OFFICE TRANSLATION. THE NORWEGIAN VERSION SHALL PREVAIL IN CASE OF DISCREPANSIES.

DEMERGER PLAN

FOR THE DEMERGER OF

ARCUS ASA

WITH ARCUS NEWCO AS AS THE ACQUIRING COMPANY

C O N T E N T S

DEMERGER PLAN

This demerger plan (the "**Demerger Plan**") is made on 29 September 2020 by the boards of directors of

(1) **Arcus ASA**, company registration no. 987 470 569, with registered address at Destilleriveien 11, 1481 Hagan, Norway (the "**Transferring Company**"); and

(2) **Arcus NewCo AS**, company registration no. 925 510 459, with registered address at Destilleriveien 11, 1481 Hagan, Norway (the "**Acquiring Company**").

1. INTRODUCTION

1.1 The board of directors of the Transferring Company and the Acquiring Company have agreed to propose to their respective general meetings that the Transferring Company is demerged by way of transfer of the assets, rights and liabilities listed in clause 2 to the Acquiring Company, the shareholders of the Transferring Company receiving demerger consideration as set out in clause 4 and the share capital of the Transferring Company being reduced in accordance with clause 5.1 (the "**Demerger**").

1.2 The Acquiring Company is a newly established company and will not have any own business prior to the completion of the Demerger.

1.3 The Demerger is carried out as part of the establishing of a new legal structure in the Arcus group, where the current subsidiaries of the Transferring Company will be transferred to a newly established subsidiary of the Transferring Company, Arcus Holding AS, business registration no. 925 510 440. To obtain this structure, the Acquiring Company will be merged with Arcus Holding AS simultaneously with the Demerger in a tripartite merger where the merger consideration will consist of an increase of the Transferring Company share capital by way of an increase of the nominal value of the shares in the Transferring Company (the "**Merger**"). A separate merger plan for the Merger is being entered into simultaneously with this Demerger Plan.

1.4 As the Transferring Company currently owns 100% of the shares in the Acquiring Company, the Acquiring Company shall repay its share capital to the Transferring Company in its entirety and correspondingly redeem existing shares prior to the completion of the Demerger.

1.5 In order to facilitate the Demerger, the board of directors of the Transferring Company has proposed that the general meeting of the Transferring Company approves an increase of the share capital of the Transferring Company by way of a bonus issue where the nominal value of the Transferring Company's shares is increased from NOK 0.02 to NOK 5.00 (the "**Bonus Issue**"). The Bonus Issue will be carried out before the Demerger.

1.6 The Demerger shall be implemented in accordance with the provisions of chapter 14 of the Norwegian Public Limited Liability Companies Act.

2. ALLOCATION OF ASSETS, RIGHTS AND LIABILITIES

2.1 All assets, rights and liabilities of the Transferring Company will be transferred to the Acquiring Company through the Demerger, with the exception of:

(i) the existing employment agreements with each of the chief executive officer, Kenneth Hamnes, and the chief financial officer, Sigmund Toth (the "**Employees**"), including any and all receivables and debt items relating to salary and other contributions to the Employees;

(ii) all outstanding shares in the Acquiring Company and Arcus Holding AS;

(iii) all rights and obligations under the directors and officers liability insurance policy of the Transferring Company; and

(iv) the receivables and payables set out as being retained by the Transferring Company in the balance sheet attached to this Demerger Plan as Appendix H,

which will remain in the Transferring Company.

2.2 A demerger receivable for the Transferring Company against the Acquiring Company of in aggregate NOK 20,000,000 will also be established upon the completion of the Demerger.

2.3 A draft balance sheet showing the allocation of the Transferring Company's balance sheet as of 31 August 2020 upon the Transferring Company and the Acquiring Company is included as Appendix H to the Demerger Plan.

2.4 Assets, rights or liabilities that are acquired or arise during the period between the Effective Date (as defined in clause 3 below) and the Implementation Date (as defined in clause 9 below) shall be allocated to the party whose business they are most closely related. To the extent this cannot be identified, the relevant asset, right or liability shall be divided between the Transferring Company and the Acquiring Company in the same proportion as the share capital is divided through the Demerger.

2.5 If any assets, rights or liabilities referred to in clause 2.1 are not transferable to the Acquiring Company due to missing governmental or third party consents, and this does not prevent completion of the Demerger pursuant to clause 8, the parties shall enter into agreements that give the Acquiring Company the same rights and liabilities towards the Transferring Company as if the asset, right or liability had been transferred to the Acquiring Company. If it is not possible to transfer such assets, rights or liabilities through such agreements, the Transferring Company shall compensate the Acquiring Company for the value the relevant asset, right or liability represents. If the relevant asset, right or liability has a negative value, the Acquiring Company shall compensate the Transferring Company for this value.

3. EFFECTIVE DATE FOR ACCOUNTING PURPOSES

3.1 Transactions in the Transferring Company relating to the assets, rights and liabilities to be acquired by the Acquiring Company shall, for accounting purposes, be deemed to be undertaken for the account of the Acquiring Company from and including 1 January 2021 (the "**Effective Date**").

3.2 As from the Effective Date, separate accounts shall be maintained for the business that will be transferred to the Acquiring Company and the business that will remain in the Transferring Company. These accounts shall form the basis for the final allocation of assets, rights and liabilities under clause 2.4.

4. DEMERGER CONSIDERATION

As demerger consideration, the shareholders of the Transferring Company as of the Implementation Date shall receive a total of 68,023,255 shares in the Acquiring Company, each with a nominal value of NOK 4.966. The consideration shares shall be allocated in proportion to the number of shares each shareholder holds in the Transferring Company as at the Implementation Date (as defined in clause 9).

5. ALLOCATION RATIO – ALLOCATION OF THE SHARE CAPITAL

5.1 The nominal and paid up share capital of the Transferring Company shall be allocated with 0.68% to the Transferring Company and 99.32% to the Acquiring Company. The share capital of the Transferring Company shall accordingly be reduced by NOK 337,803,484.33 by way of a reduction of the nominal value of the shares from NOK 5.00 to NOK 0.034.

5.2 The allocation ratio set out in clause 5.1 above is considered to reflect the allocation of the Transferring Company's net value between the Transferring Company and Acquiring Company in the Demerger, cf. section 11-8 (1) of the Norwegian Income Tax Act.

6. APPROVAL BY THE GENERAL MEETINGS

6.1 The time of the general meetings

The Demerger Plan shall be considered by an extraordinary general meeting of each of the Transferring Company and the Acquiring Company on the same date, currently scheduled to be held by the end of November 2020.

6.2 Proposed resolution by the general meeting of the Transferring Company

The board of directors of the Transferring Company shall propose that the general meeting of the Transferring Company pass the following resolution:

"(i) The proposal for a joint demerger plan dated 29 September 2020 for the demerger of the company with Arcus NewCo AS as the acquiring company is adopted.

(ii) The company's share capital shall be reduced by NOK 337,803,484.33 through reduction of the nominal value of the shares from NOK 5.00 by NOK 4.966 to NOK 0.034.

(iii) The share capital reduction shall be carried out as part of the demerger of the company by transfer of the assets, rights and liabilities specified in the demerger plan to Arcus NewCo AS and the company's shareholders receiving shares in Arcus NewCo AS as demerger consideration.

(iv) Article 4 of the articles of association shall be amended to reflect the new share capital and new the nominal value of the shares after the share capital reduction.

(v) The resolution is conditioned upon the general meeting approving a resolution for a bonus issue in the Company, as well as a resolution for a tripartite merger and share capital increase in the Company as set out in the merger plan dated 29 September 2020 between the Company, Arcus NewCo AS and Arcus Holding AS."

6.3 Proposed resolution by the general meeting of the Acquiring Company

The board of directors of the Acquiring Company shall propose that the general meeting of the Acquiring Company pass the following resolution:

"(i) The joint demerger plan dated 29 September 2020 for the demerger of Arcus ASA with the company as the acquiring company is adopted.

(ii) The company's share capital is reduced by NOK 30,000 from NOK 30,000 to NOK 0 by redemption of 3,000 shares.

(iii) The company's share capital shall be increased by NOK 337,803,484.33 through the issuance of 68,023,255 new shares, each with a nominal value of NOK 4.966. The subscription price per share is NOK 8.044 (rounded).

(iv) The new shares shall be issued as consideration shares to the shareholders of Arcus ASA upon completion of the demerger in accordance with the provisions of the demerger plan.

(v) The contribution for the new shares shall consist of the assets, rights and liabilities to be transferred from Arcus ASA to the company in accordance with the demerger plan. The contribution shall be transferred to the company upon completion of the demerger.

(vi) *The new shares shall be deemed to have been subscribed for when the general meeting of Arcus ASA has approved the demerger plan.*

(vii) *The new shares shall carry rights to dividends from the date on which the share capital increase is registered with the Norwegian Register of Business Enterprises.*

(viii) *Article 3 of the articles of association shall be amended to reflect the share capital and the number of shares after the share capital increase.*

(ix) *The Company's estimated costs in connection with the share capital increase is NOK 50,000."*

6.4 Subscription for the consideration shares

The consideration shares to be issued by the Acquiring Company shall be deemed subscribed when the general meeting of the Transferring Company has adopted the Demerger Plan.

7. NOTIFICATIONS TO THE REGISTER OF BUSINESS ENTERPRISES

7.1 The parties shall as soon as possible notify the Norwegian Register of Business Enterprises of the Demerger Plan in accordance with section 14-4 cf. section 13-13 of the Norwegian Public Limited Liability Companies Act.

7.2 The adoption of the Demerger Plan by the respective general meetings of the Transferring Company and the Acquiring Company shall be notified to the Norwegian Register of Business Enterprises as soon as possible after the general meetings have been held in accordance with section 14-7 cf. section 13-14 of the Norwegian Public Limited Liability Companies Act.

7.3 Completion of the Demerger shall be notified to the Norwegian Register of Business Enterprises in accordance with clause 9 of the Demerger Plan.

8. CONDITIONS FOR THE COMPLETION OF THE DEMERGER

Completion of the Demerger is conditional upon:

(i) the Transferring Company having completed the Bonus Issue as described in clause 1.5;

(ii) the general meeting of the Transferring Companies having approved the Demerger in accordance with clause 6.2;

(iii) the general meeting of the Acquiring Company having approved the Demerger in accordance with clause 6.3;

(iv) the notice deadline for objections pursuant to section 14-7 cf. section 13-15 of the Norwegian Public Limited Liability Companies Act having expired;

(v) either no objections from creditors having been made or any objections from creditors having been settled or finally dismissed;

(vi) the Transferring Company not holding any treasury shares; and

(vii) the general meetings of each of the Transferring Company, the Acquiring Company and Arcus Holding AS having adopted the merger plan for the Merger and all conditions for the completion of the Merger having been satisfied or waived (if capable of waiver).

9. COMPLETION OF THE DEMERGER

9.1 When the conditions in clause 8 above have been satisfied, the Acquiring Company shall notify the Norwegian Register of Business Enterprises of completion of the Demerger in accordance with section 14-8 cf. section 13-17 (1) of the Norwegian Public Limited Liability Companies Act.

9.2 At the time completion of the Demerger is registered with the Norwegian Register of Business Enterprises (the "**Implementation Date**") the assets, rights and liabilities specified in clause 2.1 shall be deemed transferred to the Acquiring Company, and the increase of the share capital of the Acquiring Company and the reduction of the share capital of the Transferring Company shall become effective, cf. section 14-8 of the Norwegian Public Limited Liability Companies Act.

10. TAX TREATMENT

10.1 The Demerger will be implemented as a tax-free demerger pursuant to the chapter 11 of the Norwegian Income Tax Act.

10.2 Tax positions of the Transferring Company not relating to specific business activity, assets or liabilities of the Transferring Company shall be allocated in accordance with section 11-8 (3) second sentence of the Norwegian Income Tax Act. Tax positions relating to specific assets and liabilities of the Transferring Company as well as joint balances in the Transferring Company is allocated in accordance with section 11-8 (4) of the Norwegian Income Tax Act.

10.3 Taxable profit or loss in the period from the Effective Date until the Implementation Date shall to the extent possible be allocated between the Transferring Company and the Acquiring Company in proportion to the business that each party will continue to operate.

11. COSTS

Costs incurred in connection with the Demerger shall be paid by the Acquiring Company.

12. CONDITIONS FOR SHAREHOLDER RIGHTS

There are no special conditions for exercise of shareholder rights in the Acquiring Company or for registration in the shareholders' registry of the Acquiring Company.

13. SHAREHOLDERS WITH SPECIAL RIGHTS AND HOLDERS OF SUBSCRIPTION RIGHTS

13.1 There are no shareholders of the Transferring Company that hold special rights as referred to in section 14-4 cf. section 13-6 (1) no. 5 of the Norwegian Public Limited Liability Companies Act.

13.2 There are no subscription rights as stipulated in section 11-1, 11-10 or 11-12 of the Norwegian Public Limited Liability Companies Act or other special rights in the Transferring Company.

13.3 The Transferring Company has issued share options in connection with a share incentive program for employees in the Transferring Company and its subsidiaries. Neither the share option program nor the issued options are affected by the Demerger and the option holders will have the same rights and obligations before and after completion of the Demerger and the Merger. The Transferring Company undertakes to procure that any options exercised before completion of the Demerger and the Merger are settled in cash.

14. SPECIAL RIGHTS AND BENEFITS

No members of the board of directors, the managing director or independent experts receives any special rights or advantages in connection with the Demerger cf. section 14-4 cf. section 13-6 (1) no. 6 of the Norwegian Public Limited Liability Companies Act.

15. AUTHORITY TO AMEND THE DEMERGER PLAN

The boards of directors of the Transferring Company and the Acquiring Company may at any time until the Norwegian Register of Business Enterprises is notified of the completion of the Demerger agree on and make minor amendments to the Demerger Plan to the extent deemed necessary or desirable.

[signatures on next page]

[signature page – demerger plan between Arcus ASA and Arcus NewCo AS]

The board of directors of Arcus ASA

Michael Holm Johansen *Chairman*	Leena Maria Saarinen *Board member*
Ann-Beth Nina Johannesen Freuchen *Board member*	Nils Kloumann Selte *Board member*
Carl Erik Hagen *Board member*	Ingeborg Flønes *Board member*
Kirsten Ægidius *Board member*	Erik Hagen *Board member* *(employee representative)*
Ann Therese Elisabeth Jacobsen *Board member* *(employee representative)*	Anne-Marie Flåten *Board member* *(employee representative)*

[signature page – demerger plan between Arcus ASA and Arcus NewCo AS]

The board of directors of Arcus NewCo AS

____

Kenneth Hamnes
Chairman

APPENDICES

This Demerger Plan includes the following appendices:

A Articles of association of the Transferring Company

B Articles of association for the Acquiring Company

C Draft articles of association of the Transferring Company after the Demerger

D Draft articles of association of the Acquiring Company after the Demerger

E Copy of the Transferring Company's annual accounts, annual report and auditor's statement for the last three accounting years

F Financial interim report as of 30 June 2020 for the Transferring Company prepared in accordance with section 5-6 of the Norwegian Securities Trading Act

G Audited interim balance sheet as of 31 August 2020 for the Acquiring Company

H Draft balance sheet showing allocation of the Transferring Company's balance sheet as of 31 August 2020 upon the Transferring Company and the Acquiring Company

I Expert statement prepared by KWC AS for the Transferring Company, cf. section 14-4 cf. section 13-10 of the Norwegian Public Limited Liability Companies Act

J Expert Statement prepared by KWC AS for the Acquiring Company, cf. section 14-4 cf. section 13-10 of the Norwegian Public Limited Liability Companies Act

K Report on the Demerger from the board of directors of the Transferring Company and the Acquiring Company

L Auditor statement on coverage for tied-up equity in the Transferring Company

Appendix A

Articles of association of the Transferring Company

ARTICLES OF ASSOCIATION

for

Arcus ASA

(last amended 29 November 2016)

§ 1

The business name of the company is Arcus ASA. The company is a public limited liability company.

§ 2

The registered office of the company is located in the municipality of Nittedal. General meetings can also be held in the municipality of Oslo.

§ 3

The company's purpose is to operate, import, export, production, storage and distribution of alcoholic beverages and other goods, and other business activities in connection therewith, including participation in other companies engaged in such activities.

§ 4

The company's share capital is NOK 1,360,465.10 divided on 68,023,255 shares, each with a nominal value of NOK 0.02. The shares shall be registered in the Norwegian Central Securities Depository (VPS).

§ 5

The board of directors of the company shall consist of at least three, but no more than eight shareholder-elected board members, as adopted by the general meeting. In addition, board members are elected by and among the employees in accordance with applicable company legislation.

§ 6

The authority to sign on behalf of the company is held by the chairman of the board alone or two board members jointly.

§ 7

The annual general meeting shall discuss and decide upon the following:

1) Approval of the annual accounts and annual report, including distribution of dividend.

2) Other matters that according to law or the articles of association are to be decided upon by the general meeting.

When documents concerning matters to be discussed at general meetings in the company have been made available to the shareholders on the company's web pages, the board of directors may decide that the documents shall not be sent to the shareholders. If so, a shareholder may demand that documents concerning matters to be discussed at the general meeting be sent to him or her. The company cannot demand any form of compensation for sending the documents to the shareholders.

Shareholders may cast a written vote in advance in matters to be discussed at the general meetings of the company. Such votes may also be cast through electronic communication. The access to cast votes in advance is subject to the presence of a safer method of authenticating the sender. The board of directors decides whether such a method exists before each individual general meeting. The notice of general meeting must state whether votes in advance are permitted and which guidelines, if any, that have been issued for such voting.

The notice of general meeting may state that shareholders wanting to attend the general meeting must notify the company thereof within a certain period. This period cannot expire sooner than five days before the meeting.

§ 8

The company shall have a nomination committee consisting of [three] members.

The members of the nomination committee shall be shareholders or representatives of shareholders. The members of the nomination committee, including its chairman, are elected by the general meeting. The members of the nomination committee's period of service shall be two years unless the general meeting decides otherwise. The period of service commences from the time of being elected unless otherwise decided. It terminates at the end of the annual general meeting of the year in which the period of service expires. Even if the period of service has expired, the member must remain in his or her position until a new member has been elected. The members of the nomination committee's fees shall be determined by the general meeting.

The nomination committee shall have the following responsibilities:

(i) To give the general meeting its recommendations regarding the election of board members to be elected by the shareholders

(ii) To give the general meeting its recommendation regarding the board members' fees

(iii) To give the general meeting its recommendations regarding the election of members to the nomination committee

(iv) To give the general meeting its recommendations regarding the members of the nomination committee's fees.

