

Diageo Denmark A/S
Central Business Registration No
21256110
Sundkrogen 2
2100 Copenhagen

Annual report 2015/16

The Annual General Meeting adopted the annual report on 24.11.2016

Chairman of the General Meeting

Name: Margaret Harnett

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Entity details

Entity

Diageo Denmark A/S
Sundkrogen 2
2100 Copenhagen

Central Business Registration No: 21256110

Registered in: Copenhagen

Financial year: 01.07.2015 - 30.06.2016

Board of Directors

Margaret Hartnett, Chairman of the Board of Directors

Michael Holm, Director - CEO

Gábor Gondos

Executive Board

Michael Holm, Director - CEO

Auditors

PricewaterhouseCoopers Statautoriseret Revisionspartnerselskab

Strandvejen 44

2900 Hellerup

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Diageo Denmark A/S for the financial year 01.07.2015 - 30.06.2016.

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 30.06.2016 and of the results of its operations for the financial year 01.07.2015 - 30.06.2016.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein of the development in the Company's operation and financial conditions, the result for the year and financial position.

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

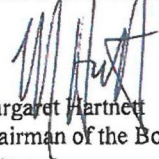
Copenhagen, 24.11.2016

Executive Board

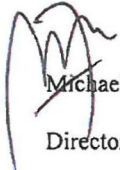


Michael Holm
Director - CEO

Board of Directors



Margaret Hartnett
Chairman of the Board of Directors



Michael Holm
Director - CEO



Gabor Gondos

Independent auditor's reports

To the owners of Diageo Denmark A/S

Report on the financial statements

We have audited the financial statements of Diageo Denmark A/S for the financial year 01.07.2015 - 30.06.2016, which comprise the accounting policies, income statement, balance sheet, statement of changes in equity and notes. The financial statements are prepared in accordance with the Danish Financial Statements Act.

Management's responsibility 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.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Entity's preparation of financial statements that give a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our audit has not resulted in any qualification.

Opinion

In our opinion, the financial statements give a true and fair view of the Company's financial position at 30.06.2016 and of the results of its operations for the financial year 01.07.2015 - 30.06.2016 in accordance with the Danish Financial Statements Act.

Independent auditor's reports


Statement on the management commentary

Pursuant to the Danish Financial Statements Act, we have read the management commentary. We have not performed any further procedures in addition to the audit of the financial statements.

On this basis, it is our opinion that the information provided in the management commentary is consistent with the financial statements.

Copenhagen, 24.11.2016

PricewaterhouseCoopers
Statautoriseret Revisionspartnerselskab


Jacob F. Christiansen
State Authorised Public Accountant


Kaare von Cappeln
State Authorised Public Accountant

CVR-nr. 33771231

Management commentary

	<u>2015/16</u> DKK'000	<u>2014/15</u> DKK'000	<u>2013/14</u> DKK'000	<u>2012/13</u> DKK'000	<u>2011/12</u> DKK'000
Financial high-lights					
Key figures					
Revenue	235.800	214.776	204.743	197.323	199.823
Gross profit/loss	41.008	32.365	40.742	33.863	31.686
Operating profit/loss	7.566	4.614	4.475	7.221	6.707
Net financials	(96)	(745)	(608)	(698)	(1.712)
Profit/loss for the year	5.766	2.880	2.813	4.658	3.728
Total assets	89.806	74.536	97.819	71.043	64.863
Investments in property, plant and equipment	190	0	115	55	1.017
Equity	11.049	8.133	8.353	10.340	12.682
Ratios					
Gross margin (%)	17,4	15,1	19,9	17,2	15,9
Return on equity (%)	60,1	34,9	30,1	40,5	27,8
Solvency ratio (%)	12,3	10,9	8,5	14,6	19,6

Management commentary

Primary activities

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.

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

Development in activities and finances

The result of the year slightly exceeded expectations. Despite the flat revenue and earnings anticipation the business outperformed across most brands and across the full range of products.

Growth came from both the higher priced products in our Reserve portfolio (our malts grew double digit) but also in our Premium Core business which also enjoyed double digit growth with strong performance in Smirnoff and Tanqueray.

