

# DIAGEO DENMARK A/S

Sundkrogsgade 21, st., 2100 København Ø

CVR no. 21 25 61 10

## Annual report 2018/19

Approved at the Company's annual general meeting on 21 November 2019

Chairman:

  
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Burak Budak

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### Statement by the Board of Directors and the Executive Board

Today, the Board of Directors and the Executive Board have discussed and approved the annual report of DIAGEO DENMARK A/S for the financial year 1 July 2018 - 30 June 2019.

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

In our opinion, the financial statements give a true and fair view of the financial position of the Company at 30 June 2019 and of the results of the Company's operations for the financial year 1 July 2018 - 30 June 2019.

Further, in our opinion, the Management's review gives a fair review of the development in the Company's operations and financial matters and the results of the Company's operations and financial position.

We recommend that the annual report be approved at the annual general meeting.

Copenhagen, 21 November 2019.  
Executive Board:




Shane Kelly  
CEO

Board of Directors:



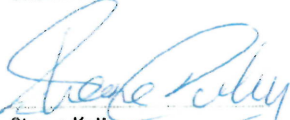
Burak Budak  
Chairman



Robertus Cornelis Abraham  
Werkhoven



Zoltán Hangodi



Shane Kelly



Daniel Stuart Hamilton

## Independent auditor's report

To the shareholder of DIAGEO DENMARK A/S

### Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 June 2019, and of the results of the Company's operations for the financial year 1 July 2018 - 30 June 2019 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Diageo Denmark A/S for the financial year 1 July 2018 - 30 June 2019, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("financial statements").

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the 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 our report. We are independent of the Company in accordance with the International Ethics Standards Board for 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.

### Statement on the Management's Review

Management is responsible for the Management's Review.

Our opinion on the financial statements does not cover the Management's Review, 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's Review and, in doing so, consider whether the Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review 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 in Management's Review.

### 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 Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company 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.

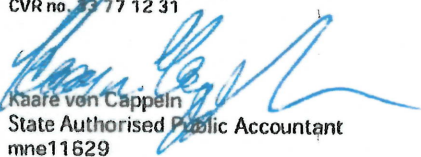
### Independent auditor's report

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

- 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 Company'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 Company'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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, 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.

Hellerup, 21 November 2019  
PricewaterhouseCoopers  
Statsautoriseret Revisionspartnerselskab  
CVR no. 23771231

  
Kaare von Cappeln  
State Authorised Public Accountant  
mne11629

## Management's review

### Company details

Name	DIAGEO DENMARK A/S
Address, Postal code, City	Sundkrogsgade 21, st., 2100 København Ø
CVR no.	21 25 61 10
Established	30 December 1954
Registered office	Copenhagen
Financial year	1 July 2018 - 30 June 2019

Board of Directors	Burak Budak, Chairman Robertus Cornelis Abraham Werkhoven Zoltán Hangodi Shane Kelly Daniel Stuart Hamilton
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Executive Board	Shane Kelly, CEO
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Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Strandvejen 44, 2900 Hellerup
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## Management's review

### Financial highlights

DKK'000	2018/19	2017/18	2016/17	2015/16	2014/15
<b>Key figures</b>					
Revenue	259,456	253,159	244,154	235,800	214,776
Gross margin	46,025	39,054	42,219	41,008	32,365
Operating profit/loss	677	-1,516	-1,306	780	-4,077
Net financials	55	211	236	-96	-745
Profit/loss for the year	7,665	5,600	4,990	5,766	2,880
<b>Balance sheet</b>					
Total assets	101,734	102,894	94,539	89,806	74,536
Investment in property, plant and equipment	0	691	489	190	0
Share capital	5,000	5,000	5,000	5,000	5,000
Equity	13,104	11,039	10,539	11,049	8,133
<b>Financial ratios</b>					
Gross margin	17.7%	15.4%	17.3%	17.4%	15.1%
Equity ratio	12.9%	10.7%	11.1%	12.3%	10.9%
Return on equity	63.5%	51.9%	46.2%	60.1%	34.9%
<b>Other</b>					
Average number of employees	37	35	39	37	36

Financial ratios are calculated in accordance with the Danish Finance Society's recommendations. For terms and definitions, please see the accounting policies.

## Management's review

### Business review

Diageo Denmark A/S is a wholly owned subsidiary of Selviac Nederland BV., Amsterdam, which is part of the Diageo Group. The consolidated financial statements for the Ultimate Parent can be obtained at [www.diageo.com](http://www.diageo.com).

The Company's activity comprises import and sale of liquor and "Ready To Drink" products.