The general meeting may issue further guidelines for the nomination committee's work.

Appendix B

Articles of association for the Acquiring Company

ENGLISH OFFICE TRANSLATION. THE NORWEGIAN VERSION SHALL PREVAIL IN CASE OF DISCREPANSIES.

Vedtekter	Articles of association
ARCUS NEWCO AS	**ARCUS NEWCO AS**
Org.nr. 925 510 459	Business reg. no 925 510 459
(Fastsatt 03.09.2020)	(Resolved 03.09.2020)
§ 1 Selskapets navn skal være ARCUS NEWCO AS.	§ 1 The Company's name shall be ARCUS NEWCO AS.
§ 2 Selskapets virksomhet skal være import, eksport, produksjon, lagring og distribusjon av alkoholholdige drikker og andre varer, samt virksomhet som står i forbindelse med dette, samt eie andeler i andre selskaper som driver slik virksomhet.	§ 2 The Company's business shall be import, export, production, storage and distribution of alcoholic drinks and other goods, as well as business related to this, as well as owning shares in other companies carrying out such business.
§ 3 Selskapets aksjekapital skal være NOK 30 000 fordelt på 3 000 ordinære aksjer á NOK 10.	§ 3 The Company's share capital shall be NOK 30,000 divided on 3,000 ordinary shares of NOK 10 each.
§ 4 Selskapets aksjer er fritt omsettelige. Aksjelovens bestemmelser om forkjøpsrett gjelder ikke. Aksjeoverdragelse krever imidlertid styresamtykke.	§ 4 The Company's shares are freely transferable. The Norwegian Limited Liability Companies Act's provisions on pre-emptive rights does not apply. However, share transfers are subject to board approval.
§ 5 For øvrig henvises til den enhver tid gjeldende aksjelovgivning.	§ 5 Reference is otherwise made to the company law applicable at all times.

* * *

Appendix C

Draft articles of association of the Transferring Company after the Demerger

ARTICLES OF ASSOCIATION

for

Arcus ASA

(As last amended [ ] 2020)

§ 1

The business name of the company is Arcus ASA. The company is a public limited liability company.

§ 2

The registered office of the company is located in the municipality of Nittedal. General meetings can also be held in the municipality of Oslo.

§ 3

The company's purpose is to operate, import, export, production, storage and distribution of alcoholic beverages and other goods, and other business activities in connection therewith, including participation in other companies engaged in such activities.

§ 4

The company's share capital is NOK 2,312,790.67 divided on 68,023,255 shares, each with a nominal value of NOK 0.034. The shares shall be registered in the Norwegian Central Securities Depository (VPS).

§ 5

The board of directors of the company shall consist of at least three, but no more than eight shareholder-elected board members, as adopted by the general meeting. In addition, board members are elected by and among the employees in accordance with applicable company legislation.

§ 6

The authority to sign on behalf of the company is held by the chairman of the board alone or two board members jointly.

§ 7

The annual general meeting shall discuss and decide upon the following:

1) Approval of the annual accounts and annual report, including distribution of dividend.

2) Other matters that according to law or the articles of association are to be decided upon by the general meeting.

When documents concerning matters to be discussed at general meetings in the company have been made available to the shareholders on the company's web pages, the board of directors may decide that the documents shall not be sent to the shareholders. If so, a shareholder may demand that documents concerning matters to be discussed at the general meeting be sent to him or her. The company cannot demand any form of compensation for sending the documents to the shareholders.

Shareholders may cast a written vote in advance in matters to be discussed at the general meetings of the company. Such votes may also be cast through electronic communication. The access to cast votes in advance is subject to the presence of a safer method of authenticating the sender. The board of directors decides whether such a method exists before each individual general meeting. The notice of general meeting must state whether votes in advance are permitted and which guidelines, if any, that have been issued for such voting.

The notice of general meeting may state that shareholders wanting to attend the general meeting must notify the company thereof within a certain period. This period cannot expire sooner than five days before the meeting.

§ 8

The company shall have a nomination committee consisting of three members.

The members of the nomination committee shall be shareholders or representatives of shareholders. The members of the nomination committee, including its chairman, are elected by the general meeting. The members of the nomination committee's period of service shall be two years unless the general meeting decides otherwise. The period of service commences from the time of being elected unless otherwise decided. It terminates at the end of the annual general meeting of the year in which the period of service expires. Even if the period of service has expired, the member must remain in his or her position until a new member has been elected. The members of the nomination committee's fees shall be determined by the general meeting.

The nomination committee shall have the following responsibilities:

(i) To give the general meeting its recommendations regarding the election of board members to be elected by the shareholders

(ii) To give the general meeting its recommendation regarding the board members' fees

(iii) To give the general meeting its recommendations regarding the election of members to the nomination committee

(iv) To give the general meeting its recommendations regarding the members of the nomination committee's fees.

The general meeting may issue further guidelines for the nomination committee's work.

Appendix D

Draft articles of association of the Acquiring Company after the Demerger

ENGLISH OFFICE TRANSLATION. THE NORWEGIAN VERSION SHALL PREVAIL IN CASE OF DISCREPANSIES.

Vedtekter

ARCUS NEWCO AS

Org.nr. 925 510 459

(Fastsatt [ ] 2020)

§ 1 Selskapets navn skal være ARCUS NEWCO AS.

§ 2 Selskapets virksomhet skal være import, eksport, produksjon, lagring og distribusjon av alkoholholdige drikker og andre varer, samt virksomhet som står i forbindelse med dette, samt eie andeler i andre selskaper som driver slik virksomhet.

§ 3 Selskapets aksjekapital skal være NOK 337 803 484,33 fordelt på 68 023 255 ordinære aksjer á NOK 4,966.

§ 4 Selskapets aksjer er fritt omsettelige. Aksjelovens bestemmelser om forkjøpsrett gjelder ikke. Aksjeoverdragelse krever imidlertid styresamtykke.

§ 5 For øvrig henvises til den enhver tid gjeldende aksjelovgivning.

Articles of association

ARCUS NEWCO AS

Business reg. no 925 510 459

(Resolved [ ] 2020)

§ 1 The Company's name shall be ARCUS NEWCO AS.

§ 2 The Company's business shall be import, export, production, storage and distribution of alcoholic drinks and other goods, as well as business related to this, as well as owning shares in other companies carrying out such business.

§ 3 The Company's share capital shall be NOK 337,803,484.33 divided on 68,023,255 ordinary shares of NOK 4.966 each.

§ 4 The Company's shares are freely transferable. The Norwegian Limited Liability Companies Act's provisions on pre-emptive rights does not apply. However, share transfers are subject to board approval.

§ 5 Reference is otherwise made to the company law applicable at all times.

* * *

Appendix E

Copy of the Transferring Company's annual accounts, annual report and auditor's statement for the last three accounting years

Directors' Report:

ARCUS ASA

The Arcus Group is a leading wine and spirits company in the Nordic region. The Group is a global market leader in the aquavit category, a market leader for spirits in Norway, and number two in Denmark. The Group is also the market leader for wine in Norway, number two in Sweden, and number five in Finland.

Arcus ASA is a holding company whose purpose is the import, export, production, storage and distribution of alcoholic beverages and other goods, as well as other activities related to this business, and the ownership of interests in other companies that conduct such business. Arcus' head office is located at Gjelleråsen in Nittedal Municipality, close to Oslo.

ABOUT THE COMPANY

Arcus ASA owns all of the shares in Arcus-Gruppen AS and Vectura AS. The purpose of the company is to manage shares and other company holdings, and the Group operates within the business areas of Wine, Spirits and Logistics.

The Wine business area imports, bottles, markets and sells wine in Norway, Sweden and Finland, as well as within tax-free (and in Denmark as from 2020). In 2019, the Wine business area achieved sales of NOK 1,603 million, compared to NOK 1,625 million in 2018. EBITDA (adjusted) was NOK 170 million in 2019, compared to NOK 182 million in 2018. The sales decrease is mainly due to the loss of agencies in the Swedish wine company Vinunic, in conjunction with former employee's commencement of competing activities. Apart from this, the Wine business area achieved sound growth. The operating profit for 2019 was NOK 158 million, compared to NOK 167 million for 2018.

The Spirits business area imports, produces, bottles, markets and sells spirits primarily in the Nordic region and Germany, but also in other selected export markets. Spirits also bottles the wine sold by the Wine business area. In 2019, the Spirits business area achieved sales of NOK 976 million, compared to NOK 920 million in 2018. EBITDA (adjusted) was NOK 149 million in 2019, compared to NOK 145 million in 2018. The higher sales are primarily driven by increased agency sales. Among own brands, sales of low-margin products increased, with rather weaker sales in high-margin markets. The operating profit for 2019 was NOK 122 million, compared to NOK 118 million for 2018.

The Logistics business area (Vectura) distributes alcoholic beverages in the Norwegian market. The Logistics business area achieved sales of NOK 328 million in 2019, compared to NOK 308 million in 2018. EBITDA (adjusted) was NOK 15 million in 2019, compared to NOK 13 million in 2018. Sales increased as a consequence of new customers and higher sales of services, while the result was reduced by an increased overtime ratio, and lease of lorries and drivers. The operating profit for 2019 was NOK 2 million, compared to NOK 1 million for 2018.

The company's registered office is in Nittedal Municipality.

STRATEGY AND BUSINESS DEVELOPMENT

Arcus' strategy is a strategy for growth.

The Wine business area must win important tenders announced by the monopolies, increase sales through its own brands, and attract good, new agencies. This strategy applies to Sweden, Norway and Finland. The portfolios are developing continuously, and their content is focused on where demand is expected to increase. In Norway in particular, this has led to major changes. Here, the portfolio has increased in recent years, with more white wine, rosé wine and sparkling wine, which has yielded good results.

The Spirits business area will achieve growth through production and sale of some of the Nordic region's strongest spirits brands, in particular aquavit, bitters and cognac. The domestic market is the Nordic region and Germany. During 2019, Spirits also added several international agencies to the portfolio. In Finland and Sweden in particular, this gave increased sales. In Denmark, where demand for aquavit and bitters had declined in recent years, Arcus in 2019 introduced sale of pre-mixed cocktails, vodka and gin. So far, this has given good results.

The Logistics business area will grow by gaining more customers, and also by ensuring low operating costs. 2019 was another year with revenue growth for Logistics. This is due to an increase number of customers, but also that these customers have increased their portfolios and required additional logistics services.

In addition to the strategy for each of the three business areas, Arcus has a strategy for the achievement of minor acquisitions. In 2019, this resulted in the acquisition of 90 percent of Wongraven Wines AS. Since 2010, Sigurd Wongraven has developed and sold quality wines in Norway, and as from 2010, in cooperation with Arcus' Vingruppen. In the course of 2020, the wines will be launched in new markets.

FINANCIAL DEVELOPMENT

Statement of income

In 2019, the Group's total operating revenue was NOK 2,763 million (NOK 2,723 million in 2018). As stated, Spirits achieved significant growth in 2019, mainly on the basis of new agencies. Wine gained sound growth in Norway, with growth for own brands and for agency products, although revenue in Sweden was reduced considerably after the loss of agencies early in the year. The positive market development and strong growth for some of the wine companies did not compensate for this sufficiently. Wine in Finland lost agencies at the end of 2018, which together with weak market development contributed to lower revenue in 2019. Logistics continued to develop positively and increased its revenue with additional customers, as well as higher volumes for existing customers.

The Group's operating costs totalled NOK 2,489 million, of which depreciation and amortisation amounted to NOK 120 million (NOK 2,463 million, of which depreciation amounted to NOK 50 million). The change in costs from the previous year was affected significantly by the introduction of new accounting rules for the book entry of leases (IFRS 16), which the Group implemented as from 1 January 2019. Reported depreciation increased by NOK 70 million, of which NOK 69 million is due to the implementation of IFRS 16.

In 2019, the Group's operating profit before depreciation (EBITDA) was NOK 377 million, compared to NOK 307 million in 2018. Operating EBITDA (adjusted for non-recurring items) was NOK 397 million, compared to NOK 313 million in 2018. As stated, the implementation of IFRS 16 is the most important reason for the increase in EBITDA.

The Group's net financial items amounted to NOK -85 million (NOK -36 million) in 2019. The increase in net financial items by NOK 49 million is to a great extent driven by the implementation of IFRS 16, which accounts for an increase of NOK 45 million in interest expenses.

In 2019, the Group's tax costs amounted to NOK 39 million, compared to NOK 57 million in 2018. The effective tax rate was 23 per cent, compared to 26 per cent for the previous year. The lower effective tax rate is mainly due to a lower actual tax rate in the Norwegian activity.

Balance sheet, cash flows

At the end of the year, the Group had brands and goodwill for NOK 1,902 million (NOK 1,857 million). To a great extent the increase is due to the acquisition of Wongraven Wines in December 2019.

At the close of the year, the Group had investments in fixed assets and software for NOK 1,452 million (NOK 343 million). The large increase is mainly based on the implementation of IFRS 16, which at the end of the year entailed an increase in rights of use of NOK 1,122 million, compared to the end of 2018.

Group equity was NOK 1,662 million as at 31 December (NOK 1,654 million). Changes in equity are affected positively by the profit for the year, but reduced by the dividend paid to minority shareholders in the Group and shareholders in the parent company. The equity ratio was 30 percent at year-end, which is 7 percentage points below the previous year. The reduced equity ratio, even though the Group's equity increased during 2019, is due to the significant increase in total liabilities as a consequence of the implementation of IFRS 16.

As at 31 December 2019, the Group's total liabilities amounted to NOK 3,928 million (NOK 2,783 million), of which interest-bearing debt amounted to 51 per cent. Of the increase from 2018 to 2019, NOK 1,142 million is due to calculated lease obligations in conjunction with the introduction of IFRS 16.

The Group's net cash flow from operational activities was NOK 292 million (NOK 395 million). The change is affected significantly by how Arcus in January 2018 received significant payments from Vinmonopolet that fell due on the last day of 2017, which did not take place in January 2019. In 2019, cash flow from operational activities was also affected negatively by temporarily higher stocks at year-end. On the other hand, cash flow from operations or activities was affected positively by the introduction of IFRS 16.

Significant changes in accounting policies

The introduction of IFRS 16 as from 1 January 2019 has entailed significant changes for the Group. Some of the effects are described in "Financial development" in the Directors' Report above. See also Note 13 to the consolidated financial statements, which gives a more detailed description of the changes which this has entailed.

There have been no other changes entailing significant effects for the Group.

Financial risk and risk management

The Board has adopted a financial policy, defining the framework and guidelines for financial risk management within the Group.

Arcus' principal source of revenue is the core business. The main risk management strategy for the Group is to limit the financial risk arising from the core business.

The most important financial risks to which the Group is exposed are associated with credit risk, interest-rate risk, liquidity risk and foreign currency risk.

To a small extent, Arcus uses financial instruments to hedge interest-rate and currency risks. The Group does not use hedge accounting and on initial recognition, financial instruments are recognised as financial instruments at fair value, while changes in value are recognised through profit or loss.

Credit risk

The finance policy stipulates that credit risk must be assessed before establishing credit purchase agreements with new customers. The assessment includes a review of accounting information, as well as other relevant and accessible data, to determine the credit limit and credit terms. Once a relationship has been established with a customer, credit risk and credit limits are continuously assessed in relation to the client's financial performance and payment history. Outstanding receivables are continuously monitored by the finance department in cooperation with the marketing departments of the individual businesses.

A large proportion of the Group's accounts receivable arise from the sale of wine and spirits to the state-owned monopoly outlets in the Nordic region. Credit risk associated with these customers is considered to be non-existent. The Group's credit risk is otherwise spread over a large number of small customers within the hotel, restaurant and café market, as well as a small number of distributors outside the Nordic region.

Interest-rate risk

The Group is exposed to interest-rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2019, the Group's non-current liabilities consisted of credit facilities at SEB and financial leasing at Nordea Finans and Volvo Finans. The interest-rate hedging policy entails that up to 50 percent of the base rate on non-current loans can be hedged. At the end of 2019, none of the Group's interest-bearing debt was hedged. The interest-rate margin on credit facilities at SEB is related to the size of the Group's net interest-bearing debt relative to EBITDA, while the agreement with Nordea Finans involves a fixed interest-rate margin.

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. Arcus must at all times have sufficient liquidity to meet its obligations. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of revenue development and capital binding, and through continuous assessment of alternative sources of finance.

Arcus aims for the greatest possible degree of flexibility in terms of utilising liquid assets as effectively as possible in day-to-day operations. This is achieved through a Group cash pool system with a drawing facility managed by Arcus AS.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Arcus Group did not raise any new loans during 2019, but entered into leasing agreements in connection with the replacement of lorries in Logistics.

Currency risk

The Group is exposed to currency risk as it operates in several countries and makes significant purchases in foreign currencies. The most significant currencies are euro, Danish krone, Swedish krona and US dollar.

The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The overall objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in Norwegian kroner. It is continuously sought to offset changes in purchase costs from suppliers in functional currencies, due to exchange rate fluctuations, by changing sales prices for customers, and by renegotiation of purchase prices from suppliers.

The risk horizon, i.e. the time it takes to compensate for negative currency movements, is generally controlled by the price-adjustment opportunities in relation to the Nordic state monopolies. In Norway, this takes place every fourth month and in Sweden, every sixth month. Currency is purchased in the spot market in order to continuously offset net positions against monetary items. Forward contracts are used solely to hedge purchases in foreign currency on behalf of Vectura's customers, and possibly also on major acquisitions of companies or operating equipment in foreign currency, if there is a long time gap between contract establishment and settlement date.

Some of the Group's non-current borrowing is undertaken in Swedish kronor, as a natural hedging of cash flows in the form of dividends in Swedish kronor.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rates in the companies' functional currencies. The Group's presentation currency is Norwegian kroner. The Group is therefore further exposed to currency risk on translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged.

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2019 DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	90	29	4	10	2	135
Men	251	26	13	9	1	300
Total	**341**	**55**	**17**	**19**	**3**	**435**

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2019 DISTRIBUTED BY BUSINESS AREA

	Men	Women	Total
Spirits	96	46	142
Wine	37	47	84
Arcus-Gruppen AS	20	14	34
Vectura AS	146	27	173
Arcus ASA	2	0	2
Total	**301**	**134**	**435**

EMPLOYEES AND ORGANISATION

Employees

At year-end, the Group had 430.5 FTEs (full-time equivalents), distributed on 435 permanent employees, of whom 341 are employed in Norway. The parent company Arcus ASA has two employees. The gender distribution for the overall Group was 69 percent men and 31 percent women.

