

Pernod Ricard Denmark A/S

CVR no. 19902447

Vesterbrogade 149

1620 Copenhagen V

Annual report 2019/20

**Approved by the company's general meeting on
27.11.2020**

Hans Christian Pape

Chairman of the General Meeting

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ENTITY DETAILS

Entity:

Pernod Ricard Denmark A/S

Vesterbrogade 149

1620 Copenhagen V

CVR No: 19902447

Registered in: Copenhagen

Financial year: 01.07.2019 - 30.06.2020

Phone: +45 3323 9000

Internet: www. Pernod-Ricard-Denmark.com

E-mail: info@Pernod-Ricard-Denmark.com

Board of Directors

Stéphanie Emmanuelle Durroux, Chairman

Benjamin Jean Albert Granger

Carsten Suhrke

Jan Skovgaard

Executive Board

Carsten Suhrke, Chief Executive Officer

Auditors

Deloitte Statsautoriseret Revisionspartnerselskab

Weidekampsgade 6

2300 København S

STATEMENT BY MANAGEMENT ON THE ANNUAL REPORT

The Board of Directors and the Executive Board have today considered and approved the annual report of Pernod Ricard Denmark A/S for the financial year 2019/20.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.20 and of the results of its operations for the financial year 01.07.2019 -30.06.2020.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen 27.11.2020

Executive Board

Carsten Suhrke

Board of Directors

Stéphanie Emmanuelle Durroux, Chairman

Benjamin Jean Albert Granger

Carsten Suhrke

Jan Skovgaard

INDEPENDENT AUDITOR'S REPORT

To the shareholder of Pernod Ricard Denmark A/S

Opinion

We have audited the financial statements of Pernod Ricard Denmark A/S for the financial year 01.07.2019 - 30.06.2020, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 30.06.2020 and of the results of its operations for the financial year 01.07.2019 – 30.06.2020 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the financial statements* section of this auditor's report. We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

INDEPENDENT AUDITOR'S REPORT

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

INDEPENDENT AUDITOR'S REPORT

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen 27.11.2020

Deloitte

Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Jan Larsen
State-Authorised Public Accountant
Identification number (MNE) mne 16541

MANAGEMENT COMMENTARY

Financial Highlights

DKK'000

Key figures:	2019/20	2018/19	2017/18	2016/17	2015/16
Revenue	111.709	120.552	116.659	114.929	101.977
Gross profit/loss	29.576	32.871	31.553	24.665	37.880
Operating profit/loss	1.953	4.382	3.744	-979	10.227
Net financials	-38	-238	-72	-86	-84
Profit/loss for the year	1.456	5.773	7.104	-1.600	7.785
Total assets	65.200	75.862	66.723	68.422	71.442
Equity	16.309	29.853	24.080	16.976	18.575
Ratios (%):					
Return on equity	6,3	21,4	34,6	-9,0	20,9
Equity ratio	25,0	39,4	36,1	24,8	26,0
Gross margin	26,5	27,3	27,0	21,5	37,1
Net margin	1,3	4,8	6,1	-1,4	7,6

MANAGEMENT COMMENTARY

Primary activities

The primary activities of Pernod Ricard Denmark A/S are marketing and sale of spirits and wine from the Pernod Ricard Group in Denmark and at the Danish/German border.

Development in activities and finances

Profit for the year amounts to DKK 1.456 thousand which is in line with Management's expectations for the year. Equity amounts to DKK 16.309 thousand at the end of the financial year. The business has been impacted by COVID-19 which caused a decrease in revenue and operating profit.

Uncertainty relating to recognition and measurement

Management assesses that there are no material uncertainties relating to the Company's annual report.

Unusual circumstances affecting recognition and measurement

The Company's annual report is not affected by any unusual circumstances of major significance.

Outlook

The Company will continue to focus on the development of the international strategic brands both on the Danish market and at the Danish/German border. The main uncertainty for 2020/2021 outside the normal business environment would be the development of COVID-19 and how this could impact business performance.

Management anticipates a profit for 2020/2021 in the range of DKK 2.500 – 3.500 thousand.

Particular risks

Besides the ordinary sales risks, the Company is exposed to currency risks, as wide exchange rate fluctuations may affect the Company given that it operates on a market using several currencies.

Intellectual capital resources

Through internal continuing professional development programmes, the Company works on ensuring its readiness to face future challenges.

Environmental performance

The Company complies with current rules and regulations. Please also refer to the Group's reporting on CSR at <https://www.pernod-ricard.com/en/our-commitments/our-model-our-4-commitments/> and the local reference: <http://www.pernod-ricard-denmark.com/ansvar/>

Research and development activities

Research and development activities are mostly carried out by the different brand owners of the Group.

Events after the balance sheet date

No events have occurred after the balance sheet date to this date which would influence the evaluation of this annual report.