### Development in activities and finances

Diageo Denmark A/S has continued its growth year-on-year and delivered strong performance.

Growth was mainly driven by Gin and our Ready-To-Drink business, while the Innovation portfolio contributed strongly to the performance. The company's share of the market has been challenged by the competition, however, Diageo maintained its well-established market leader position.

Strong Operating profit continued as a result of rigorous cost management programmes.

### Sustainability and responsibility

Responsibly managing our environmental impact continues to be a high priority for us and we are committed to protecting and sustaining our natural resources and making a positive contribution to the communities in which we live and work. We operate programmes which focus on carbon reduction, water stewardship, zero waste to landfill, and reducing our packaging requirements. Creating a positive role for alcohol in society also continues to be a priority area for Diageo and is delivered through global programmes such as Drink IQ and Drink Positive. Detailed information on the steps taken can be obtained from the consolidated financial statement of the Diageo Group.

### Financial review

In 2018/19, the Company's revenue amounted to DKK 259,456 thousand against DKK 253,159 thousand last year. This revenue is slightly lower than planned at the beginning of the financial year 2018/19. The income statement for 2018/19 shows a profit of DKK 7,665 thousand against a profit of DKK 5,600 thousand last year, and a balance sheet at 30 June 2019 shows equity of DKK 13,104 thousand.

### 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.

### Outlook

The outlook for 2020 remains positive as we look to sustain our current performance levels.



Financial statements 1 July 2018 - 30 June 2019

Income statement

Note	DKK'000	2018/19	2017/18
	Revenue	259,456	253,159
	Cost of sales	-183,100	-177,769
	Other operating income	9,171	8,689
	Other external expenses	-39,502	-45,025
	Gross profit	46,025	39,054
2	Staff costs	-35,888	-31,582
3	Depreciation of property, plant and equipment	-289	-298
	Profit before net financials	9,848	7,174
4	Financial income	177	734
5	Financial expenses	-122	-523
	Profit before tax	9,903	7,385
6	Tax for the year	-2,238	-1,785
	Profit for the year	7,665	5,600

Financial statements 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	ASSETS		
	Fixed assets		
7	Property, plant and equipment		
	Fixtures and fittings, other plant and equipment	698	987
		698	987
	Total fixed assets	698	987
	Non-fixed assets		
	Inventories		
	Finished goods and goods for resale	30,684	20,389
		30,684	20,389
	Receivables		
	Trade receivables	64,487	65,592
	Receivables from group enterprises	2,968	12,892
8	Deferred tax assets	43	45
	Other receivables	979	1,118
9	Prepayments	1,875	1,871
		70,352	81,518
	Total non-fixed assets	101,036	101,907
	TOTAL ASSETS	101,734	102,894

Financial statements 1 July 2018 - 30 June 2019

Balance sheet

Note	DKK'000	2018/19	2017/18
	EQUITY AND LIABILITIES:		
	Equity		
10	Share capital	5,000	5,000
	Retained earnings	704	439
	Dividend proposed	7,400	5,600
	Total equity	13,104	11,039
	Liabilities other than provisions		
	Current liabilities other than provisions		
	Trade payables	33,603	22,451
	Payables to group enterprises	19,582	35,212
	Corporation tax payable	1,871	906
	Other payables	33,574	33,286
		88,630	91,855
	Total liabilities other than provisions	88,630	91,855
	TOTAL EQUITY AND LIABILITIES	101,734	102,894

- 1 Accounting policies
- 11 Contractual obligations and contingencies, etc.
- 12 Collateral
- 13 Related parties

Financial statements 1 July 2018 - 30 June 2019

Statement of changes in equity

Note	DKK'000	Share capital	Retained earnings	Dividend proposed	Total
	Equity at 1 July 2017	5,000	439	5,100	10,539
14	Transfer, see "Appropriation of profit"	0	0	5,600	5,600
	Dividend distributed	0	0	-5,100	-5,100
	Equity at 1 July 2018	5,000	439	5,600	11,039
14	Transfer, see "Appropriation of profit"	0	265	7,400	7,665
	Dividend distributed	0	0	-5,600	-5,600
	Equity at 30 June 2019	5,000	704	7,400	13,104

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 1 Accounting policies

The annual report of DIAGEO DENMARK A/S for 2018/19 has been prepared in accordance with the provisions in the Danish Financial Statements Act applying to medium-sized reporting class C entities.

#### Changes in accounting policies

The accounting policies applied in the preparation of the annual report has been changed. The Company has adopted IFRS 15 - Revenue from Contracts with Customers, replacing IAS 18 and IFRS 9 - Financial Instruments, replacing IAS 39. The adoption of the new accounting standards has not impacted the profit and loss, equity or comparative figures.