The Board of Directors considers the working environment and cooperation with employee representatives to be good and constructive. The co-involvement of employees is ensured at several levels of the Group. Permanent cooperation committees, consisting of employee representatives and representatives from management, have been established in the operating companies in Norway. At these meetings, the management provides information, and engages in discussions when needed. There is also a well-functioning corporate committee where the employees' Board members and key representatives meet before each Board meeting to discuss relevant, Group-wide issues.

Absence due to illness

The Group has a strong focus on sick leave rates. The Norwegian companies in the Group work closely with the occupational health service and NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and planning are important tools in this work. For Arcus-Gruppen AS with subsidiary in Norway, the sick leave rate was 4.6 percent in 2019, compared to the target of 4.2 percent. The target for 2020 has been retained at 4.2 percent. For Vectura AS, where a lot of manual and physical work is undertaken, sick leave was 6.8 percent in 2019, which is an improvement of 1.7 percentage points from 2018. The goal for 2019 was 7.5 percent, while the goal for 2020 is set at 6.5 percent. Sick leave varies considerably between departments and across business areas.

For the Arcus ASA Group, total sick leave in Norway amounted to 5.7 percent in 2019, which is an improvement of 0.7 percentage point from 2018. For comparison, the NHO (Confederation of Norwegian Enterprise) sick leave statistics for beverage production in Q3 2019 show absence with a medical certificate at 4.1 percent, and self-reported absence at an estimated 0.6 percent, which gives total sick leave of 4.7 percent.

Sick leave statistics and HSE incidents are presented each month at departmental meetings, on the intranet and on bulletin boards, and are considered by the working environment committees.

Working environment and HSE

The Group's operating companies work systematically with health, safety and the environment. Individual action plans are established and followed up centrally, at business area level, and in the working environment committees.

To avoid serious injuries and incidents, it is important to have an organisation and culture that can identify hazardous conditions, register adverse incidents and introduce corrective measures on an ongoing basis. In this respect, the operating companies in the Group have been successful. Adverse incidents are reported regularly. These incidents are reported on a monthly basis to management, employees, working environment committees and safety representatives.

All injuries are investigated to discover the underlying cause and measures are then implemented to avoid similar incidents.

In 2019, there were six injuries resulting in absence due to illness (four in Vectura AS and two in Arcus Norway AS). The injuries were not considered to be serious and the persons returned to work after a few days' absence. The Group's goal for 2020 is zero absence due to injuries.

Equal opportunities

Of the Group's 435 employees at year-end, 31 percent were women and 69 percent were men, which is the same level as the preceding year. The management groups of the operating companies all have female members. The Group Management of Arcus ASA has one female member. At year-end, the Group had 42 percent female managers, which is an increase of 10 percentage points from 2018.

At the end of 2019, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom five were women. Three members of the Board of Directors are representatives elected by the employees, and two of these members are women. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representation on ASA's board of directors.

In connection with the local salary settlement in 2019 in Norway, the parties reviewed the situation concerning equal opportunities and equal pay. The parties agreed that satisfactory consideration is made of equal pay and equal opportunities.

Diversity

The Group has a stated policy not to discriminate on the basis of gender, religion, race, sexual orientation, age, functional disability, or ethnic and/or cultural origin.

At the end of 2019, the employees represented around 30 different languages and approximately 20 percent of the employees did not have a Nordic cultural or ethnic background.

Arcus' goal is to eliminate all forms of discrimination or harassment. The Group's Work Regulations and Ethical Rules set out guidelines for this, and good reporting procedures have also been established.

In 2019, a new Plan for Diversity and Inclusion was also drawn up. The plan defines concrete targets and activities. As a Group and employer, Arcus ASA must promote equal opportunities and prevent discrimination of its employees.

The Board of Directors and the management groups of the operating companies are aware of this in relation to recruitment, appointments, salary appraisals and working conditions, as well as through awareness-raising activities.

Ethical guidelines

The Group's ethical guidelines define, clarify and ensure a common business ethics framework to outline the expectations of the ethical and appropriate behaviour of all employees. The Group's ethical guidelines stipulate that Arcus has zero tolerance for discrimination, bullying and corruption. As part of the ethical guidelines, provision is also made for the notification of any misconduct within the Group. Whistleblowers can use a designated telephone number, established for this purpose. All employees have been made aware of this option, and the fact that their anonymity is guaranteed. In 2019, one whistleblower report was made.

Data protection

Arcus adheres to the EU's General Data Protection Regulation (GDPR). The previous procedures for compliance and control were revised in 2019, so that Arcus handles personal data protection in accordance with GDPR.

On the basis of the mapping it was concluded that Arcus is not subject to the requirement of a separate data protection officer (cf. Article 37 of GDPR). To ensure compliance with legislation across the Group's business areas it has nonetheless been decided to appoint a separate data protection committee. The main function of the committee will be to ensure compliance with new data protection legislation by Arcus ASA with subsidiaries.

Environment

Consideration of the external environment is an important aspect of corporate social responsibility at Arcus and there was increased activity in 2019. The Sustainability Report on pages 36-54 is part of the Directors' Report, but certain aspects are highlighted by the Board of Directors below:

Using the right packaging is one of the areas in which Arcus can do its best to contribute to a better environment. According to a survey by the Nordic alcohol monopolies in 2016, glass production is by far the biggest environmentally adverse factor in the alcohol monopolies' activities. This is the reason that Arcus in 2019, for the first time, has sold wine in returnable plastic bottles. Plastic that is recirculated is a far more environmentally friendly type of packaging than glass, for example.

Arcus has also engaged in organisations and fora in which environmental measures take highest priority. As an element of this, Arcus has taken the "Plastic Pledge". This entails a commitment to reduce plastic consumption by 30 percent. Before 2025, at least 50 percent of the plastic used must be recirculated plastic.

In 2019, the recirculation of own waste increased to 64 percent (50 percent in 2016), and six lorries with old engines were replaced by more ecofriendly Euro 6 engines.

Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of its activities on the external environment. In 2017, the Group set 11 specific KPIs that are to be achieved before 2020. They include KPIs for reduction of carbon dioxide and increased recirculation of waste. The status for each of these 11 parameters is presented in the Sustainability Report.

In line with Section 3-3c of the Norwegian Accounting Act, the Annual Report includes a separate report on Arcus' corporate social responsibility, including the current status for each of the 11 KPIs. This report is an integrated element of the Annual Report.

Alcohol

Arcus takes a clear stance on responsible alcohol consumption. Our aim is to raise awareness and understanding of our approach to alcohol and responsible consumption among all of the target groups which are relevant for Arcus. This is the background to our "Think before you drink" campaign, launched in the autumn of 2015, which has become an integral aspect of Arcus' communication strategy. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus.

In the three years from 2017 to 2019, Arcus has run a campaign directed at high-school graduates. The "Think before you drink" message is shared on the graduates' own digital channels. At the celebrations at Tryvann and Tusenfryd in Oslo, 7,000 filled bottles of water were distributed to graduates in 2019, with ample opportunity to refill the bottles. This was 1,000 more bottles than in 2018. Twenty water drums were also distributed to the graduates' buses, to ensure that bottles could easily be refilled. Arcus was not identified as the originator of the initiative.

Alcolocks are installed on all lorries and new company cars. AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies.

The Annual Report includes a separate report on Arcus' organisation.

Ownership

On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and at year-end 2018/19 had 2,250 shareholders. At the close of the year, three shareholders each held more than 5 percent of the company's shares: Canica AS (44.2 percent), Geveran Trading Co Ltd (9.9 percent) and Verdipapirfondet DNB Norge (IV) (5.1 percent). Quarterly results have been presented in Oslo for each quarter. In addition, one-to-one investor meetings were held in Oslo on a regular basis throughout the year, and Arcus attended internal and external investor presentations under the auspices of stockbroker firms.

The Annual Report includes a separate report on Arcus' corporate governance compliance. This is an integrated element of the Annual Report.

Continued operations

In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the company is a going concern. The basis for this lies in the long-term plans and strategic choices that have been made.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Since the COVID-19 outbreak, Arcus' business segments have managed to keep operations stable. Supply of wine and other raw materials, has more or less been according to plan due to close cooperation with our partners. At our production and bottling facility, there have been no major disruptions. Sales of wine and spirits to Vinmonopolet has been higher than normal. The main reasons are strongly reduced sales to Duty Free Travel Retail, hotels, restaurants and cafés, and strongly reduced shopping at the Swedish border. Logistics has had high activity due to increased demand at Vinmonopolet, and operation and deliveries have been very close to plan.

No employees have so far reported COVID-19 infection. By mid-April 3,7 percent of the employees were temporarily laid off. All temporary layoffs in Arcus are related to reduced sales to hotels, restaurants and bars. To minimize temporary layoffs, some of these employees have worked in our production, to fill vacant positions.

The Group's overdraft facility at SEB has been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19 outbreak. The due date on the group's term loan has also been extended by one year to 1 December 2022.

Given the challenging situation faced by some of our customers we are closely monitoring the situation and taking appropriate actions to mitigate the risk of credit losses. We currently estimate that the effect will be relatively moderate and have made appropriate extra-ordinary provisions for expected losses in our Q1 accounts.

On 11 March, Arcus announced that Vectura and Cuveco were assessing the possibility of a merger. In an industry subject to strong competition and low margins, the two parties would like to establish a company that, over time, can develop even better services.
A merger would make it possible to achieve a size that makes it easier to invest for the future in automation, digitalisation and sustainable solutions. The new company would gradually be able to offer a better and broader range of services to its many customers. The Norwegian Competition Authority (Konkurransetilsynet) has approved the possible merger between Vectura and Cuveco. The merger project will then move on to the next stage of negotiations and planning.

APPROPRIATION OF PROFITS

The parent company Arcus ASA reported a profit for the year of NOK 52 million in 2019, compared to NOK 55 million in 2018. The Board proposes the allocation of dividend of NOK 1.66 per share, in total NOK 113 million, and that the profit of NOK 52 million be transferred to other equity.

FUTURE PROSPECTS

In conjunction with the IPO, the company published its long-term growth targets, including organic revenue growth of 3-5 percent, including minor bolt-on acquisitions, and EBITDA growth of 6-9 percent in the next three to five years. The Board continues to set these targets as the basis for the Group's continued development.

Gjelleråsen 29 April 2020

Michael Holm Johansen Chairman of the Board	Carl Erik Hagen	Nils Selte	Ann-Beth Freuchen
Eilif Due	Leena Saarinen	Kirsten Ægidius	Ann Therese Jacobsen
Konstanse M. Kjøle	Erik Hagen	Kenneth Hamnes Group CEO	

BOARD OF DIRECTORS

Michael Holm Johansen
Chairman of the Board

Carl Erik Hagen
Board member

Nils Selte
Board member

Ann-Beth Freuchen
Board member

Eilif Due
Board member

Leena Saarinen
Board member

Kirsten Ægidius
Board member

Ann Therese Jacobsen
Board member

Konstanse M. Kjøle
Board member

Erik Hagen
Board member

Financial Statements and Notes

CONSOLIDATED FINANCIAL STATEMENTS

Statement of income 01.01. -31.12.

Figures in NOK 1,000	Note	2019	2018
OPERATING REVENUE AND EXPENSES			
Sales revenue	2,3	2,710,374	2,672,615
Other operating revenue	2,3	52,403	50,586
Total operating revenue	2,3	**2,762,777**	**2,723,201**
Net gain on sale of fixed assets	4,11,12	11	365
Cost of sales	15,22	-1,601,113	-1,577,306
Salaries and other personnel costs	6,7,8	-439,220	-426,644
Depreciation and amortisation	11,12,13	-119,573	-50,005
Other operating expenses	5	-329,443	-409,330
Share of profit from associated companies and jointly controlled entities	23	4,059	2,311
Operating profit before other income and expenses		**277,498**	**262,592**
Other income and expenses	5	-19,744	-5,296
Operating profit		**257,754**	**257,296**

Figures in NOK 1,000	Note	2019	2018
FINANCIAL INCOME AND EXPENSES			
Interest income	9	22,498	12,906
Other financial income	9,18	30,038	27,740
Interest costs	9	-99,128	-39,029
Other financial costs	9,18	-38,693	-37,733
Net financial profit/loss		**-85,285**	**-36,116**
PROFIT BEFORE TAX		**172,469**	**221,180**
Tax	10	-39,182	-56,763
Profit for the year		**133,287**	**164,417**
The profit for the year is allocated to			
Non-controlling interests	26	5,466	5,954
Parent company shareholders		127,821	158,463
		133,287	**164,417**
Earnings per share (NOK)			
Earnings per share	21	1.88	2.33
Diluted earnings per share	21	1.79	2.25

Total comprehensive income 01.01. – 31.12.

Figures in NOK 1,000	Note	2019	2018
Profit for the year		**133,287**	**164,417**
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	8	-1,989	9,900
Total		**-1,989**	**9,900**
Tax on items that will not be reclassified against the statement of income	10	438	-2,277
Total		**-1,551**	**7,623**
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		-5,000	6,967
Total		**-5,000**	**6,967**
Tax on items that may be reclassified against the statement of income		0	0
Total		**-5,000**	**6,967**
TOTAL COMPREHENSIVE INCOME		**-6,551**	**14,590**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**126,736**	**179,007**
The total comprehensive income for the year is allocated as follow			
Non-controlling interests		5,104	5,214
Parent company shareholders		121,632	173,793
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**126,736**	**179,007**
Total comprehensive income per share (NOK)			
Earnings per share	21	1.79	2.55
Diluted earnings per share	21	1.70	2.47

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	12	1,048,185	1,042,130
Brands	12	853,965	815,009
Software	12	21,033	26,752
Total intangible assets		**1,923,183**	**1,883,891**
Tangible fixed assets			
Tangible fixed assets	11	151,973	315,839
Rights of use	13	1,279,262	0
Total tangible fixed assets		**1,431,235**	**315,839**
Deferred tax assets	10	**86,100**	**110,158**
Financial assets			
Investments in associated companies and jointly controlled entities	23	64,521	61,291
Other investments in shares	1	249	200
Other non-current receivables	14	506	1,581
Total financial assets		**65,276**	**63,072**
Total fixed assets		**3,505,794**	**2,372,960**

Figures in NOK 1,000	Note	2019	2018
Current assets			
Inventories	15	486,612	441,117
Receivables			
Trade receivables	1	1,278,500	1,260,709
Prepayments to suppliers	14	63,152	52,999
Other receivables	10,14	50,810	26,983
Total receivables		**1,392,462**	**1,340,691**
Bank deposits	1,17	205,029	282,594
Cash and cash equivalents		**205,029**	**282,594**
Total current assets		**2,084,103**	**2,064,402**
TOTAL ASSETS		**5,589,897**	**4,437,362**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	21	1,360	1,356
Share premium		770,743	770,743
Total paid-in equity		**772,103**	**772,099**
Retained earnings			
Other equity		886,224	878,970
Total retained earnings		**886,224**	**878,970**
Non-controlling interests	26	3,896	2,965
Total equity		**1,662,223**	**1,654,034**
Liabilities			
Provisions			
Deferred tax liability	10	101,260	101,845
Pension obligations	8	23,724	21,077
Liabilities at fair value through profit or loss	1,18	69,343	74,218
Other provisions for liabilities	20	0	92
Total provisions		**194,327**	**197,232**

Figures in NOK 1,000	Note	2019	2018
Other non-current liabilities			
Debt to financial institutions	1,19	703,829	874,895
Lease obligations	13,19	1,151,016	0
Other non-current liabilities		464	647
Total other non-current liabilities		**1,855,309**	**875,542**
Current liabilities			
Debt to financial institutions	1,19	0	18,063
Lease obligations	13,19	154,199	0
Trade payables		570,499	576,783
Tax payable	10	5,002	0
Unpaid public duties	16	959,697	930,452
Other current liabilities	16,20	188,641	185,256
Total current liabilities		**1,878,038**	**1,710,554**
Total liabilities		**3,927,674**	**2,783,328**
TOTAL EQUITY AND LIABILITIES		**5,589,897**	**4,437,362**

Gjelleråsen, 29 April 2020

Michael Holm Johansen
Chairman of the Board

Carl Erik Hagen

Nils Selte

Ann-Beth Freuchen

Eilif Due

Leena Maria Saarinen

Kirsten Ægidius

Ann Therese Jacobsen

Konstanse M. Kjøle

Erik Hagen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. -31.12.