ACCOUNTING POLICIES APPLIED

Reporting class

This annual report has been presented in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

Management has this year decided not to present a cash-flow statement in the annual report with reference to the Danish Financial Statements Act paragraph 86, section 4.

Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

ACCOUNTING POLICIES APPLIED

Income statement

Revenue

Revenue from the sale of goods for resale and manufactured goods is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed.

Changes in inventories of finished goods and work in progress

Changes in inventories of finished goods and work in progress comprise decreases or increases for the financial year in inventories of finished goods and work in progress. This item includes ordinary writedowns of such inventories. Changes in inventories of raw materials are included in costs of raw materials and consumables.

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory writedowns

Other external expenses

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for entity staff.

Amortisation, depreciation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing as well as gains and losses from the sale of intangible assets as well as property, plant and equipment.

ACCOUNTING POLICIES APPLIED

Other financial income

Other financial income comprises dividends etc received on other investments, interest income, including interest income on receivables from group enterprises, net capital gains on securities, payables and foreign currency transactions, amortisation of financial assets as well as tax relief under the Danish Tax Prepayment Scheme etc.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and foreign currency transactions, amortization of financial liabilities as well as tax surcharge under the Danish Tax Prepayment Scheme etc.

Income taxes

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognized in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

Balance sheet

Property, plant and equipment

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation. For self-constructed assets, cost comprises direct and indirect costs of materials, components, subsuppliers and labour costs. For assets held under finance leases, cost is the lower of the asset's fair value and present value of future lease payments.

Interest expenses on loans for the financing of the manufacture of property, plant and equipment are included in cost if they relate to the manufacturing period. All other finance costs are recognised in the income statement.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Other fixtures and fittings, tools and equipment	3 years
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Property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

ACCOUNTING POLICIES APPLIED

Receivables

Receivables are measured at amortised cost, usually equalling nominal value, less write-downs for bad and doubtful debts.

Deferred tax

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials and consumables.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises bank deposits.

Operating leases

Lease payments on operating leases are recognized on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

ACCOUNTING POLICIES APPLIED

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2015" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula
Gross margin (%)	$\frac{\text{Gross Profit/loss} \times 100}{\text{Revenue}}$
Net margin (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Revenue}}$
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$

Ratios reflect

Gross margin

The entity's operating gearing.

Net margin

The entity's operating profitability.

Return on equity

The entity's return on capital invested in the entity by the owners.

Equity ratio

The financial strength of the entity.

INCOME STATEMENT FOR 2019/2020

<u>Note</u>	2019/20	2018/19
	<u>DKK´000</u>	<u>DKK´000</u>
Revenue	111.709	120.552
Changes in inventories of finished goods and work in progress	-1.719	1.409
Other operating income	3.005	3.380
Cost of sales	-57.408	-58.078
Other external expenses	<u>-26.011</u>	<u>-34.392</u>
Gross profit	29.576	32.871
1 Staff costs	-27.585	-28.451
2 Amortisation, depreciation and impairment losses	<u>-38</u>	<u>-38</u>
Operating profit	1.953	4.382
Other financial income	18	4
Other financial expenses	<u>-56</u>	<u>-242</u>
Profit/loss from ordinary activities before tax	1.915	4.144
3 Tax on profit/loss from ordinary activities	<u>-459</u>	<u>1.629</u>
4 Profit/loss for the year	<u><u>1.456</u></u>	<u><u>5.773</u></u>

BALANCE SHEET AT 30. JUNE 2020

ASSETS

<u>Note</u>	<u>2019/20</u>	<u>2018/19</u>
	<u>DKK'000</u>	<u>DKK'000</u>
Other fixtures and fittings, tools and equipment	<u>0</u>	<u>38</u>
5 PROPERTY, PLANT AND EQUIPMENT	<u>0</u>	<u>38</u>
Other receivables	620	648
6 Deferred tax	<u>5.972</u>	<u>6.431</u>
7 FIXED ASSETS INVESTMENTS	<u>6.592</u>	<u>7.079</u>
FIXED ASSETS	<u>6.592</u>	<u>7.117</u>
Manufactured goods and goods for resale	<u>12.348</u>	<u>14.067</u>
INVENTORIES	<u>12.348</u>	<u>14.067</u>
Trade receivables	21.114	24.022
Receivables from group enterprises	16.546	22.718
Other receivables	767	320
Prepayments	<u>1.624</u>	<u>2.355</u>
RECEIVABLES	<u>40.051</u>	<u>49.415</u>
CASH	<u>6.209</u>	<u>5.263</u>
TOTAL CURRENT ASSETS	<u>58.608</u>	<u>68.745</u>
TOTAL ASSETS	<u><u>65.200</u></u>	<u><u>75.862</u></u>