In addition the performance of Baileys really supported the overall growth. In addition, Diageo Denmark was voted as the leading spirits FMCG as voted by key customers.

Diageo's share of the market across most categories grew as a result of strong performance over the year.

Sustainability and responsibility

Every business decision and every programme works towards our sustainability and responsibility priorities reducing our environmental impacts. We are working hard, including with our suppliers, to achieve this. Main focus areas are using natural resources responsibly and increase the usage of recycled materials. Detailed information on the steps taken can be obtained from the consolidated financial statement of the Diageo

Outlook

The business is positioned well to grow even further in the coming year.

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

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 for these financial statements are consistent with those applied last year.

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.

Income statement

Revenue

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 expected to be received. Revenue is measured less VAT and taxed charge on behalf of third parties. All discounts granted are recognised in revenue.

Accounting policies

Other operating income

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

Cost of sales

Cost of sales comprises costs 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 for premises, stationery and office supplies, marketing costs, etc. This item also includes write-downs of receivables recognised in current assets.

Staff costs

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

Amortisation, depreciation and impairment losses

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

Other financial income

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

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, net capital losses on securities, payables and transactions in foreign currencies.

Income taxes

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

Intellectual property rights etc

Intangible assets etc. comprise acquired intellectual property rights.

Intangible assets are measured at cost less accumulated amortisation.

Intangible assets are written down to the lower of recoverable amount and carrying amount.

Accounting policies

Property, plant and equipment

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

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	5-10 years
IT equipment	3 years

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

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

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 sale and it is determined taking into account marketability, obsolescence and development in expected selling price.

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.

Accounting policies

Prepayments

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

Cash

Cash comprises cash in hand and bank deposits.

Dividend

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

Other financial liabilities

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

Income tax receivable or payable

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.

Cash flow statement

The cash flow statement has been omitted pursuant to section 86(4) of the Danish Financial Statemans Act.

Financial highlights

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios 2010" issued by the Danish Society of Financial Analysts.

Ratios	Calculation formula	Ratios reflect
Gross margin (%)	$\frac{\text{Gross profit} \times 100}{\text{Revenue}}$	The Entity's operating gearing.
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The Entity's return on capital invested in the Entity by the owners.
Solvency ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the Entity.

Income statement for 2015/16

	<u>Notes</u>	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
Revenue		235.800	214.776
Other operating income		6.786	8.691
Cost of sales		(161.489)	(147.635)
Other external expenses		<u>(40.089)</u>	<u>(43.467)</u>
Gross profit/loss		41.008	32.365
Staff costs	1	(33.225)	(27.461)
Depreciation, amortisation and impairment losses	2	<u>(217)</u>	<u>(290)</u>
Operating profit/loss		7.566	4.614
Other financial income	3	242	131
Other financial expenses	4	<u>(338)</u>	<u>(876)</u>
Profit/loss from ordinary activities before tax		7.470	3.869
Tax on profit/loss from ordinary activities	5	<u>(1.704)</u>	<u>(989)</u>
Profit/loss for the year		<u>5.766</u>	<u>2.880</u>
 Proposed distribution of profit/loss			
Dividend for the financial year		5.500	2.850
Retained earnings		<u>266</u>	<u>30</u>
		<u>5.766</u>	<u>2.880</u>

Balance sheet at 30.06.2016

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Acquired licences		0	0
Intangible assets	6	<u>0</u>	<u>0</u>
Other fixtures and fittings, tools and equipment		317	344
Property, plant and equipment	7	<u>317</u>	<u>344</u>
Fixed assets		<u>317</u>	<u>344</u>
Manufactured goods and goods for resale		16.730	9.800
Inventories		<u>16.730</u>	<u>9.800</u>
Trade receivables		64.452	57.793
Receivables from group enterprises		6.390	4.752
Deferred tax assets		313	294
Other short-term receivables		1.314	1.293
Prepayments	8	290	249
Receivables		<u>72.759</u>	<u>64.381</u>
Cash		<u>0</u>	<u>11</u>
Current assets		<u>89.489</u>	<u>74.192</u>
Assets		<u>89.806</u>	<u>74.536</u>