Figures in NOK 1,000		2019	2018
CASH FLOWS FROM OPERATIONS			
Profit before tax		172,469	221,180
Depreciation and amortisation	11,12,13	119,573	50,005
Share of profit from associated companies and jointly controlled entities	23	-4,059	-2,311
Dividends received from associated companies and jointly controlled entities	23	447	445
Taxes paid	10	-34,928	-39,991
Interest costs during the period	9	97,510	37,406
Pension costs and other provisions without cash effect	4	567	197
Value changes and other costs without cash effect	4	-304	12,155
Profit/loss on sale of fixed assets and intangible fixed assets	4	-11	-365
Unrealized agio effects	4	-2,527	1,195
Change in inventories	4,15	-45,495	-30,358
Change in trade receivables	4	-16,342	171,455
Change in trade payables	4	-6,324	-27,101
Change in other current assets and other liabilities	4	11,098	624
Net cash flows from operational activities		**291,674**	**394,536**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	12	-1,496	-3,270
Payments on purchase of tangible fixed assets	11	-18,723	-19,812
Proceeds from sale of tangible fixed assets	4,11	146	365
Payments on acquisition of business	25	-50,690	0
Payments on acquisition of other financial investments	4	-15	-119
Net cash flow from investment activities		**-70,778**	**-22,836**

Figures in NOK 1,000		2019	2018
CASH FLOWS FROM FINANCING ACTIVITIES			
Payouts in share-based incentive programme	4,7	-2,125	0
Repayment on interest-bearing debt	1,19	-66,162	-17,370
Change in other non-current loans	14	1,075	-360
Change in overdraft facility	19	0	-72,700
Interest cost paid during the period	4,9	-97,314	-37,302
Payments for acquisition of non-controlling interests	4	0	-6,150
Payment for purchase of own shares		-2,915	-8,303
Payments of dividends	4,26	-116,214	-118,716
Net cash flow from financing activities		**-283,655**	**-260,901**
Effect of exchange rate fluctuations on cash and cash equivalents		-14,806	-12,620
Effect of exchange rate fluctuations on cash and cash equivalents		**-14,806**	**-12,620**
Net change in cash and cash equivalents		**-77,565**	**98,179**
Holdings of cash and cash equivalents as at 01.01.		282,594	184,415
Holdings of cash and cash equivalents as at 31.12.	17	**205,029**	**282,594**

Statement of changes in equity

Figures in NOK 1,000	Share capital	Portfolio of own shares	Share premium	Translation differences	Share-based payment fund	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity as at 31.12.2017	**1,360**	**0**	**770,743**	**300,812**	**8,504**	**569,173**	**1,650,592**	**18,823**	**1,669,415**
Profit for the year 2018	0	0	0	0	0	158,463	158,463	5,954	164,417
Total comprehensive income 2018	0	0	0	7,707	0	7,623	15,330	-740	14,590
Total profit for the year 2018	**0**	**0**	**0**	**7,707**	**0**	**166,086**	**173,793**	**5,214**	**179,007**
Transactions with owners 2018									
Purchase of own shares	0	-4	0	0	0	-8,299	-8,303	0	-8,303
Share-based payment	0	0	0	0	6,722	0	6,722	0	6,722
Payment of dividend	0	0	0	0	0	-112,919	-112,919	-5,797	-118,716
Changes in non-controlling interests	0	0	0	0	0	-61,534	-61,534	-12,557	-74,091
Transfer of profit for the year from minority to majority*	0	0	0	0	0	2,718	2,718	-2,718	0
Total transactions with owners 2018	**0**	**-4**	**0**	**0**	**6,722**	**-180,034**	**-173,316**	**-21,072**	**-194,388**
Equity as at 31.12.2018	**1,360**	**-4**	**770,743**	**308,519**	**15,226**	**555,225**	**1,651,069**	**2,965**	**1,654,034**
Profit for the year 2019	0	0	0	0	0	127,821	127,821	5,466	133,287
Total comprehensive income 2019	0	0	0	-4,670	0	-1,551	-6,221	-330	-6,551
Total profit for the year 2019	**0**	**0**	**0**	**-4,670**	**0**	**126,270**	**121,600**	**5,136**	**126,736**
Transactions with owners 2019									
Purchase of own shares	0	4	0	0	0	-538	-534	0	-534
Share-based payment	0	0	0	0	-2,007	0	-2,007	0	-2,007
Payment of dividend	0	0	0	0	0	-112,872	-112,872	-3,342	-116,214
Changes in non-controlling interests	0	0	0	0	0	0	0	208	208
Transfer of profit for the year from minority to majority*	0	0	0	0	0	1,071	1,071	-1,071	0
Total transactions with owners 2019	**0**	**4**	**0**	**0**	**-2,007**	**-112,339**	**-114,342**	**-4,205**	**-118,547**
Equity as at 31.12.2019	**1,360**	**0**	**770,743**	**303,849**	**13,219**	**569,156**	**1,658,327**	**3,896**	**1,662,223**

* Non-controlling interests in the Group are related to interests in subsidiaries within the Wine business area, where there are put options that may be exercised at a given time in the future. The value of the put options is recognised as liabilities at fair value and has reduced the non-controlling interests' share of equity. The share of profit for the year is presented as allocated profit to the non-controlling interest in the statement of income. Since the Group has recognised the liability on the put options against the non-controlling interests' share of equity, the share of profit from non-controlling interests, adjusted for any distributed dividend and exchange rate translation differences, is transferred to the owner of the parent company's share of equity at the end of each reporting period.

The remaining book value of non-controlling interests is related to non-controlling interests for which no put options exist.

Brief history of the Group

Arcus ASA is registered and domiciled in Norway, and located at Destilleriveien 11 in Gjelleråsen in Nittedal Municipality, just north of Oslo. The consolidated financial statements include the parent company and subsidiaries (together referred to as "Arcus" or the "Group", and individually as a "Group company"), as well as the Group's holdings in associated companies. The Group's principal activity is the import, production, marketing, sale and distribution of wine and spirits.

Historical development
The Group has carried out the following important transactions in recent years:

2019
- In May, the Group established the new, wholly-owned subsidiary Arcus Co Brands AS in Norway, and in November the wholly-owned company, Arcus Winebrands Sweden AB, in Sweden. Both companies were established to strengthen the focus on own wine brands in Norway and Sweden.
- In December, the Group acquired 90.01 percent of Wongraven Wines AS, which will be included in the Norwegian wine agency business.

2018
- In Q2, the Group's Norwegian spirits activity established a new subsidiary, Atlungstad Håndverksdestilleri AS, which as from 2019 took over the production at Stange in Hedmark.
- In June, the Group acquired a further 10.1 percent interest in Symposium Wines AS, which is part of the Group's Norwegian wine business. The Group thereafter has an interest of 90.1 percent.
- In Q3, the Group's spirits activity in Sweden established a new subsidiary, Stockholms Spritfabrik AB, which will operate agency brands for spirits in Sweden.
- In Q3, the Group's wine activity in Norway established three new subsidiaries: Classic Wines AS, Creative Wines AS and Arcus Brand Lab AS. The first two companies will conduct agency brands, while Arcus Brand Lab AS will be part of the company with its own brands.
- In Q4, the Group's Swedish wine activity established a new subsidiary, New Frontier Wines AB, which will be included in the Swedish wine agency activity.

2017
- In January, the Group acquired the remaining 50 percent interest in Det Danske Spiritus Kompagni A/S. Det Danske Spiritus Kompagni A/S thereby became the wholly-owned subsidiary in the Group's spirits business.
- In January, the Group established Vingruppen Finland Oy, as a wholly-owned subsidiary of Vingruppen i Norden AB.
- In February, the Group acquired the remaining 9.9 percent interest in Excellars AS. Excellars AS thereby became the wholly-owned subsidiary in the Group's wine business.
- In June, the Group increased its ownership of Valid Wines Sweden AB from 97.0 percent to 100.0 percent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares. At the same time, the company sold 16.9 percent of the shares to the company's general manager, so that after the transaction the Group has an ownership interest of 83.1 percent in Valid Wines Sweden AB.
- In September, the Group acquired 100 percent of the shares in the Norwegian company BevCo AS, which as from the same date is part of the Group's spirits business. Among other things, the company has the distribution rights for Dooley's Toffee in Norway.
- In October, the Group acquired the Vanlig brand, which comprises a vodka and a gin product. The Group took over sales of this product as from the same date, while production was taken over during Q1 2018.
- In December, the Group acquired the Hot n'Sweet brand, which is a vodka shot. The Group took over sales of this product as from 1 January 2018, while production was taken over during Q1 2018.

2016
- In February, the Group increased its ownership of Excellars AS from 51.0 percent to 90.1 percent by the subsidiary Vingruppen AS' acquisition of minority shares.
- In February, the Group increased its ownership of Wineagency Sweden AB from 80.0 percent to 90.0 percent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In July, the Group increased its ownership of Wineworld Sweden AB from 80.0 percent to 90.0 percent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In August, the Group acquired the Dworek vodka brand.
- In December, the Group increased its ownership of Vingruppen i Norden AB from 99.37 percent to 100.0 percent on the subsidiary VinGruppen Sweden Holding AB's acquisition of the remaining minority shares.
- Arcus-Gruppen Holding AS was restructured as a public limited liability company, and changed its name to Arcus ASA, before the company's listing on the Oslo Stock Exchange on 1 December.

2015
- In February, acquired the aquavit brand Snälleröds in Sweden.
- In April, acquired the wine activity from Fondberg in Finland. Changed the name of the company to Social Wines Oy.
- In September, acquired 70 percent of the shares in a recently-founded Norwegian wine company, Heyday Wines AS.
- In Q4, reorganised the ownership of Vingruppen i Norden AB, by selling the shares to a newly-established wholly-owned holding company in Sweden called VinGruppen Sweden Holding AB.
- Discontinued production in Aalborg and moved the production and bottling of the Danish brands (Aalborg Aquavit, Malteserkreutz and Gammel Dansk) to customised facilities at Gjelleråsen.

Noter

NOTE 1 MANAGEMENT OF FINANCIAL RISK

Financial risk
The Group has a Board-adopted financial policy in which strategy and guidelines for financial risk management are defined. Responsibility for the execution of the adopted financial policy lies with Arcus ASA, but is implemented in cooperation with the individual business areas. The Arcus Group's principal source of revenue is the core business, and the Group's main strategy with regard to risk is not to speculate, but to limit the financial risk that the core business creates.

The most important financial risks to which the Group is exposed are associated with credit risk, interest-rate risk, liquidity risk and foreign currency risk.

For hedging purposes associated with interest-rate and currency risk, the Group to a certain degree uses financial derivatives. The Group does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes. The accounting treatment of financial derivatives is described under Accounting policies.

Credit risk
The Group has a procedure for the management of credit risk, which indicates that credit risk must be assessed before establishing a customer relationship by examining financial statements and other relevant and available information, and by determining credit periods and credit limits. The credit procedure also defines that after the establishment of a customer relationship:

- Customers that are granted credit must be subject to systematic credit assessment, with the establishment of credit limits that are followed up regularly.
- Credit terms in conjunction with sale to customers must be kept to a minimum and may normally not exceed 30 days.
- Credit risk must be reviewed and assessed at least quarterly.

If it is discovered that a credit assessment has not been made for a merchant customer, or is older than six (6) months, a credit check must be performed immediately.

Outstanding amounts are continuously monitored in cooperation between the finance department and the marketing departments of the individual businesses. If an outstanding amount is not paid, a reminder must be sent. Reminders/collection notices must be run once a week, and other activities must be assessed on an ongoing basis.

On a monthly basis, and on the basis of the Group's template rules, the credit department calculates the loss provisions required. For trade receivables without significant financing components, the simplified model in accordance with IFRS 9 is used, whereby provision is made for expected losses across useful life as from first recognition. The simplified model entails measurement of expected loss during useful life, rather than 12 months and tracking of credit risk.

A significant share of the Group's revenue is associated with the state monopolies in the Nordic region, where there is not considered to be any credit risk. The Group's credit risk is otherwise spread over a large number of small customers within the HORECA market, as well as a small number of distributors outside the home markets.

At the end of 2019 the Group had no significant factoring agreements.

The Group's maximum credit risk is equivalent to the book value of financial assets. See also the table to this Note which categorises financial assets.

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	**31.12.2019**	**31.12.2018**
Nominal accounts receivable	1,280,588	1,261,888

As at 31 December, the Group had the following accounts receivable fallen due but not paid

31.12.2019[1] *Figures in NOK 1,000*	**Total**	**Not due**	**Due in 0-60 days**	**Due in 61-365 days**	**Due date after more than 1 year**
Nominal accounts receivable	1,280,588	1,238,382	40,671	1,535	0
Provision for losses on accounts receivable	-2,088	0	-553	-1,535	0
Book value, accounts receivable	**1,278,500**	**1,238,382**	**40,118**	**0**	**0**

31.12.2018[1] *Figures in NOK 1,000*	**Total**	**Not due**	**Due in 0-60 days**	**Due in 61-365 days**	**Due date after more than 1 year**
Nominal accounts receivable	1,261,888	1,208,581	51,529	1,778	0
Provision for losses on accounts receivable	-1,179	0	-683	-496	0
Book value, accounts receivable	**1,260,709**	**1,208,581**	**50,846**	**1,282**	**0**

1. As at the end of 2019 there were no items receivable from Vinmonopolet. In the same way, NOK 1 million was items receivable from Vinmonopolet at the end of 2018.

Interest-rate risk
The Group is exposed to interest-rate risk via financing activities (debt financing and leasing liabilities) and investments (bank deposits). At the end of 2019, the Group's non-current liabilities were associated

with credit facilities at SEB and debt associated with lease agreements. Group policy is to hedge up to 50 percent of the base interest rate on non-current loans. The Group assesses the policy on an ongoing basis, and as at 31.12.2019 all interest rates were variable.

The margin on credit facilities at SEB is related to the ratio of net interest-bearing debt to EBITDA. Other margins are fixed. Obligations related to lease commitments are generally estimated using the Group's marginal borrowing rate.

Figures in NOK 1,000	Currency	Interest rate profile	Maturity	2019	2018
Current interest-bearing debt					
Lease obligations	NOK	Variable	2020	148,115	18,063
Lease obligations	SEK	Variable	2020	3,265	0
Lease obligations	DKK	Variable	2020	458	0
Lease obligations	EUR	Variable	2020	2,361	0
Non-current interest-bearing debt					
Non-current loan to financial institutions	SEK	Variable	2021	709,950	728,325
Lease obligations	NOK	Variable	2021-2037	1,109,432	151,394
Lease obligations	SEK	Variable	2021-2024	9,599	0
Lease obligations	DKK	Variable	2021-2051	28,556	0
Lease obligations	EUR	Variable	2021-2022	3,429	0

Sensitivity analysis, interest 31.12.2019

Figures in NOK 1,000	Increase/reduction in basis points	Effect on profit before tax
Loans in NOK	50	-10,061
Loans in NOK	-50	10,061

Liquidity risk
Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. The Arcus Group's capital management is described in a separate section of this note.

The Group's business are subject to seasonal fluctuations, and alcohol sales normally increase in periods with national celebrations and public holidays, especially at Easter and Christmas. The fourth quarter is normally the best quarter for the Group, which is also reflected in cash flows.

Cash flows from operations, which are, for example, affected by changes in working capital, are managed operationally by the business areas. Via reporting, the finance department monitors liquidity flows in the short and long term. Interest-bearing debt is followed up and managed together with interest-bearing receivables at Group level.

The following table presents an overview of the maturity structure for the Group's financial liabilities, based on non-discounted contractual payments. In instances where the counterparty can demand earlier redemption, the sum is recorded in the earliest period in which the payment can be demanded by the counterparty.

2019	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	709,950	0
Lease obligations*	154,199	262,329	888,687
Liabilities at fair value	0	69,343	0
Other provisions for liabilities	0	417	0
Trade payables	570,499	0	0
Current non-interest bearing debt**	1,148,338	0	0
Interest related to mortgage loans	10,604	10,604	0
Interest related to lease obligations	48,237	157,049	254,633
Total	**1,931,877**	**1,209,692**	**1,143,320**

2018	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	728,325	0
Lease obligations*	18,063	150,101	1,293
Liabilities at fair value	0	74,218	0
Other provisions for liabilities	0	92	0
Trade payables	576,783	0	0
Current non-interest bearing debt**	1,115,710	0	0
Interest related to mortgage loans	10,925	21,850	0
Interest related to lease obligations	4,194	3,301	66
Total	**1,725,675**	**977,887**	**1,359**

* Read more about the maturity profile of lease obligations in Note 13 concerning lease agreements.
** Current liabilities include collected alcohol taxes.

Currency risk
The Group is exposed to currency risk as it has operations in several different countries. The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in NOK. Changes in purchase costs from suppliers in functional currency due to currency changes are continuously offset by changes in sales prices to customers and through renegotiation of purchase prices from suppliers. The

most significant currencies are EUR, USD, SEK and DKK. The risk horizon, i.e. the time it takes to compensate for negative exchange rate fluctuations, is to a great extent controlled by price-adjustment opportunities in the state wine monopolies in the Nordic region. In Norway this takes place every four months and in Sweden every six months. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

All of the Group's non-current borrowing is undertaken in SEK, as a natural hedging of cash flow in the form of dividends in SEK.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate in the companies' functional currencies.

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk on translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31.12.2019, the net translation difference associated with the majority's equity was positive at NOK 303.8 million, corresponding to a negative change in 2019 of NOK 4.7 million (positive by NOK 308.5 million at the end of 2018).

The table below shows the Group's purchase of non-functional foreign exchange during 2019.

	Purchase of currency 2019			
Figures in 1,000 (in the relevant currency)	**Spot**	**Forward**	**Total**	**Proportion hedged via forward contracts**
EUR	91,908	14,288	106,196	13.5%
USD	14,581	112	14,693	0.8%
AUD	2,117	0	2,117	0.0%
GBP	1,125	340	1,465	23.2%

	Purchase of currency 2018			
Figures in 1,000 (in the relevant currency)	**Spot**	**Forward**	**Total**	**Proportion hedged via forward contracts**
EUR	90,399	11,200	101,599	11.0%
USD	11,735	150	11,885	1.3%
AUD	1,088	60	1,148	5.2%
GBP	1,365	320	1,685	19.0%
SEK	0	190	190	100.0%

At the end of the year, the Group had the following forward contracts related to the logistics business, which were booked at fair value with value changes via the profit or loss. This represents financial hedging and the Group does not use hedge accounting.

31.12.2019

Forward contracts (NOK 1,000)	**Currency**	**Currency amount**	**Value in NOK - end of period**	**Forward value in NOK**	**Fair value in NOK**	**Maturity**
Purchase contracts	EUR	1,850	18,279	18,708	-429	2020
Purchase contracts	USD	25	220	228	-8	2020
Purchase contracts	GBP	30	348	336	12	2020
Total					**-425**	

31.12.2018

Forward contracts (NOK 1,000)	**Currency**	**Currency amount**	**Value in NOK - end of period**	**Forward value in NOK**	**Fair value in NOK**	**Maturity**
Purchase contracts	EUR	1,600	15,912	15,308	604	2019
Purchase contracts	GBP	50	553	534	20	2019
Total					**624**	

All forward contracts are recognised at fair value as of the close of the financial year.

Sensitivity to exchange rate fluctuation:
The following table shows the Group's sensitivity to changes in the most important exchange rates, if all other variables remain constant.

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31.12.2019 in foreign currency (non-functional currency). This includes hedging derivatives recognised at fair value with value changes via profit or loss.

Figures in NOK 1,000	Change in exchange rate	Effect on profit before tax
EUR	5%	1,467
EUR	-5%	-1,467
SEK	5%	7,257
SEK	-5%	-7,257
DKK	5%	-4,113
DKK	-5%	4,113

The Group's exposure to other currencies is insignificant as at 31.12.2019.