The accounting policies used in the preparation of the financial statements are otherwise consistent with those of last year.

#### Omission of a cash flow statement

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement has been prepared. The Company's cash flows are reflected in the consolidated cash flow statement for the higher-ranking parent company Diageo Plc.

#### Basis of 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.

#### Reporting currency

The financial statements are presented in Danish kroner (DKK'000).

#### 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.

#### Leases

The Company has chosen IAS 17 as interpretation for classification and recognition of leases.

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 1 Accounting policies (continued)

Leases that do not transfer substantially all the risks and rewards incident to the ownership to the Company are classified as operating leases. Payments relating to operating leases and any other rent agreements are recognised in the income statement over the term of the lease. The Company's aggregate liabilities relating to operating leases and other rent agreements are disclosed under "Contingent liabilities".

#### Income statement

##### Revenue

The Company has chosen IFRS 15 as interpretation for revenue recognition.

Revenue from the sale of goods for resale and finished goods is recognised in the income statement when delivery and transfer of risk to the buyer have taken place and provided that the income can be reliably measured and payment is expected to be received. Revenue is measured less VAT and tax charged on behalf of third parties. All discounts and rebates granted are recognised in revenue.

##### Other operating income

Other operating income comprise income of a secondary nature viewed in relation to the Company's primary activities.

##### Cost of sales

Cost of sales comprises cost of sales for the financial year measured at cost, adjusted for ordinary inventory write-downs.

##### Other external expenses

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

##### Staff costs

Payroll and related costs all include cost and expenses occurred in relation to Management and staff.

##### Depreciation

A non-cash expense that reduces the value of an asset over the useful life of the asset.

The basis of depreciation, which is calculated as cost less any residual value, is depreciated on a straight line basis over the expected useful life. The expected useful lives of the assets are as follows:

Fixtures and fittings, other plant and equipment	5-10 years
IT Equipments	3 years

Property, plant and equipment are written down to the lower of recoverable amount, if this is lower than the carrying amount.

The residual value is determined at the time of acquisition and are reassessed every year. Where the residual value exceeds the carrying amount of the asset, no further depreciation charges are recognised. In case of changes in the residual value, the effect on the depreciation charges is recognised prospectively as a change in accounting estimates.

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial income and expenses

Financial income comprises interest income, including interest income on receivables from group enterprises, net capital gains on payables and transactions in foreign currencies.

Financial expenses comprise interest expenses, including interest expenses on payables to group enterprise, net capital losses on securities, payables and transactions in foreign currencies.

##### Tax

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised 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

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes the acquisition price and costs directly related to the acquisition until the time at which the asset is ready for use.

Gains or losses on property, plant and equipment are determined as the difference between the selling price less selling costs and the carrying amount at the date of disposal. Gains and losses are recognised in the income statement as other operating income or other operating cost, respectively.

##### Impairment of fixed assets

The carrying amount of intangible assets and property, plant and equipment is assessed for impairment on an annual basis.

Impairment tests are conducted on assets or groups of assets when there is evidence of impairment. The carrying amount of impaired assets is reduced to the higher of the net selling price and the value in use (recoverable amount).

The recoverable amount is the higher of the net selling price of an asset and its value in use. The value in use is calculated as the present value of the expected net cash flows from the use of the asset or the group of assets and the expected net cash flows from the disposal of the asset or the group of assets after the end of the useful life.

Previously recognised impairment losses are reversed when the reason for recognition no longer exists. Impairment losses on goodwill are not reversed.

##### Inventories

Inventories are measured at cost in accordance with the FIFO method. Where the net realisable value is lower than cost, inventories are written down to this lower value.

Goods for resale are measured at cost, comprising purchase price plus delivery costs.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale and is determined taking into account marketability, obsolescence and development in expected selling price.

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Receivables

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

The Company has chosen IFRS 9 as interpretation for impairment of financial receivables.

An impairment loss is recognised if there is objective evidence that a receivable or a group of receivables is impaired. If there is objective evidence that an individual receivable has been impaired, an impairment loss is recognised on an individual basis.

Receivables in respect of which there is no objective evidence of individual impairment are tested for objective evidence of impairment on a portfolio basis. The portfolios are primarily based on the debtors' domicile and credit ratings in line with the Company's risk management policy. The objective evidence applied to portfolios is determined based on historical loss experience.

Impairment losses are calculated as the difference between the carrying amount of the receivables and the present value of the expected cash flows, including the realisable value of any collateral received. The effective interest rate for the individual receivable or portfolio is used as discount rate.