Balance sheet at 30.06.2016

	<u>Notes</u>	<u>2015/16 DKK'000</u>	<u>2014/15 DKK'000</u>
Contributed capital	9	5.000	5.000
Retained earnings		549	283
Proposed dividend		5.500	2.850
Equity		<u>11.049</u>	<u>8.133</u>
Trade payables		27.665	22.220
Debt to group enterprises		11.821	11.841
Income tax payable		1.153	154
Other payables		38.118	32.188
Current liabilities other than provisions		<u>78.757</u>	<u>66.403</u>
Liabilities other than provisions		<u>78.757</u>	<u>66.403</u>
Equity and liabilities		<u><u>89.806</u></u>	<u><u>74.536</u></u>
Unrecognised rental and lease commitments	10		
Related parties with control	11		
Ownership	12		
Consolidation	13		

Statement of changes in equity for 2015/16

	Contri- buted capi- tal DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	5.000	283	2.850	8.133
Ordinary dividend paid	0	0	(2.850)	(2.850)
Profit/loss for the year	0	266	5.500	5.766
Equity end of year	5.000	549	5.500	11.049

Notes

	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
1. Staff costs		
Wages and salaries	30.350	24.663
Pension costs	2.764	2.509
Other social security costs	111	289
	<u>33.225</u>	<u>27.461</u>
Average number of employees	<u>37</u>	<u>36</u>
Remuneration to the Executive Board has not been disclosed in accordance with section 98 B(3) of the Danish Financial Statements Act.		
	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
2. Depreciation, amortisation and impairment losses		
Amortisation of intangible assets	0	61
Depreciation of property, plant and equipment	217	229
	<u>217</u>	<u>290</u>
	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
3. Other financial income		
Financial income arising from group enterprises	237	2
Other financial income	5	129
	<u>242</u>	<u>131</u>
	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
4. Other financial expenses		
Financial expenses from group enterprises	311	314
Other financial expenses	27	562
	<u>338</u>	<u>876</u>
	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
5. Tax on ordinary profit/loss for the year		
Current tax	1.724	538
Change in deferred tax for the year	(20)	447
Adjustment relating to previous years	0	4
	<u>1.704</u>	<u>989</u>

Notes

	Acquired licences DKK'000
6. Intangible assets	
Cost beginning of year	219
Cost end of year	219
Amortisation and impairment losses beginning of year	(219)
Amortisation and impairment losses end of year	(219)
Carrying amount end of year	0
	Other fix- tures and fittings, tools and equipment DKK'000
7. Property, plant and equipment	
Cost beginning of year	2.186
Additions	190
Cost end of year	2.376
Depreciation and impairment losses beginning of the year	(1.842)
Depreciation for the year	(217)
Depreciation and impairment losses end of the year	(2.059)
Carrying amount end of year	317
8. Prepayments	
Prepayments comprise incurred costs relating to subsequent financial years.	
	Nominal value DKK'000
9. Contributed capital	Par value DKK
	Number
Ordinary Shares	1.000
	5.000,00
	5.000

Notes

	<u>2015/16</u> <u>DKK'000</u>	<u>2014/15</u> <u>DKK'000</u>
10. Unrecognised rental and lease commitments		
Commitments under rental agreements or leases until expiry	<u>1.439</u>	<u>4.094</u>

11. Related parties with control

The following related parties have a controlling interest in Diageo Denmark A/S:

Name	Registered office	Basis of influence
Selviac Nederland BV. <i>Selviac Nederland BV.</i>	Amsterdam <i>Asterdam</i>	Moderselskab <i>Parent</i>
Diageo Plc. <i>Diageo Plc</i>	London, UK <i>London. UK</i>	Ultimativ moderselskab <i>Ultimate Parent</i>

12. Ownership

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

Selvic Nederland BV. Amsterdam

13. Consolidation

Name and registered office of the Parent preparing consolidated financial statements for the largest group:

Diageo Denmark A/S is included in the consolidation financial statements for Diageo Plc. The consolidation financial statements of the ultimate parent, Diageo Plc. can be obtained by contacting the Company or via its homepage www.diageo.com.