Categorisation of financial assets and liabilities:

Assets

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value via total comprehensive income (OCI).	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	0	249	249	0	249
Other non-current receivables	0	506	0	506	0	506
Trade receivables	0	1,278,500	0	1,278,500	0	1,278,500
Other receivables	0	71,198	0	71,198	42,764	113,962
Bank deposits	0	205,029	0	205,029	0	205,029
Total financial assets 31.12.2019	**0**	**1,555,233**	**249**	**1,555,482**	**42,764**	**1,598,246**

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value via total comprehensive income (OCI).	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	0	200	200	0	200
Other non-current receivables	0	1,581	0	1,581	0	1,581
Trade receivables	0	1,260,709	0	1,260,709	0	1,260,709
Other receivables	624	59,966	0	60,590	19,392	79,982
Bank deposits	0	282,594	0	282,594	0	282,594
Total financial assets 31.12.2018	**624**	**1,604,850**	**200**	**1,605,674**	**19,392**	**1,625,066**

Liabilities

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value via total comprehensive income (OCI).	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
Debt to financial institutions	0	703,829	0	703,829	0	703,829
Lease obligations	0	1,305,215	0	1,305,215	0	1,305,215
Liabilities at fair value	69,343	0	0	69,343	0	69,343
Other non-current liabilities	0	464	0	464	0	464
Trade payables	0	570,499	0	570,499	0	570,499
Other current liabilities	425	15,042	0	15,467	173,174	188,641
Total financial liabilities 31.12.2019	**69,768**	**2,595,049**	**0**	**2,664,817**	**173,174**	**2,837,991**

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value via total comprehensive income (OCI).	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
Debt to financial institutions	0	892,958	0	892,958	0	892,958
Liabilities at fair value	74,218	0	0	74,218	0	74,218
Other non-current liabilities	0	647	0	647	0	647
Trade payables	0	576,783	0	576,783	0	576,783
Other current liabilities	0	15,960	0	15,960	169,296	185,256
Total financial liabilities 31.12.2018	**74,218**	**1,486,348**	**0**	**1,560,566**	**169,296**	**1,729,862**

Fair value hierarchy
The Group uses the following hierarchy to determine and report the fair value of financial instruments:
Level 1: Listed (unadjusted) prices in active markets
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

As at 31 December 2019, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.2019	Level 1	Level 2	Level 3	Book value as at 31.12.
Other investments in shares	0	0	249	249
Total assets	**0**	**0**	**249**	**249**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value through profit or loss	0	0	69,343	69,343
Currency derivatives	0	425	0	425
Total liabilities	**0**	**425**	**69,343**	**69,768**

31.12.2018	Level 1	Level 2	Level 3	Book value as at 31.12.
Other investments in shares	0	0	200	200
Currency derivatives	0	624	0	624
Total assets	**0**	**624**	**200**	**824**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value through profit or loss	0	0	74,218	74,218
Total liabilities	**0**	**0**	**74,218**	**74,218**

There have been no reclassifications between Level 1 and Level 2 during the period. Neither have there been any transfers out of Level 3 during the period.

Reconciliation of liabilities (Level 3):
Liabilities classified at Level 3 are related to options for the purchase of non-controlling interests. Further information on these obligations is presented in Note 22.

	Book value 31.12.2018	Used/exercised 2019	Provision made/ issued 2019	Value changes 2019	Recognised interest 2019	Translation differences	Book value 31.12.2019
Liabilities at fair value	74,218	0	0	-3,364	196	-1,707	69,343
Total	**74,218**	**0**	**0**	**-3,364**	**196**	**-1,707**	**69,343**

	Book value 31.12.2017	Used/exercised 2018	Provision made/ issued 2018	Value changes 2018	Recognised interest 2018	Translation differences	Book value 31.12.2018
Liabilities at fair value	0	0	67,874	2,560	104	3,680	74,218
Total	**0**	**0**	**67,874**	**2,560**	**104**	**3,680**	**74,218**

Capital management
The Group's overall objective is that the Group at all times has sufficient liquidity to fulfil its obligations in both the short and long term. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of revenue development and capital binding, and through continuous assessment of alternative sources of finance. Unutilised credit opportunities are described in Note 17.

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2019 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Group works according to the objective that the net interest-bearing debt may not exceed 2.5 times EBITDA.

There were no changes in the Group's non-current debt financing during 2019. At the end of 2019, the agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this loan clause and reports to the bank on a quarterly basis. As at 31.12.2019 the Group was well within the required ratio.

In connection with the introduction of IFRS 16 concerning leases as from 1 January 2019, the Group's reported net interest-bearing debt and adjusted EBITDA have changed significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to the previous model, irrespective of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms has not been affected by the introduction of IFRS 16.

NOK million	2019	2018
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	703,829	874,895
Current interest-bearing debt to credit institutions	0	18,063
Book value of capitalised front-end fee	3,121	4,824
Non-current lease obligations	1,151,016	0
Current lease obligations	154,199	0
Bank deposits and other cash and cash equivalents	-205,029	-282,594
Net interest-bearing debt	**1,807,136**	**615,188**

NOTE 2 SEGMENT INFORMATION

2019

Figures in NOK 1,000	Spirits	Wine	Logistics	Other	Eliminations	Group
Sales revenues – external	811,900	1,574,058	282,975	0	41,441	2,710,374
Sales revenue between the segments	0	3,711	10,637	0	-14,348	0
Other operating revenue – external	9,694	19,930	20,170	2,609	0	52,403
Other operating revenue between the segments	153,985	5,659	14,287	174,224	-348,155	0
Total revenue	**975,579**	**1,603,358**	**328,069**	**176,833**	**-321,062**	**2,762,777**
Net gain on sale of fixed assets	-21	-7	77	-38	0	11
Cost of sales	-491,295	-1,238,298	0	0	128,480	-1,601,113
Salaries and other personnel costs	-127,777	-97,837	-156,030	-57,576	0	-439,220
Other operating expenses	-211,852	-97,298	-156,716	-149,021	285,444	-329,443
Share of profit from TS and FKV	4,251	0	-192	0	0	4,059
EBITDA, adjusted	**148,885**	**169,918**	**15,208**	**-29,802**	**92,862**	**397,071**
Other income and expenses	-2,004	-8,827	-1,583	-7,330	0	-19,744
Depreciation and amortisation	-25,254	-3,053	-11,455	-5,981	-73,830	-119,573
Operating profit	**121,627**	**158,038**	**2,170**	**-43,113**	**19,032**	**257,754**
Net financial profit/loss	**-17,223**	**-12,912**	**928**	**-10,178**	**-45,900**	**-85,285**
PROFIT BEFORE TAX	**104,404**	**145,126**	**3,098**	**-53,291**	**-26,868**	**172,469**

The Group reports operational lease agreements as these are reported to the management, which entails that the lease charge is reported as an operating cost in the segments. See also Note 13 concerning lease agreements.

2018

Figures in NOK 1,000	Spirits	Wine	Logistics	Other	Eliminations	Group
Sales revenue – external	766,774	1,603,260	261,082	0	41,499	2,672,615
Sales revenue between the segments	-4,327	1,455	11,296	0	-8,424	0
Other operating revenue – external	8,294	17,185	23,576	1,531	0	50,586
Other operating revenue between the segments	148,857	2,846	11,785	173,533	-337,021	0
Total revenue	**919,598**	**1,624,746**	**307,739**	**175,064**	**-303,946**	**2,723,201**
Net gain on sale of fixed assets	185	0	180	0	0	365
Cost of sales	-447,962	-1,244,346	0	0	115,002	-1,577,306
Salaries and other personnel costs	-123,803	-96,882	-146,321	-59,638	0	-426,644
Other operating expenses	-205,756	-102,011	-148,861	-141,646	188,944	-409,330
Share of profit from TS and FKV	2,311	0	0	0	0	2,311
EBITDA, adjusted	**144,573**	**181,507**	**12,737**	**-26,220**	**0**	**312,597**
Other income and expenses	-1,768	-11,838	-381	8,691	0	-5,296
Depreciation and amortisation	-24,744	-2,586	-11,261	-6,235	-5,179	-50,005
Operating profit	**118,061**	**167,083**	**1,095**	**-23,764**	**-5,179**	**257,296**
Net financial profit/loss	**-7,938**	**-18,595**	**-221**	**-8,993**	**-369**	**-36,116**
PROFIT BEFORE TAX	**110,123**	**148,488**	**874**	**-32,757**	**-5,548**	**221,180**

The Group does not present the segments' assets or liabilities as this is not part of the Group's internal reporting either.

For information regarding pricing associated with sales between the segments, see Note 22.

NOTE 3 REVENUES

REVENUE RECOGNITION PRINCIPLES

Sale of goods (wine and spirits)

The Group's sales revenue mainly consists of revenue related to the Scandinavian retail monopolies, which are the Wine and Spirits business' largest customers. The Group also has sales to Horeca (Hotel, Restaurant, Catering) customers, wholesalers and sales to DFTR (Duty Free Travel Retail) customers.

The Wine and Spirits business in the Group only sell physical products in the form of wine and spirits products. The Group's sale of goods is recognised as revenue a given point in time when fulfilment of related delivery obligations has taken place. The timing corresponds to when the goods are delivered at the customer's agreed upon delivery point, where the risk and control of the goods are transferred to the customer. Revenue is presented as sales revenue within the Wine and Spirits segment.

Sale of logistics services

Sale of logistics services consists of logistics and distribution services to agents and importers in Norway who supply alcoholic beverages to the Norwegian market. The logistics services consist of several service elements:

- Incoming goods flow (ordering, customs clearance and control of goods on receipt).
- Cooperation with Vinmonopolet, Horeca, wholesalers and grocery traders on distribution solutions and negotiations with customers.
- Market activities are arranged for cooperation partners, in consultation with these.
- Outgoing goods flows (customer centre, order receipt, licence control, processing of excise duties, filling orders from customers, goods picking and assembly, physical distribution or preparation for collection).
- Invoicing to customers, credit assessments and follow-up, and system for discounts and bonuses from/to cooperation partners to customers.
- Invoicing and reporting of excise duties.
- Stock accounting

The revenue from logistics services is recognised at a given point in time when the fulfilment of the related delivery obligations has taken place, which corresponds to the date of fulfilment of the delivery obligations related to the sale of products in the wine and spirits business. Revenue from logistics services is presented as sales revenue within the Logistics segment.

The Logistics business area recognises its revenue on a net basis after deduction of excise duties, cost of sales and stock handling costs. The assessment is based on how the main revenue source is related to the delivery of the total distribution services and that the risk concerning the flow of goods is the cooperation partner's liability.

Sale of other activity-based revenue

The Logistics business area also delivers other activity-based services, comprising:

- Incoming transport from producer to country
- Lease of warehouse for unsold goods
- Pallet building (conversion from large EUR pallets to smaller quarter pallets)
- Destruction services

The revenue is presented as other operating revenue and is recognised on the fulfilment of the delivery obligations, which corresponds to when the services are delivered to the customer.

Sale of contract bottling services

The Spirits business area delivers bottling services to internal and external wine companies.

The revenue related to external wine companies is presented as other operating revenue and is recognised at a given time when the delivery obligations are fulfilled. The time corresponds to when the risk and control of the bottled products is transferred to the customer.

Discounts

Most of the customer agreements, apart from the agreements with the retail monopolies, also include retrospective clauses concerning variable transfers back to the customers after the actual delivery date. This may be volume-based discounts and bonus received by the customer on the basis of the customer's sale to end-customers during a given period, or other contractual variable bonuses to a procurement group based on either volumes sold, or sales amounts for the member enterprises. These retrospective variable transfers are estimated and recognised when the delivery obligation has been fulfilled in relation to the customer, and are presented as a reduction of the sales remuneration.

Costs of outgoing freight

In the Group's consolidated income statement, freight costs are recognised as a cost of sales, based on an assessment that the wine and spirits business are the principals. This is based on how contracts with customers require delivery to customers' warehouses. This corresponds to the Group's assessment that the distribution company is the agent in this respect, and thereby books its distribution revenue on a net basis.

Different principles are applied in the Group's segment reporting, whereby costs related to outgoing freight are recognised as a reduction of operating revenue.

Excise duties and value added tax

All revenue is presented net after deductions for invoiced excise duties (alcohol duties) and value added tax.

MARKET AND PRODUCTS

Spirits

The primary revenue source in Spirits is the sale of spirits products, of which most of the sales revenue is from our home produced products, for which the Group is also the owner of the brand. In addition, this segment also has sales revenue from a good number of agencies, of which the products may be home produced or imported items that are ready for sale, but where the brand is owned by other external operators. The most important spirits categories are Aquavit, Bitter, Vodka and Cognac.

In geographical terms, Norway, Denmark and Sweden are the most important markets, but the Group also has sales to Germany, the USA, Finland and DFTR (Duty Free Travel Retail), as well as minor sales to other markets.

Wine

The primary revenue source for Wine is sales of wine products, whereby most of the sales revenue is from agency brands, whereby the Group imports items that are ready for sale. The Group also has considerable sales revenue from sales of own Wine brands, with wine being mixed and bottled in the Group's own production facility.

In geographical terms, the Group has sales revenue from Wine in Norway, Sweden and Finland, and to a small extent from DFTR.

Logistics

The Group's Logistics business comprise its subsidiary, Vectura, whose primary revenue source is comprehensive logistics services for both internal and external suppliers.

Other operating revenue

Other operating revenue primarily comprises revenue other than the primary revenue source. For the Spirits segment this consists mainly of contract bottling, and for the Wine segment glass sales, while for the Logistics segment this to a great extent comprises other activity-based revenue, including pallet space hire, export handling, destruction handling and quarter pallet production.

The following table presents the Group's total external revenue:

	2019			2018		
Revenue by market - Group:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	1,099,201	25,494	1,124,695	1,048,786	27,615	1,076,401
Sweden	1,054,973	19,929	1,074,902	1,089,855	15,582	1,105,437
Finland	225,303	2,366	227,669	221,790	3,674	225,464
Denmark	156,048	0	156,048	145,077	-116	144,961
Germany	56,504	358	56,862	54,238	1,484	55,722
USA	4,572	0	4,572	6,729	31	6,760
DFTR	111,719	0	111,719	104,287	0	104,287
Other international	2,054	4,256	6,310	1,853	2,316	4,169
Total operating revenue	**2,710,374**	**52,403**	**2,762,777**	**2,672,615**	**50,586**	**2,723,201**

The tables below present the segments' total external and internal revenue:

	2019			2018		
Revenue by market - Spirits:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	306,107	157,044	463,151	302,073	149,186	451,259
Sweden	139,830	2,327	142,157	125,130	4,589	129,719
Finland	46,284	39	46,323	34,313	0	34,313
Denmark	153,535	0	153,535	143,220	-116	143,104
Germany	56,504	358	56,862	54,238	1,484	55,722
USA	4,572	0	4,572	6,729	31	6,760
DFTR	102,669	0	102,669	94,552	0	94,552
Other international	2,054	4,256	6,310	2,192	1,977	4,169
Total operating revenue	**811,555**	**164,024**	**975,579**	**762,447**	**157,151**	**919,598**

	2019			2018		
Revenue by market - Wine	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	510,728	0	510,728	479,936	0	479,936
Sweden	883,525	20,473	903,998	932,148	16,018	948,166
Finland	174,466	5,116	179,582	183,235	3,674	186,909
DFTR	9,050	0	9,050	9,396	339	9,735
Total operating revenue	**1,577,769**	**25,589**	**1,603,358**	**1,604,715**	**20,031**	**1,624,746**

	2019			2018		
Revenue by market - Logistics:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	293,612	34,457	328,069	272,378	35,361	307,739
Total operating revenue	**293,612**	**34,457**	**328,069**	**272,378**	**35,361**	**307,739**

Significant customer relationships

The Group has significant customer relationships with Vinmonopolet in Norway and Systembolaget in Sweden, which each represent more than 10 percent of the Group's total operating revenue.

Total operating revenue from Vinmonopolet was approximately NOK 739 million in 2019, of which NOK 280 million in Spirits and NOK 459 million in Wine. In 2018, the corresponding total was approximately NOK 711 million, of which NOK 281 million in Spirits and NOK 430 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 911 million in 2019, of which NOK 132 million in Spirits and NOK 778 million in Wine. In 2018, the corresponding total was approximately NOK 932 million, of which NOK 115 million in Spirits and NOK 817 million in Wine.

NOTE 4 INFORMATION ON CASH FLOWS

The Group prepares the statement of cash flows according to an indirect method. Below is a specification of cash flow effects which are not presented elsewhere in the Notes.

EFFECTS OF CASH FLOWS FROM OPERATIONS:

Pension costs and other provisions without cash effect

Pension costs without cash effect are the change in pension obligations in the statement of financial position, adjusted for obligations from acquisition or sale, and the effects of booked estimate deviations booked to total comprehensive income (OCI).

Figures in NOK 1,000	Note	2019	2018
Book value pension obligations at the beginning of the year	8	-21,077	-30,552
Estimate deviations booked to the total comprehensive income	8	-1,988	9,900
Book value pension obligations at the end of the year	8	23,724	21,077
Pension costs without cash effect		**659**	**425**
Book value other provisions for obligations at the beginning of the year	20	-92	-320
Book value other provisions for obligations at the end of the year	20	0	92
Costs from other provisions without cash effect		**-92**	**-228**
Total pension costs and other provisions without cash effect		**567**	**197**

Value changes without cash effect

Below is a specification of value changes included in the statement of income, but without cash effect.

Figures in NOK 1,000	Note	2019	2018
Value change in options for the purchase of non-controlling interests	9.18	-3,365	2,560
Costs related to share-based remuneration without cash effect	7	394	7,603
Amortisation of front-end fees for interest-bearing debt	19	1,618	1,623
Value change, forward contracts	9	1,049	369
Total value changes without cash effect		**-304**	**12,155**

Profit or loss on the sale of fixed assets and intangible fixed assets

The accounting profit or loss on the sale of fixed assets and intangible fixed assets has no cash flow effect, which is thereby reversed from the operational activities in the indirect method. The sales proceeds related to these divestments is the Group's cash flow effect under investment activities.

Figures in NOK 1,000	Note	2019	2018
Book value of sold fixed assets and intangible fixed assets	11.12	135	0
Sales proceeds from sold fixed assets and intangible fixed assets		146	365
Profit (-)/loss (+) on sale of fixed assets and intangible fixed assets		**-11**	**-365**

Unrealised agio effects

Unrealised gains are related to translation differences for working capital items in foreign subsidiaries with a functional currency other than the Group's functional currency, and statement of income items related to the currency translation of loans booked in other currencies than the functional currency.

Figures in NOK 1,000	Note	2019	2018
Translation differences for working capital items		-2,527	1,195
Total unrealised agio effects		**-2,527**	**1,195**

Changes in working capital

Changes in working capital are the change in working capital items in the statement of financial position, adjusted for working capital items from the acquisition or sale of companies during the period.