BALANCE SHEET AT 30. JUNE 2020

EQUITY AND LAIBILITIES

<u>Note</u>	2019/20	2018/19
	<u>DKK´000</u>	<u>DKK´000</u>
8 Contributed capital	746	746
Retained earnings	15.563	14.107
Proposed dividend for the financial year	0	15.000
EQUITY	<u>16.309</u>	<u>29.853</u>
Other payables	<u>2.039</u>	<u>0</u>
NON-CURRENT LIABILITIES OTHER THAN PROVISIONS	<u>2.039</u>	<u>0</u>
Trade payables	14.319	24.859
Debt to group enterprises	15.195	8.716
Other payables	<u>17.338</u>	<u>12.434</u>
SHORT-TERM LIABILITIES OTHER THAN PROVISIONS	<u>46.852</u>	<u>46.009</u>
LIABILITIES OTHER THAN PROVISIONS	<u>48.891</u>	<u>46.009</u>
LIABILITIES AND EQUITY	<u><u>65.200</u></u>	<u><u>75.862</u></u>
9 Unrecognised rental and lease commitments		
10 Related parties with control		
11 Ownership		
12 Consolidation		
13 Transactions with related parties		

STATEMENT OF CHANGES IN EQUITY FOR 2019/2020

	Contributed capital <u>DKK '000</u>	Retained earnings <u>DKK '000</u>	Proposed dividend <u>DKK '000</u>	<u>Total</u> <u>DKK '000</u>
Equity beginning of year	746	14.107	15.000	29.853
Ordinary dividend paid	0	0	-15.000	-15.000
Profit/loss for the year	<u>0</u>	<u>1.456</u>	<u>0</u>	<u>1.456</u>
Equity end of year	<u>746</u>	<u>15.563</u>	<u>0</u>	<u>16.309</u>

NOTES

	2019/20	2018/19
	<u>DKK´000</u>	<u>DKK´000</u>
1 Staff costs		
Wages and salaries	24.410	23.893
Pension costs	1.801	2.073
Other social security costs	297	323
Other staff costs	1.077	2.162
	<u>27.585</u>	<u>28.451</u>
Average number of employees converted to full-time	32	34
The item includes expenses for employees who work for other consolidated companies.		
2 Amortisation, depreciation and impairment losses		
Depreciation on property, plant and equipment	<u>38</u>	<u>38</u>
	<u>38</u>	<u>38</u>
3 Tax on profit/loss from ordinary activities		
Change in deferred tax	459	600
Adjustments concerning previous years	<u>0</u>	<u>-2.229</u>
	<u>459</u>	<u>-1.629</u>
4 Proposed distribution for profit/loss		
Retained earnings	1.456	-9.227
Proposed dividend	<u>0</u>	<u>15.000</u>
	<u>1.456</u>	<u>5.773</u>

NOTES

2019/20

DKK'000Other fixtures
and fittings,
tools and
equipment**5 Property, plant and equipment**

Cost beginning of year	1.053
Disposals	<u>-322</u>
Cost end of year	<u>731</u>
Depreciation and impairment losses beginning of the year	-1.015
Reversal regarding disposals	322
Depreciation for the year	<u>-38</u>
Depreciation and impairment losses end of the year	<u>-731</u>
Carrying amount end of year	<u>0</u>

6 Deferred tax

Deferred tax assets primarily comprise tax loss carryforwards. Based on budgets approved by Management the Company is expected to realise a tax profit and is thereby able to utilize the tax asset within a reasonable time. Temporary differences also occur related to depreciation.

	Other <u>receivables</u>	Deferred <u>tax</u>
7 Fixed asset investments		
Cost beginning of year	648	6.431
Recognised in the income statement	0	-459
Disposals	<u>-28</u>	<u>0</u>
Cost end of year	<u>620</u>	<u>5.972</u>

	<u>Number</u>	<u>Par value DKK</u>	<u>Nom value DKK'000</u>
8 Contributed capital			
Ordinary shares	<u>100</u>	7.456,1	<u>746</u>
	<u>100</u>		<u>746</u>

The share capital has not been changed for the last 5 years.

NOTES

	2019/20	2018/19
	<u>DKK'000</u>	<u>DKK'000</u>
9 Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>5.036</u>	<u>7.694</u>

10 Related parties with control

Pernod Ricard Europe, Middle East and Africa S.A.S., France, wholly owns the shares of the Entity and thus has control over the Entity.

11 Ownership

The Company has registered the following shareholder to hold more than 5% of the voting share capital or of the nominal value of the share capital:

Pernod Ricard Europe, Middle East and Africa S.A.S., 23 Rue de l'Amiral d'Estaing, 75116, Paris, France.

12 Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group: Pernod Ricard S.A., Paris, France

13 Transactions with related parties

The company's related parties are Pernod Ricard S.A. and its subsidiaries. With reference to section 98 C (7) of the Danish Financial Statements Act, the company has chosen only to disclose transactions with related parties not carried through on normal market terms. All transactions between the related parties are based on arms-length term. The type of transactions with the related parties can be specified as buying and selling of goods, management fees, IT-service fee and inter-company loan/receivables.