no vineyards of its own today, but in the 1980s and '90s it had a combined viticulture, training and conference facility on its own estate Domaine Rabiega in the South of France. V&S previously had a subsidiary in Madeira, the island whose wines for a long time had an important market in Sweden.

In 2001 acquisition of the Plymouth Gin brand began, including the distillery in Plymouth where the spirit has been made non-stop since 1793.

V&S continued building a strong base in Northern Europe in 2001 with progressive acquisitions of production and distribution in Finland, import company Amundsen in Norway and a sales company in Estonia a year later. The picture shows the distribution centre in Turku, Finland, which opened in 2003.

The distillery on the US Virgin Islands, acquired by V&S in 2005, was founded as far back as 1760. The most famous product, Cruzan Rum, is now integrated into V&S's organization and is continuing its success in the United States and other countries. V&S is applying its experience from ABSOLUT VODKA to sell more products on the world market.

In 2004 the billionth bottle of ABSOLUT VODKA was produced. 2006 saw yet another record: 100 million bottles made in the same year. The success is partly due to the fact that at the beginning of the new millennium, V&S built up global distribution through its part-ownership of Future Brands and Maxxium.

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