Figures in NOK 1,000	Note	2019	2018
Book value of inventories at the beginning of the year	15	441,117	410,759
Book value of inventories at the end of the year	15	-486,612	-441,117
Change in inventories		**-45,495**	**-30,358**

Figures in NOK 1,000	Note	2019	2018
Book value of trade receivables at the beginning of the year		1,260,709	1,432,164
Addition of trade receivables on acquisition of companies during the year	25	1,449	0
Book value of trade receivables at the end of the year		-1,278,500	-1,260,709
Change in trade receivables		**-16,342**	**171,455**

Figures in NOK 1,000	Note	2019	2018
Book value of trade payables at the beginning of the year		-576,783	-603,884
Addition of trade payables on acquisition of companies during the year	25	-40	0
Book value of trade payables at the end of the year		570,499	576,783
Change in trade payables		**-6,324**	**-27,101**

Figures in NOK 1,000	Note	2019	2018
Book value of other current receivables at the beginning of the year	14	74,958	85,902
Book value of other current receivables at the end of the year	14	-97,556	-74,958
Change in other current receivables		**-22,598**	**10,944**
Book value of other current liabilities at the beginning of the year	16	-1,113,785	-1,124,105
Addition of other current liabilities on acquisition of companies during the year	25	-432	0
Book value of other current liabilities at the end of the year	16	1,147,913	1,113,785
Change in other current liabilities		**33,696**	**-10,320**
Change in other current assets and other liabilities		**11,098**	**624**

EFFECTS OF CASH FLOWS FROM INVESTMENT ACTIVITIES

Payments on acquisition of other financial investments

In 2019, the entire amount concerns a payment related to an ownership interest in a new associated company, Beverage Link AS. In 2018, the entire amount concerns a payment related to an ownership interest in a new associated company, Smakeappen AS.

Figures in NOK 1,000	Note	2019	2018
Cash flow from changes in ownership interests in associated company.	23	-15	-119
Payments on acquisition of other financial investments		**-15**	**-119**

EFFECTS IN CASH FLOWS FROM FINANCING ACTIVITIES:

Payouts in equities-based incentive programme

In 2019, the temporary incentive programme with distribution of matching equities was settled. Payments related to the purchase of the actual shares are stated as purchase of own shares during 2018 and 2019, and stated on a separate line. The cash flow related to payments in the share programme on this line are related entirely to the employer tax on redeemed matching equities.

Figures in NOK 1,000	Note	2019	2018
Book value of payable employer tax related to share-based incentive programmes at the beginning of the year	7	-2,523	-1,643
Recognised change in employer tax in the period	7	-19	-880
Book value of payable employer tax related to share-based incentive programmes at the end of the year	7	417	2,523
Cash flow related to share-based incentive programme during the period		**-2,125**	**0**

Interest cost paid during the period

The Group has quarterly interest payment dates, so that the Group's recognised interest payable coincides with the interest paid during the year. The difference between recognised interest payable and interest paid is related to calculated interest costs relating to liabilities at fair value recognised in the statement of income.

Figures in NOK 1,000	Note	2019	2018
Interest paid to credit institutions	9	-47,462	-37,302
Interest paid related to lease agreements	9	-49,852	0
Interest paid during the period		**-97,314**	**-37,302**

Payment of dividend

Dividend paid in 2019 is mainly related to dividend to shareholders in Arcus ASA (TNOK 112,872). Other dividend is to minority shareholders in individual subsidiaries within the wine activity. This dividend is specified in Note 26.

NOTE 5 OTHER OPERATING EXPENSES

Figures in NOK 1,000	2019	2018
Sales and marketing costs	-115,956	-122,518
Logistics costs	-65,645	-64,531
Rent[1]	-2,518	-88,692
Property operation and maintenance	-78,542	-63,406
Travel expenses	-17,762	-15,874
Consultants and external outsourcing of services	-48,767	-46,949
Other costs	-10,862	1,858
Total other operating expenses	**-340,052**	**-400,112**
Of which effects which are included in Other income and expenses in the statement of income	10,609	-9,218
Total other operating expenses as presented in Other operating expenses in the statement of income	**-329,443**	**-409,330**

1. The rent cost item is affected significantly by the implementation of IFRS 16 concerning lease agreements from 2019, of which most of the costs from 2019 are depreciation and interest costs.

Other income and expenses:
Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the business. See also the section concerning alternative profit measurement (APM).

Figures in NOK 1,000	2019	2018
Personnel policy and other organisational measures[1]	-9,135	-14,514
Other transaction costs	-726	-1,246
Other non-recurring items[2]	-9,883	10,464
Total other income and expenses	**-19,744**	**-5,296**

1. **Personnel policy and other organisational measures:** Costs related to organisational and staffing adjustments in order to meet the restructuring need with new work processes and improved profitability, as well as costs related to a temporary incentive programme with matching shares to selected key employees in conjunction with the IPO in 2016. This programme expired in Q1 2019, and further information about the programme is presented in Note 7.

2. **Other non-recurring items:** In 2019, other non-recurring items mainly comprise consultant and attorney fees related to projects outside ordinary operations in the Group, including possible structural measures. The positive non-recurring effect in 2018 mainly concerns the reversal of a non-utilised provision for an estimated liability related to the previous sale of a property some years back in time.

Auditors' remuneration
The auditors' fees are specified below. The fees cover the Group auditor, EY, as well as other auditors of Group subsidiaries.

Figures in NOK 1,000	2019	2018
Statutory audit	3,262	2,926
Other financial auditing	51	91
Other certification services	45	139
Tax advisory services	493	1,055
Other non-auditing services	451	24
Total remuneration to the auditors	**4,302**	**4,235**

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to parties other than the Group auditor of TNOK 1,884 for 2019 and TNOK 1,252 for 2018.

NOTE 6 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	2019	2018
Salaries including holiday pay	-307,481	-296,535
Social security costs	-66,171	-61,005
Pension costs including social security costs	-31,964	-32,057
Other personnel costs	-42,739	-51,561
Total salaries and other personnel costs	**-448,355**	**-441,158**
Of which effects included under Other income and expenses in the statement of income (see Note 5)	9,135	14,514
Total salaries and personnel costs as presented in the statement of income	**-439,220**	**-426,644**
Average number of FTEs employed during the year	426	424

Remuneration to senior executives

The terms and conditions for the Group CEO are set by the Board of Directors, which also takes decisions in principle concerning the Group's terms and conditions policy and compensation schemes for other employees. The Board has a remuneration committee which prepares remuneration proposals for decision by the Board. The committee comprises two members of the Board elected by the shareholders. The administration prepares cases for the remuneration committee and the Board.

In 2019, the Group Management was covered by the Group's annual bonus system, a temporary share programme (matching shares) that was established in conjunction with the IPO in 2016 and concluded in Q1 2019, as well as an option programme adopted at the Annual General Meetings, under which share options were issued in 2017, 2018 and 2019. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the Group Management can receive up to four months' salary.

The Group CEO and other members of the Norwegian Group Management have an ordinary occupational pension scheme with Storebrand, which entails 5 percent pension contributions for salaries of 0 to 7.1G, and 11 percent for salaries from 7.1 to 12G. The Group CEO also has a supplementary pension agreement that gives pension earnings of 15 percent of salaries above 12G. The pension entitlement from the supplementary pension agreement is capitalised annually in the consolidated statement of financial position and the return is based on the return from the Storebrand Balansert pension fund. Svante Selling has a defined contribution pension scheme for which the contribution rate is 25 percent of the salary, while Petra Thorén has a pension scheme with a contribution rate of 18.15 percent of the salary.

Salaries and other remuneration to the Group Management in 2019 are presented in the table below: Benefits in kind in 2019 are to a great extent related to the redemption of a temporary incentive scheme, with redemption of matching shares in 2019. Benefits from share-based schemes to managerial employees are specified in Note 7.

Figures in NOK 1,000 Local currency	Currency	Salary	Bonus earned in 2019	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,103	0	1,954	486
Sigmund Toth	NOK	2,031	200	1,021	89
Erlend Stefansson	NOK	2,145	0	1,296	89
Erik Bern	NOK	1,964	0	610	89
Bjørn Delbæk[1]	NOK	1,034	0	483	60
Jan-Erik Nilsen[2]	NOK	423	0	45	30
Per Bjørkum	NOK	1,601	0	538	89
Eirik Andersen	NOK	1,980	350	484	89
Svante Selling	SEK	2,387	0	8	795
Petra Thorén[3]	EUR	13	0	1	3
Christian Granlund[4]	NOK	1,581	0	136	74
Roar Ødelien[5]	NOK	300	0	28	15

1. Bjørn Delbæk has chosen to resign as HR Director on 1 September 2019. The payments represent eight months in the Group Management.
2. Jan-Erik Nilsen took up the position as HR Director as from 1 September 2019. The payments represent four months in the Group Management.
3. Petra Thorén took up the position as head of the Finnish wine business on 1 December 2019. The payments represent one month in the Group Management.
4. Christian Granlund resigned as CEO of Vectura in 2019 to take up new challenges outside the Group. The payments represent ten months in the Group Management.
5. Roar Ødelien took up the position as CEO of Vectura as from 1 November 2019. The payments represent two months in the Group Management.

Salaries and other remuneration to the Group Management in 2018:

Figures in NOK 1,000 Local currency	Currency	Salary	Bonus earned in 2018	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,118	0	234	332
Sigmund Toth	NOK	1,897	0	152	87
Erlend Stefansson	NOK	2,144	0	191	87
Erik Bern	NOK	1,960	0	196	87
Bjørn Delbæk	NOK	1,671	0	191	87
Per Bjørkum	NOK	1,602	0	196	87
Eirik Andersen[1]	NOK	475	667	42	22
Thomas Patay[2]	NOK	1,731	0	143	65
Claes Lindquist[3]	SEK	208	0	5	72
Svante Selling[4]	SEK	1,780	251	120	442
Christian Granlund	NOK	1,777	0	167	87

1. Eirik Andersen joined the Group Management on 1 October 2018, and the payments represent three months in the Group Management.
2. Thomas Patay resigned from the Group Management on 30 September 2018, and the payments represent nine months in the Group Management.
3. Claes Lindquist was part of the Group Management up to 31 January 2018, when Svante Selling joined the Group Management. The payments stated represent one month in the Group Management. Claes Lindquist resigned on 31 March 2018.
4. Svante Selling took up the position on 1 February 2018, and the payments represent 11 months in the Group Management.

If the CEO gives notice of termination, he is subject to six months' notice. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

Concerning the other Group Management members, Sigmund Toth, Erlend Stefansson, Erik Bern, Eirik Andersen, Svante Selling and Roar Ødelien are subject to six months' notice of termination, while Per Bjørkum and Bjørn Delbæk are subject to three months' notice of termination.

Concerning the other Group Management members, Erik Bern and Eirik Andersen are subject to a 12-month non-competition clause, while Sigmund Toth, Jan-Erik Nilsen, Per Bjørkum, Erlend Stefansson, Svante Selling, Petra Thorén and Roar Ødelien are subject to a six-month non-competition clause. They all have an agreement concerning severance pay during the period to which the non-competition clause applies, if it is activated.

No loans or security have been provided for the Group CEO, other Group Management or members of the Board of Directors.

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 21.

Declaration of the Board of Directors regarding the fixing of salaries and other remuneration to executive personnel

Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors shall prepare a declaration on the fixing of salaries and other remuneration to executive personnel.

Furthermore, under Section 5-6(3) of the Norwegian Public Limited Liability Companies Act, an advisory vote must be held at the General Meeting on the Board of Directors' guidelines for fixing remuneration to executive personnel for the coming financial year, see (ii) below. In so far as the guidelines concern share-based incentive arrangements, these must also be approved by the general meeting, see (iii) below.

(i) Salaries and other remuneration to executive personnel

Salaries and other remuneration to executive personnel for the preceding financial year are presented in Notes 6, 7 and 8 to the annual financial statements for Arcus ASA.

(ii) Guidelines for the fixing of salaries and other remuneration to executive personnel

With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2020 for an advisory vote:

The purpose of Arcus' overall compensation policy is to attract personnel with the competence that the Group requires, to further develop and retain employees with key expertise, and to promote a long-term perspective and continuous improvement with a view to achieving Arcus' business goals. As an overall principle, Arcus' policy must be competitive, but not market-leading, in terms of the total compensation package. The total compensation may consist of the following elements:

(a) Fixed elements – Basic salary, pension, etc.

Arcus uses internationally recognised job assessment systems (Hay) to find the "right" level for the position and the fixed salary. Positions are assessed in relation to their local market (country) and a pay range in relation to the median. The employee's area of responsibility, results and performance determine where he or she is placed on the salary scale.

Arcus has a defined-contribution occupational pension plan for employees in Norway. The contribution rate is 5 percent for salaries up to 7.1G and 11 percent for salaries between 7.1G and 12G (as from 1.5.2019 1G is NOK 99,858). The CEO is the only employee who currently has an occupational pension for salaries above 12G and the contribution rate is 15 percent. There are no arrangements or agreements regarding an early retirement age for the Group Management other than the national insurance scheme and the AFP arrangement, which allow all employees a flexible retirement age starting at the age of 62. All employees in Norway are subject to a statutory age limit of 72, but the age limit in the Norwegian part of the Group is contractually set at 70, which also applies to the Group Management.

The CEO of Vectura AS has the same pension scheme as the Group Management. Managers in Vingruppen i Norden AB (Sweden) adhere to the Swedish regulations, managers in Vingruppen OY in Finland adhere to the Finnish regulations, and managers in Denmark adhere to the Danish regulations. The pension scheme in Sweden. Finland and Denmark has different rules and higher contribution rates than in Norway.

In addition to the above, the Group provides benefits such as a company car and company telephone, and other limited benefits in kind.

(b) Variable elements – annual bonus

Arcus ASA has an annual bonus system. The bonus system is related to the target result for the Group and/or own business area/subsidiary, and for the Group Management and other managerial employees consists of a financial element (70 or 60 percent) and an individual element (30 or 40 percent) connected to concrete and defined KPIs.

All bonuses are self-financed. The maximum bonus achievable for members of the Group Management is 30 percent of their annual salary (four monthly salaries), although the Group CEO may receive a maximum annual bonus of five monthly salaries. In addition to the Group Management, approximately 45 managers and key staff participate in an annual bonus programme, but the criteria vary and these staff members may receive a bonus of between one and three monthly salaries.

The bonus programme for 2020 is adjusted slightly from 2019, but comprises the same components as in previous years, with the results of the Group and/or subsidiary as the key target (financial part). Individual bonuses (personal targets) are a key element of the programme.

Executives of Vectura AS adhere to the same guidelines as the Group Management, but based on the company's EBIT Again in 2020, executives of Vingruppen i Norden AB and executives of Vingruppen OY in Finland adhere to a staggered bonus model, based on the company's EBIT, with maximum five monthly salaries.

(iii) Share-based incentive programmes
The Annual General Meetings in 2017, 2018 and 2019 approved an option-based long-term incentive scheme for the Group Management and for certain additional managers and key persons. The primary objective of the programme is to provide executive personnel with incentives to generate long-term and continuous success and value creation for the shareholders. Reference is made to the report concerning the option scheme and the share programme for all employees described in appendix 4 to the notice convening the General Meeting, and the Board of Directors' proposal for a continuation of these programmes.

Arcus ASA has managers/key persons in several wine companies who are minority owners, and this mainly concerns the general manager. This model has been a success for the Group, in the form of well-motivated managers who have achieved good results.

It is appropriate to continue to allow the general manager of a subsidiary, based on an individual assessment, to be a minority owner, with an ownership interest limited to 9.9 percent.

Such a model is intended to encourage an entrepreneurship culture, sound business acumen and internal competition between companies which, in turn, can increase the profitability of the company and of the employee. Financing must primarily take place as the employee's contribution of equity.

On starting up or acquiring a new company, greater flexibility (up to 30 percent ownership interest) must be accepted in terms of how much the employee should/may invest, based on an individual and commercial assessment.

(iv) Executive salary policy in previous financial years
The guidelines for the compensation policy described in clause (ii) also determined the fixing of executive salaries in 2019, but as stated above, for 2020 some changes have been made to the guidelines for the bonus programme, adopted by the Board of Directors. No bonus was paid for 2019.

(v) Changes in contractual agreements
CEO Christian Granlund of Vectura AS resigned from his position on 1 November 2019. He was replaced by Roar Ødelien, who came from a position as logistics director at Nortura.

Group HR Director Bjørn Delbæk resigned from his position on 1 September 2019 and took up a part-time position. He was replaced by Jan-Erik Nilsen, who serves in the position until further notice, and who came from a position as HR Director and HR Business Partner for Vectura.

Petra Thoren was appointed CEO of Vingruppen OY in Finland on 1 December 2019 and joined the Group Management, reporting to the Group CEO after Vingruppen OY in Finland was subject to re-organisation.

The remuneration of the Board of Directors is as follows, as from 11.04.2019

Chairman of the Board of Directors	NOK 550,000 p.a.
Board members elected by the shareholders	NOK 275,000 p.a.
Board members elected by the employees	NOK 170,000 p.a.
Deputy member elected by the employees	NOK 7,500 per meeting
Audit Committee	
Chair of the committee	NOK 100,000 p.a.
Member	NOK 50,000 p.a.
Remuneration Committee	
Chair of the committee	NOK 41,000 p.a.
Member	NOK 26,000 p.a.

Actual payments to Board members are as follows

Remuneration to the members of the Board of Directors in 2019:

Figures in NOK 1000		Board fees including committee work	Number of shares at 31.12.2019
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	582	156300
Hanne Refsholt	Resigned from the Board in 2019	73	0
Leena Maria Saarinen		293	1,860
Trond Berger	Resigned from the Board in 2019	93	17441
Eilif Due		298	2,325
Stein Erik Hagen	Resigned from the Board in 2019	107	0
Ann-Beth Freuchen		262	0
Kirsten Ægidius	Newly-elected Board member in 2019	197	0
Nils K. Selte	Newly-elected Board member in 2019	330	0
Carl Erik Hagen[1]	Newly-elected Board member in 2019	0	30093077
Board members elected by the employees			
Erik Hagen		See the Table below	1334
Konstanse M. Kjøle		See the Table below	681
Ann Therese Jacobsen		See the Table below	0

1. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Carl Erik Hagen and his associate, and for which he is deputy chairman of the Board of Directors.

Figures in NOK 1000	Salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	506	165	7	26
Konstanse M. Kjøle	609	165	7	33
Ann Therese Jacobsen	611	165	5	29
Arne Larsen[1]	0	16	0	0

1. Arne Larsen attended two Board meetings as deputy employee representative.

Remuneration to the members of the Board of Directors in 2018:

Figures in NOK 1000		Board fees including committee work	Number of shares 31.12.2018
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	548	156300
Hanne Refsholt		255	0
Leena Maria Saarinen		269	1860
Trond Berger		315	17441
Eilif Due[1]		229	3299325
Stein Erik Hagen[2]		229	28607626
Ann-Beth Freuchen		229	0
Board members elected by the employees			
Erik Hagen		See the Table below	925
Konstanse M. Kjøle	Newly-elected Board member in 2018	See the Table below	681
Ann Therese Jacobsen	Newly-elected Board member elected by the employees in 2018	See the Table below	0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board of Directors.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board of Directors.