##### Prepayments

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

##### Cash

Cash comprises cash in hand and bank deposits.

##### Equity

###### Proposed dividends

Dividend is recognised as a liability at the time of adoption at the annual general meeting (declaration date). The proposed dividend for the financial year is disclosed as a separate item in equity.

###### Income taxes

Current tax payable or receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income adjusted for prepaid 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.

##### Liabilities

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



## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 1 Accounting policies (continued)

##### Financial ratios

The financial ratios stated under "Financial highlights" have been calculated as follows:

Gross margin ratio	$\frac{\text{Gross margin} \times 100}{\text{Revenue}}$
Equity ratio	$\frac{\text{Equity, year-end} \times 100}{\text{Total equity and liabilities, year-end}}$
Return on equity	$\frac{\text{Profit/loss after tax} \times 100}{\text{Average equity}}$

Financial statements 1 July 2018 - 30 June 2019

Notes to the financial statements

DKK'000	2018/19	2017/18
2 Staff costs		
Wages/salaries	32,520	28,003
Pensions	2,940	2,576
Other social security costs	428	1,003
	<u>35,888</u>	<u>31,582</u>
Average number of full-time employees	<u>37</u>	<u>35</u>
By reference to section 98b(3), (ii), of the Danish Financial Statements Act, remuneration to Management is not disclosed.		
3 Depreciation of property, plant and equipment		
Depreciation of property, plant and equipment	289	298
	<u>289</u>	<u>298</u>
4 Financial income		
Interest receivable, group entities	10	2
Other financial income	167	732
	<u>177</u>	<u>734</u>
5 Financial expenses		
Interest expenses, group entities	111	110
Other financial expenses	11	413
	<u>122</u>	<u>523</u>
6 Tax for the year		
Estimated tax charge for the year	2,236	1,619
Deferred tax adjustments in the year	2	166
	<u>2,238</u>	<u>1,785</u>

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 7 Property, plant and equipment

DKK'000	Fixtures and fittings, other plant and equipment
Cost at 1 July 2018	3,556
Cost at 30 June 2019	3,556
Revaluations at 1 July 2018	0
Revaluations at 30 June 2019	0
Impairment losses and depreciation at 1 July 2018	2,569
Depreciation	289
Impairment losses and depreciation at 30 June 2019	2,858
Carrying amount at 30 June 2019	698

DKK'000	2018/19	2017/18
8 Deferred tax		
Deferred tax relates to:		
Property, plant and equipment	-43	-45
	-43	-45
Analysis of the deferred tax		
Deferred tax assets	-43	-45
	-43	-45

The recognised tax asset primarily relate to future depreciation for tax purposes of property, plant and equipment. The Company has launched initiatives to improve the gross profit, why the recognised tax asset is expected to be utilised within the next 1 to 5 years.

#### 9 Prepayments

Prepayments include accrual of expenses relating to subsequent financial years.

#### 10 Share capital

Analysis of the share capital:

1,000 Ordinary shares of DKK 5,000.00 nominal value each	5,000	5,000
	5,000	5,000

The Company's share capital has remained DKK 5,000 thousand over the past 5 years.

## Financial statements 1 July 2018 - 30 June 2019

### Notes to the financial statements

#### 11 Contractual obligations and contingencies, etc.

Other financial obligations

Other rent and lease liabilities:

DKK'000	2018/19	2017/18
Rent and lease liabilities	<u>2,870</u>	<u>8,875</u>

#### 12 Collateral

The Company has not provided any security or other collateral in assets at 30 June 2019.

#### 13 Related parties

DIAGEO DENMARK A/S' related parties comprise the following:

Parties exercising control

Related party	Domicile	Basis for control
Selviac Nederland BV. Diageo Plc.	Amsterdam, Netherlands London, UK	Parent Ultimate Parent

Information about consolidated financial statements

Parent	Domicile	Requisitioning of the parent company's consolidated financial statements
Diageo Plc.	London, UK	Consolidated financial statement can be obtained by contacting Diageo Plc. or via its homepage <a href="http://www.diageo.com">www.diageo.com</a>

Related party transactions

The Company solely discloses related party transactions that have not been carried out on an arm's length basis, cf. section 98c(7) of the Danish Financial Statements Act.

All transactions have been carried out on an arm's length basis.

DKK'000	2018/19	2017/18
14 Appropriation of profit		
Recommended appropriation of profit		
Proposed dividend recognised under equity	7,400	5,600
Retained earnings	<u>265</u>	<u>0</u>
	<u>7,665</u>	<u>5,600</u>