Figures in NOK 1000	Salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	493	153	6	25
Ingrid E. Skistad[1]	317	76	5	18
Kjell Arne Greni[1]	97	76	3	9
Konstanse M. Kjøle[2]	285	77	2	14
Ann Therese Jacobsen[2]	269	77	1	13
Arne Larsen[3]	0	15	0	0

1. Kjell Arne Greni and Ingrid E. Skistad resigned from the Board on 30 June 2018, and the payments represent six months' membership of the Board.
2. Konstanse M. Kjøle and Ann Therese Jacobsen joined the Board on 1 July 2018, and the payments represent six months' membership of the Board.
3. Arne Larsen attended two Board meetings as deputy employee representative.

NOTE 7 SHARE-BASED REMUNERATION

Share-based incentive schemes

During the year, the Group had two share-based incentive programmes for senior executives, which are related to the Group's share value, but one of the programmes was concluded during 2019. The Group also has a share savings programme in which all employees can participate.

Matching shares for senior executives and other key persons.

Before the Board of Directors in 2017 adopted a new long-term incentive scheme for senior executives, in conjunction with the IPO in 2016 a temporary two-year incentive scheme (interim retention plan) was adopted, in which 37 employees, including the Group Management, were awarded matching shares. These matching shares were redeemed in the first quarter of 2019, for the executives still employed by the Group. Of the nine members of the Group Management offered this scheme in 2016, eight members redeemed shares in 2019.

For the Group Management, matching shares were granted whereby for each share they acquired in addition to their reinvestment obligations related to the settlement of the completed programme with synthetic shares and options, they also received one matching share. The members of the Group Management who did not already hold synthetic shares or options were entitled to receive either one matching share for each share they purchased in total, or one matching share for every two shares they purchased in total.

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it. In 2017 and 2018, six key persons attached to this programme resigned, so that on the redemption date in February 2019, shares were redeemed by 23 key persons.

In total, 31 persons redeemed 253,732 matching shares, eight of whom were members of the Group Management, and 23 were other key persons.

Below, the number of matching shares redeemed by the Group Management in 2019 is presented, of which the fair value was based on Arcus' share price as at 14.02.2019 (NOK 41.95).

Figures in NOK 1,000	Allocation date	Number of matching shares on the allocation date	Number of matching shares redeemed in 2019	Fair value on the redemption date	Redemption date
Kenneth Hamnes	01.12.2016	42,100	42,100	1,766	14.02.2019
Sigmund Toth	01.12.2016	19,767	19,767	829	14.02.2019
Erlend Stefansson	01.12.2016	27,062	27,062	1,135	14.02.2019
Erik Bern	01.12.2016	9,956	9,956	418	14.02.2019
Bjørn Delbæk	01.12.2016	8,692	8,692	365	14.02.2019
Jan-Erik Nilsen	01.12.2016	2,942	2,942	123	14.02.2019
Per Bjørkum	01.12.2016	8,256	8,256	346	14.02.2019
Eirik Andersen	01.12.2016	7,558	7,558	317	14.02.2019
Svante Selling	01.12.2016	6,781	6,781	284	14.02.2019
Total, Group Management		**133,114**	**133,114**	**5,584**	
Other managerial employees	01.12.2016	247,645	120,618	5,060	14.02.2019
Total number of matching shares		**380,759**	**253,732**	**10,644**	

Overview of the development in the number of allocated matching shares:

Number of matching shares	**2019**	**2018**
Outstanding matching shares at the beginning of the year	253,732	330,818
Matching shares redeemed during the year	-253,732	0
Terminated matching shares during the year	0	-77,086
Outstanding matching shares at the end of the year	**0**	**253,732**

Effects of matching shares in the accounts:

Figures in NOK 1,000	**2019**	**2018**
Earning of matching shares	808	5,574
Deduction of matching shares	0	-2,321
Change in provision for employer taxes	202	545
Total costs related to matching shares	**1,010**	**3,798**
Liabilities[1]	**0**	**1,923**

1. Solely includes employer taxes

Option programme for senior executives

In 2017, 2018 and 2019, options were granted in an option programme for senior executives in the Group. On expiry, the beneficiaries will receive shares in Arcus ASA equivalent to their options.

The options' vesting period will be three years from the allocation date, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The number of options allocated annually will vary, and will correspond to the individual executive's potential maximum bonus that can be achieved in relation to the listed price on the allocation date. The options' strike price is calculated as the volume-adjusted listed price for the last ten days prior to the allocation date, with the addition of 10 percent.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

No options were redeemed in 2019, but at the end of 2019 all of the options allocated in 2017 were cancelled, since the Group's KPI objectives as determined by the Board of Directors were not achieved for the period. Below, the Group Management's holdings of options at the end of 2019 are presented.

Allocation date	**# 2019**	**# 2018**	**# 2017**
Vesting period	11.4.2019 - 11.04.2022	11.4.2018 - 11.04.2021	04.05.2017 - 04.05.2020
Redemption period	11.4.2022 - 11.04.2024	11.4.2021 - 11.04.2023	04.05.2020 - 04.05.2022
Redemption price	NOK 40.52	NOK 45.22	NOK 51.53

Number of options	**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Kenneth Hamnes	335,918	0	243,457	243,457	0	199,426
Sigmund Toth	176,799	0	125,103	125,103	0	90,773
Erlend Stefansson	186,395	0	135,053	135,053	0	110,628
Erik Bern	162,669	0	117,862	117,862	0	96,546
Jan-Erik Nilsen	0	0	0	0	0	0
Per Bjørkum	139,044	0	100,745	100,745	0	82,524
Eirik Andersen	176,799	0	69,136	69,136	0	57,765
Svante Selling	157,997	0	117,174	117,174	0	53,816
Petra Thorén	0	0	0	0	0	0
Roar Ødelien	0	0	0	0	0	0
Total, Group Management	**1,335,621**	**0**	**908,530**	**908,530**	**0**	**691,478**
Other managerial employees	698,181	0	153,561	435,960	0	381,532
Total number of options	**2,033,802**	**0**	**1,062,091**	**1,344,490**	**0**	**1,073,010**

Basis for calculation of options:		**2019**	**2018**	**2019**	**2018**	**2019**	**2018**
Share price on the allocation date	NOK	38.80	0	43.70	43.70	47.90	47.90
Share price on the date of statement of financial position	NOK	36.50	0	36.50	41.00	36.50	41.00
Redemption price - minimum	NOK	40.52	0	45.22	45.22	51.53	51.53
Redemption price - maximum	NOK	116.40	0	131.10	131.10	143.70	143.70
Risk-free interest	%	1.4%	0	1.4%	1.4%	1.4%	1.2%
Volatility *	%	20.0%	0	20.0%	22.0%	20.0%	22.0%
Expected dividend	%	3.6%	0	3.6%	3.4%	3.6%	3.4%

* On the basis that the company itself only has three years' stock exchange history, on calculating the volatility assumption applied to the option calculations, the Group has applied an average of the company's own volatility figures and an average from equivalent comparable companies on other european stock exchanges.

Overview of development in the number of allocated options:

Number of options	2019	2018
Outstanding options at the beginning of the year	2,417,500	1,229,304
Allocated options during the year	2,195,086	1,534,306
Terminated options during the year	-1,516,693	-346,110
Outstanding options at the end of the year	**3,095,893**	**2,417,500**

Effects of options in the accounts:

Figures in NOK 1,000	2019	2018
Earning of options	5,440	3,855
Deduction of options	-5,874	-386
Change in provision for employer taxes	-183	335
Total option costs	**-617**	**3,804**
Liabilities[1]	**417**	**600**

1. Solely includes employer taxes

Share savings programme for all employees
The Group also has a general share savings scheme for all employees, whereby all employees will annually have the opportunity to buy a limited number of shares in Arcus ASA, with a discount of 20 percent. Sale of shares to employees below market value is recognised as a personnel cost comprising the difference between the market value of the shares and the purchase price.

In 2019, a total of 54 employees subscribed for a total of 31,468 shares. These were purchased for an average price of NOK 36.70 and sold to the employees at a discount of 20 percent. For this, costs of TNOK 231 were charged to the consolidated accounts in 2019.

	2019	2018
Number of employees who purchased shares at a discount	54	76
Number of shares purchased at a discount	31,468	26,744
Average price per share for purchase by employees at a discount (NOK)	36.70	41.67
Total cost for the Group (TNOK)	231	258

NOTE 8 PENSION COSTS, ASSETS AND OBLIGATIONS

Defined benefit pension plan
Up to 31 December 2008, Arcus ASA and its subsidiaries in Norway had a group defined benefit plan for their employees in Statens Pensjonskasse (the Norwegian Public Service Pension Fund – SPK) and Storebrand. The SPK pension plan also included a contractual early retirement plan (AFP) with financing from the commencement of employment. From 31 December 2008, the Board of Directors terminated the SPK group pension plan for the entire Group in order to switch to defined contribution plans.

On the transition to the new pension plan, all those who were ill or disabled remained in the respective defined benefit plans in Statens Pensjonskasse (SPK) and Storebrand. SPK has confirmed that Arcus no longer has any legal obligations associated with the remaining pension recipients who are linked to the SPK defined benefit plans, but is only obliged to pay annual premium contributions specified by SPK, according to the same principle as for defined contribution plans. The Group therefore carries the current invoices from SPK to expenses in the same way as for the defined contribution plan. Within the pension obligation as at 31.12.2019, a provision of NOK 2.4 million is linked to five individuals in the Storebrand defined benefit plan. This is the only pension obligation secured with assets.

In addition, two individuals, both of whom are no longer employed by the company, have a defined benefit plan for salaries above 12G (National Insurance base amount). This plan was recognised with obligations totalling NOK 5.2 million at the end of 2019.

Gift pension and unfunded pension arrangement
On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31.12.2019, this gift pension is linked to 115 employees in the Norwegian operations, while the total obligation has been recognised at NOK 13.1 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 percent of the salary above 12G. At the end of 2019, this obligation was recognised at NOK 1.4 million.

Contractual early retirement plan pension (AFP)
Most of the Group's Norwegian employees are covered by the AFP plan. This AFP plan gives a lifelong supplement to the ordinary pension plan. Employees can choose to take out the new AFP pension as from the age of 62, also while continuing to work. This new AFP plan is a collective-agreement based defined benefit multi-enterprise pension scheme, and is financed through premiums that are set as a percentage of salary. So far, no reliable measurement and allocation of obligations and assets are available for the plan. In accounting terms, the plan is treated as a defined contribution pension plan in which premium payments are charged as current costs and no provisions are made in the financial statements. In 2019 and 2018, the current premium payments were set at 2.50 percent of total salary payments between 1 G and 7.1 G to the company's employees. It has been decided not to change the premium payments for 2020. There is no accumulation of funds in the plan and it is expected that the premium level will increase over the coming years.

There are some seniority requirements associated with the new AFP plan with regard to accumulated length of employment in the scheme, and the limited liability company must be subject to a collective agreement. There are three limited liability companies in Norway, with a total of eight persons who were not subject to the AFP plan as at 31.12.2019.

Defined contribution pension
The Arcus Group's general pension scheme for all other employees concerns defined-contribution pension plans which are adapted to the regulations in the individual countries in which the Group has employees.

Norway
The general defined-contribution pension plan has contribution rates of 5 percent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G); and 11 percent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). There is also a disability scheme with 69 percent, plus 18 percent of the basic amount (G), as the benefit level, without free policy accumulation. Arcus ASA with subsidiary has group life insurance on death of up to 10G for all employees.

The costs associated with the defined contribution pension plan are related to the current premium invoices from the insurance company with which Arcus has signed a defined contribution pension agreement. The current defined contribution pensions and disability pensions for employees in the defined contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 1.6 million at the end of 2019.

Sweden
In Sweden, the contributions are, to a great extent, individually agreed contribution rates based on individual salaries, and these can vary considerably. In 2019, the contribution rates including insurance schemes varied from 9 percent to 30 percent of the individual's salary. The contribution rates apply as from the first krone earned.

Denmark
The general defined contribution pension scheme in Denmark has contribution rates varying from 8 to 12.5 percent. The contribution rates apply as from the first krone earned.

Finland
The general defined contribution pension scheme in Finland has contribution rates of 18.05 percent for employees aged below 53, and 16.55 percent for employees aged over 53.

Germany
The contribution rate in Germany is 18.6 percent of the employee's salary, up to the maximum calculation basis of EUR 78,000. The pension contribution in Germany is divided 50/50 between employer and employee, so that the net cost for the German company is 9.3 percent.

Other matters
The Group applies a discount rate equivalent to the covered bond interest rate to its pension obligations. The pension assumptions made by the Group are consistent with the recommendations of the Accounting Standards Board from September 2019. Due to the lack of significance, the assumptions were not updated as of 31.12.2019.

The table presents both defined benefit and other actuarially calculation pension obligations.

Figures in NOK 1,000

Pension costs	**2019**	**2018**
Present value of pension earnings for the year	644	687
Interest cost of pension obligations	681	870
Return on pension assets	-208	-231
Administration costs	170	109
Accrued social security contributions	157	202
Net pension costs after social security contributions	**1,444**	**1,637**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	30,520	30,420
Net pension obligations:		
Estimated accrued obligations, funded pension plans	10,912	9,058
Estimated value of pension assets	-8,498	-7,721
Net estimated funded pension obligations (+)/assets (-)	2,414	1,337
Estimated accrued obligations, non-funded pension plans	21,310	19,740
Net pension obligations recognised in the statement of financial position	**23,724**	**21,077**
Changes in obligations:		
Net pension obligations 01.01	21,077	30,552
Pension costs, continued operations	1,444	1,637
Paid out via operations	-277	-809
Premium payments including SSC	-509	-403
Estimate deviations recognised directly in equity (IAS19R)	1,989	-9,900
Net pension obligations 31.12.	**23,724**	**21,077**
Summary of pension assets:		
Shares and other equity instruments	8,498	7,721
Total pension assets 31.12.	**8,498**	**7,721**

Figures in NOK 1,000

Financial assumptions:	2019	2018
Discount rate	1.80%	2.60%
Expected salary adjustment	2.25%	2.75%
Expected pension increase	1.25%	1.75%
Expected adjustment of the National Insurance basic amount (G)	2.00%	2.50%
Expected return on pension assets	1.80%	2.60%

Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

Sensitivity analysis of net pension obligations:
The table below shows the effects of changes in pension obligations, deferred tax assets and equity in the event of a change in the most important economic assumptions by one percentage point up or down. The calculations are otherwise carried out in the same way as the actuarial calculations and are based on all other economic and demographic assumptions remaining unchanged.

Sensitivity 2019	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	1%	-1%	1%	-1%	1%	-1%
Change in pension obligations	1,862	-2,224	756	-713	784	-712
Change in deferred tax assets	-410	489	-166	157	-173	157
Change in equity	-1,452	1,735	-590	556	-612	555
Percentage change in obligations	**7.8%**	**-9.4%**	**3.2%**	**-3.0%**	**3.3%**	**-3.0%**

Sensitivity 2018	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	1%	-1%	1%	-1%	1%	-1%
Change in pension obligations	-2,002	2,361	1,960	-1,749	1,960	-1,749
Change in deferred tax assets	441	-519	-431	385	-431	385
Change in equity	1,562	-1,841	-1,529	1,365	-1,529	1,365
Percentage change in obligations	**-9.5%**	**11.2%**	**9.3%**	**-8.3%**	**9.3%**	**-8.3%**

Summary of cash flows related to pension plans

Figures in NOK 1,000	2019	2018
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	495	403
Premium payments, SPK defined benefit plan not recognised in the statement of financial position	85	84
Payments from operations, gift pension at 65-67 recognised in the statement of financial position	278	809
Premium payments. AFP scheme	4,268	4,197
Premium payments, defined contribution pension plan	29,878	27,254
Total	**35,004**	**32,747**

All figures include social security costs.

Premium payments associated with ordinary defined contribution pension plans are the largest disbursement items associated with pensions. The basis for the premium payments to the defined contribution plan is calculated according to the actual salaries and will reflect the salary development within the company.

Premium payments to the new AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. The premium rate was 2.50 percent in 2018 and 2019 and this will remain unchanged in 2020.

NOTE 9 FINANCIAL INCOME AND COSTS

Figures in NOK 1,000	2019	2018
Financial income		
External interest income	22,498	12,906
Total interest income	**22,498**	**12,906**
Value adjustment of liabilities at fair value	3,364	0
Agio gains	26,656	27,727
Other financial income	18	13
Total other financial income	**30,038**	**27,740**
Total financial income	**52,536**	**40,646**
Financial costs		
Interest costs to financial institutions	-47,460	-37,302
Interest costs for rights of use related to lease agreements	-49,854	0
Interest costs for liabilities at fair value in the statement of financial position	-196	-104
Amortisation of front-end fee related to credit facilities at SEB	-1,618	-1,623
Total interest costs	**-99,128**	**-39,029**
Value adjustment of minority options at fair value	0	-2,560
Value adjustment of foreign exchange forward contracts at fair value	-1,049	-369
Agio loss	-29,674	-26,178
Other financial costs	-7,970	-8,626
Total other financial costs	**-38,693**	**-37,733**
Total financial costs	**-137,821**	**-76,762**
Net financial profit/loss	**-85,285**	**-36,116**

NOTE 10 TAX

Tax for the year is calculated as follows:

Figures in NOK 1,000	2019	2018
Tax payable	-23,871	-31,141
Change in deferred tax	-15,310	-25,595
Insufficient provision in previous years	-1	-27
Tax cost	**-39,182**	**-56,763**

Tax cost breakdown by country	2019	2018
Tax - Norway	-13,637	-27,498
Tax - Sweden	-16,138	-19,594
Tax - Denmark	-6,914	-6,760
Tax - Finland	-2,207	-2,767
Tax - Germany	-286	-144
Total tax cost	**-39,182**	**-56,763**

Reconciliation from nominal to actual tax rates	2019	2018
Profit before tax	172,469	221,180
Expected income tax at the nominal tax rate in Norway	-37,943	-50,871
Tax effect of the following items:		
Non-deductible costs	-2,624	-2,804
Non-taxable revenue	791	361
Insufficient provision in previous years	1	27
Change in non-capitalised tax assets	-492	130
Change in tax rate	0	-5,017
Differences in tax rates	-74	1,132
Profit share, associated companies	892	532
Other	267	-253
Tax	**-39,182**	**-56,763**
Effective tax rate	23%	26%

Tax on items in OCI
Tax on items in OCI is entirely due to changes in deferred tax associated with pension obligations in Norway.

Tax payable by country in the statement of financial position	2019	2018
Prepaid tax payable		
Prepaid in Sweden	15,487	11,521
Prepaid in Finland	119	0
Prepaid in Germany	800	617
Total prepaid tax[1], see also Note 14	**16,406**	**12,138**
Tax payable		
Tax payable in Norway	0	1,472
Tax payable in Denmark	5,002	5,990
Tax payable in Finland	0	276
Total tax payable[1]	**5,002**	**7,738**

1. In 2018, prepaid tax payable was presented as a net total amount for the entire Group. As from 2019, prepaid tax or tax payable is presented as a net amount for the country to which the tax relates. Net prepaid tax in 2018 amounted to TNOK 4,400, which is the total prepaid tax and tax payable from the above table. See also Note 14.

Tax paid during the period, per country	2019	2018
Tax paid to Norway	-1,472	-3,053
Tax paid to Sweden	-21,050	-27,216
Tax paid to Denmark	-9,442	-6,344
Tax paid to Finland	-2,490	-2,871
Tax paid to Germany	-474	-507
Total tax paid	**-34,928**	**-39,991**

Specification of tax effect of temporary differences and deficit carried forward:

	2019		2018	
	Asset	Liability	Asset	Liability
Tangible fixed assets	-2,621	290	-5,960	394
Intangible fixed assets	-52,080	-101,565	-42,377	-102,262
Financial assets	-236	0	-638	0
Inventories	-8,972	0	-10,686	0
Trade receivables	1,320	0	1,429	0
Pension obligations	5,187	0	4,524	0
Provisions	2,029	0	5,162	0
Temporary tax fund	-528	15	-661	23
Deficit and interest limitations carried forward	142,001	0	159,365	0
Total deferred tax, gross	**86,100**	**-101,260**	**110,158**	**-101,845**
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	**86,100**	**-101,260**	**110,158**	**-101,845**

At the end of the year, the Group had NOK 142.0 million in capitalised deferred tax assets associated with the deficit carried forward from the Norwegian business. Based on an assessment and analysis of the Group's earnings in Norway historically, and the future prognosis, it is assessed that the deficit carried forward can be utilised in full, and the related deferred tax asset has therefore been entered.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2019, the rates were 22 percent in Norway, 21.4 percent in Sweden, 22 percent in Denmark and 20 percent in Finland, unchanged from the previous year.

At the end of 2019, deferred tax assets were associated with net negative temporary differences for the tax regimes in Norway and Sweden, while deferred tax liabilities were associated with net positive temporary differences for the tax regime in Denmark. The same applied to the end of 2018.

NOTE 11 TANGIBLE FIXED ASSETS

	Tangible fixed assets			
Figures in NOK 1,000	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible assets
Acquisition cost as at 01.01.2018	**548,875**	**89,016**	**5,678**	**643,569**
Addition of tangible fixed assets	12,487	554	6,771	19,812
Addition from financial lease	3,062	0	0	3,062
Transferred from assets under construction	3,858	1,673	-7,535	-2,004
Disposal at cost price	0	-6,096	0	-6,096
Translation differences	-92	-251	0	-343
Acquisition cost as at 01.01.2019	**568,190**	**84,896**	**4,914**	**658,000**
Addition of tangible fixed assets	4,823	1,338	12,562	18,723
Transferred from assets under construction	3,217	235	-3,797	-345
Reclassifications[1]	-273,398	0	0	-273,398
Disposal at cost price	-161	-12,935	-37	-13,133
Translation differences	-381	-247	0	-628
Acquisition cost 31.12.2019	**302,290**	**73,287**	**13,642**	**389,219**
Accumulated depreciation 01.01.18	**-244,341**	**-69,402**	**0**	**-313,743**
Ordinary depreciation	-30,635	-4,178	0	-34,813
Disposal, accumulated depreciation	0	6,096	0	6,096
Translation differences	59	240	0	299
Accumulated depreciation 01.01.2019	**-274,917**	**-67,244**	**0**	**-342,161**
Ordinary depreciation	-14,932	-3,814	0	-18,746
Disposal, accumulated depreciation	120	12,878	0	12,998
Reclassifications[1]	110,134	0	0	110,134
Translation differences	309	220	0	529
Accumulated depreciation 31.12.19	**-179,286**	**-57,960**	**0**	**-237,246**
Book value as at 31.12.19	**123,004**	**15,327**	**13,642**	**151,973**
Book value of capitalised interest costs	0	0	0	0

1. Reclassifications comprise the capitalised value of tights or use related to financial lease agreements. As a consequence of the introduction of IFRS 16, as from 01.01.2019 these are classified as rights of use. See also Note 13 concerning lease agreements.

Both the parent company and the Group use straight-line depreciation for all tangible fixed assets. The economic life of fixed assets is estimated as follows:

* Machinery and equipment, vehicles	3-20 years
* Fixtures and fittings, tools, office equipment etc.	4-10 years

No indications of impairment or a need to adjust the useful lives of assets were identified during the period.

NOTE 12 INTANGIBLE ASSETS

Figures in NOK 1,000	Goodwill	Brands	Software	Total
Acquisition cost 01.01.18	**1,065,296**	**873,246**	**127,869**	**2,066,411**
Addition of intangible assets	0	43	3,227	3,270
Transferred from assets under construction	0	0	2,004	2,004
Translation differences	-466	2,948	-107	2,375
Acquisition cost 01.01.19	**1,064,830**	**876,237**	**132,993**	**2,074,060**
Addition of intangible assets	0	250	1,246	1,496
Transferred from assets under construction	0	0	345	345
Acquisition of business	11,777	49,739	0	61,516
Translation differences	-5,722	-3,301	-170	-9,193
Acquisition cost 31.12.19	**1,070,885**	**922,925**	**134,414**	**2,128,224**
Accumulated depreciation 01.01.2018	**-22,700**	**-53,544**	**-98,718**	**-174,962**
Ordinary depreciation	0	0	-7,487	-7,487
Amortisation	0	-7,705	0	-7,705
Translation differences	0	21	-36	-15
Accumulated depreciation and write-downs 01.01.19	**-22,700**	**-61,228**	**-106,241**	**-190,169**
Ordinary depreciation	0	0	-7,168	-7,168
Accumulated depreciation on acquisition of business	0	-27	0	-27
Amortisation	0	-7,746	0	-7,746
Translation differences	0	41	28	69
Accumulated depreciation and impairments 31.12.2019	**-22,700**	**-68,960**	**-113,381**	**-205,041**
Book value 31.12.2019	**1,048,185**	**853,965**	**21,033**	**1,923,183**
Of which capitalised value of assets with indefinite useful lives	1,048,185	785,684	0	1,833,869
Economic life of intangible assets with definite useful lives		10-20 years	3-10 years	
Depreciation plan		Straight line	Straight line	

Impairment testing
Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the value in use of the cash-generating unit. The value in use is determined by discounting expected cash flows, based on the cash-generating unit's Board-approved business plans. The cash-generating unit is the lowest level at which it is possible to follow up operations comprising the relevant goodwill. At the end of 2019, cash-generating units related to impairment testing of goodwill are defined at business area level.

Equivalent impairment tests are made for brands. The cash-generating unit for impairment testing of brands is the brand itself.

A significant proportion of the Group's brands are assessed not to have definite useful lives. These are not amortized on an ongoing basis, but are solely subject to annual impairment testing. On initial recognition of brands, it is assessed whether the brand is expected to have definite useful lives or not. In this assessment, the Group gives special weight to the Group's expected use of the brand, the customary life cycles for brands of this type, the stability of the sector and the business, and the probability that the Group will succeed in maintaining the brand's financial lifetime, given the Group's ability to maintain value. The Group also devotes resources to legal control of brands in large and important markets.

At the end of 2019, all of the Group's brands with indefinite useful lives were related to the Spirits business. The Spirits business have been a stable sector for many years, and most of the brands within the Group's spirits business are brands that have existed for several decades, and some have existed for several hundred years. If impairment tests show declining curves over time, the brand may be written down to estimated useful value, and a new assessment of the brand's estimated useful life is performed. If it is estimated, after a new assessment, that the useful life is no longer indefinite, the brand is redefined to have a definite useful life, whereby a linear depreciation term is set for the remaining book value.

The discount rate used for both brands and goodwill is 8.8 percent before tax, and reflects the estimated risk and capital costs of the Group, based on a capital structure considered to be representative for the business in which the Arcus Group is engaged.

The short term Covid-19 impact has been assessed as part of the impairment analysis.

Recoverable amount (value in use) on impairment testing of goodwill
The recoverable amount of the cash-generating units is calculated on the basis of the present value estimate of the expected cash flows before tax. The cash flows used as the basis for the impairment test are based on assumptions concerning future sales volume, sales prices, purchase prices for input factors, salary development and other direct costs set out in Board-approved budgets and long-term plans. The terminal value is based on the cash flow in the last forecast year (2023). The terminal value is based on an assumption of inflation growth of 2 percent, and also reinvestments equivalent to the expected depreciation of the entities' fixed assets.

In 2019, the Group performed impairment tests whereby recoverable amounts on impairment testing of goodwill are based on the 2020 budget, and with real growth up to 2023 in both revenue and EBITDA equivalent to other long-term plans. The impairment tests have not entailed impairment, and downward adjustment of the estimated cash flows by 20 percent, or an increase in the discount rate by 2 percent, would either not have entailed impairment.

Recoverable amount (value in use) on impairment testing of brands

The recoverable amount for the brands is calculated on the basis of a "relief from royalty" method before taxes, whereby the brand's annual royalty is estimated as future revenue for the brand multiplied by a long-term expected profit level for the relevant brands. Future revenue is based on the 2020 budget, with real growth up to 2023 equivalent to other long-term plans. The terminal value is based on an assumption of inflation growth of 2 percent. Cash flow estimates used are discounted using a discount rate.

Downward adjustment of the estimated cash flows by 20 percent, or an increase in the discount rate by 2 percent, would not have entailed impairment for any of the brands.

The table below shows the Group's intangible assets with indefinite useful lives (goodwill and brands) per category of cash-generating units.

Figures in NOK 1,000	Category	Currency	Segment	Goodwill	Brands	Total
Category of cash-generating units						
Norwegian aquavits	Aquavit	DKK	Spirits	0	119,844	119,844
Danish aquavits	Aquavit	NOK	Spirits	0	291,016	291,016
Other aquavits	Aquavit	NOK, DKK, SEK	Spirits	0	12,223	12,223
Danish bitters	Bitter dram	NOK	Spirits	0	161,382	161,382
Norwegian cognac	Cognac	NOK	Spirits	0	12,425	12,425
Norwegian vodka	Vodka	NOK	Spirits	0	34,297	34,297
International vodka	Vodka	NOK	Spirits	0	66,740	66,740
Own brands, Wine	Own wines	NOK	Wine	0	2,651	2,651
Agency wine	Agency wine	NOK	Wine	0	49,711	49,711
Other brands	Other	NOK, DKK	Spirits	0	103,676	103,676
Segment Spirits		DKK	Spirits	425,026	0	425,026
Segment Spirits		NOK	Spirits	380,410	0	380,410
Wine Sweden - agency wine[1]		SEK	Wine	90,803	0	90,803
Wine Finland - agency wine[1]		EUR	Wine	24,951	0	24,951
Wine Norway - agency wine[1]		NOK	Wine	57,609	0	57,609
Wine Norway - own brands, wine		NOK	Wine	69,386	0	69,386
Total				**1,048,185**	**853,965**	**1,902,150**

1. In 2019, the Group took reorganisation measures for the Swedish/Finnish wine business, which entailed a clearer distinction between the Swedish and Finnish wine businesses. As a consequence, goodwill has been distributed between these two cash-generating units. The distribution was made on the basis of an assessment of which business the goodwill arose from in the first place, in accordance with IAS 36.

The various categories of cash-generating units listed below include the following well-known brands:

Category of cash-generating units	Brands
Norwegian aquavits	Lysholm Linie, Løiten Linie, Gammel Opland and Gilde, and other Norwegian aquavits
Danish aquavits	Aalborg
Other aquavits	Malteserkreutz and Snälleröds
Danish bitters	Gammel Dansk
Norwegian cognac	Braastad cognac
Norwegian vodka	Vikingfjord, Amundsen and Brennevin Seksti
International vodka	Vanlig, Dworek, Hammer, Kalinka and Dobra
Agency wine	Doppio Passo and Pietro de Campo
Other brands	Hot n'Sweet, Dooley's, Eau de Vie, Golden Cock, St. Hallvard, Upper Ten, Dry Anis and Star Gin

NOTE 13 LEASE AGREEMENTS AND OBLIGATIONS

As from 1 January 2019, the existing lease standard (IAS 17) is replaced by a new, updated standard for accounting treatment of leases (IFRS 16). The Group implemented this as from the same date.

The new standard concerning leases entails a significant change in the accounting policy related to leasing costs. All significant lease agreements are now capitalised. This has given significant rights of use on the asset side and an equivalent obligation on the liabilities side.

On the implementation of IFRS 16, the Group had two implementation method options: the full retrospective method or the modified retrospective method. The Group chose to implement IFRS 16 using the modified retrospective method, which means that the effects calculated on the implementation date were based on the remaining period of the lease as from the implementation date, and there were no adjustment to equity on the implementation date.

On the implementation date, the Group, as lessee, also had a number of options concerning the use of simplifications. The Group chose to use these simplification options, so that:

- Software licences are not included in the calculation basis.
- Short-term lease agreements expected to be for shorter terms than 12 months are not included in the calculation basis.
- Insignificant lease agreements (annual charge under TEUR 5) are not included in the calculation basis.
- Any service elements in the lease charge are not separated from the annual lease charge in the calculation basis.

Since the Group's subsidiaries adhere to local GAAP and not IFRS in their corporate accounts, the Group continues to make a distinction between operational and financial lease agreements.

- ***Financial lease agreements*** were already booked as part of the Group's statement of financial position before the introduction of IFRS 16. These are still booked as part of the subsidiaries' statements of financial position, with related rights of use and leaseobligations. The introduction of IFRS 16 has not entailed any changes for these agreements. The agreements' effect on earnings is booked as depreciation and interest costs in both the segments' results and the Group's consolidated result.

- ***Operational lease agreements*** are not booked in the subsidiaries' statements of financial position. These agreements' effect on earnings is presented as other operating expenses in the segment reporting, but as depreciation and interest costs in the Group's consolidated reporting.
  - For these lease agreements, the statement of financial position effects are estimated on the basis of the remaining lease payments, whereby the discount rate is equivalent to the Group's calculated average interest rate related to other financing.
  - The period of the lease is set as the period specified in the lease agreement. If the lease agreement includes options for renewal, the probability of the Group using the option is assessed. In cases where the probability is estimated to be greater than 50 percent, the fixed period of the lease also includes the renewal period based on the option.

In connection with the introduction of IFRS 16, the Group's reported net interest-bearing debt and adjusted EBITDA increased significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to a model that is independent of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms has not been affected by the introduction of IFRS 16.

Figures in NOK 1,000	Rights of use: Land, buildings and other real estate	Rights of use: Machinery and equipment	Rights of use: Vehicles	Rights of use: Fixtures and fittings, office equipment	Total tangible assets
Acquisition cost as at 01.01.2019	**0**	**0**	**0**	**0**	**0**
Recognition of rights of use, 01.01.2019	1,155,340	0	6,306	2,008	1,163,654
Addition of rights of use	0	11,446	10,822	0	22,268
Value changes in rights of use	15,898	8	-587	430	15,749
Reclassifications[1]	0	273,398	0	0	273,398
Disposal at cost price	-134	0	-1,260	-70	-1,464
Translation differences	239	0	36	7	282
Acquisition cost 31.12.2019	**1,171,343**	**284,852**	**15,317**	**2,375**	**1,473,887**
Accumulated depreciation 01.01.2019	**0**	**0**	**0**	**0**	**0**
Ordinary depreciation	-64,199	-17,258	-3,614	-842	-85,913
Disposal, accumulated depreciation	134	0	1,260	70	1,464
Reclassifications[1]	0	-110,134	0	0	-110,134
Translation differences	-33	0	-8	-1	-42
Accumulated depreciation 31.12.2019	**-64,098**	**-127,392**	**-2,362**	**-773**	**-194,625**
Book value as at 31.12.2019	**1,107,245**	**157,460**	**12,955**	**1,602**	**1,279,262**
Book value of capitalised interest costs	0	2,600	0	0	2,600

1. Reclassifications comprise the capitalised value of rights of use related to financial lease agreements. These were classified as ordinary operating equipment in 2018, but as a consequence of the introduction of IFRS 16, these are classified as rights of use as from 01.01.2019. See also Note 11 concerning fixed assets.

The Group applies straight-line depreciation to all rights of use assets.
The economic life of the rights of use is estimated as follows:

* Machinery and equipment, vehicles	7-15 years
* Fixtures and fittings, office equiopment	1-3 years
* Land, buildings and other real estate	1-32 years

No indications of impairment or a need to adjust the useful lives of assets were identified during the period.

Overview of calculated recognised rights of use and obligations as from 1 January 2019

Figures in NOK 1,000	Land, buildings and other real estate	Vehicles	Fixtures and fittings, office equipment	Total
Calculated rights of use 01.01.2019	1,155,340	6,306	2,008	1,163,654
Calculated leasing obligations 01.01.2019				1,163,654

Reconciliation of leasing obligations on transition from IAS 17 to IFRS 16

Figures in NOK 1,000	Total leasing obligations
Leasing obligation for operational leasing agreements, cf. IAS 17 (nominal values) 31.12.2018	1,614,548
Insignificant lease agreements	-48
Lease agreements with options for renewal, where the use of the option is assessed to be probable	39,372
Present value of interest payments	-490,218
Leasing obligation, cf. IFRS 16 1.1.2019	**1,163,654**

Specification of capitalised leasing obligations on the transition from IAS 17 to IFRS 16

Figures in NOK 1,000	Financial lease obligations	Operational lease obligations	Total lease obligations 2019	Total lease obligations 2018
Lease obligations, 31 December 2018[1]	**169,457**	**0**	**169,457**	**183,766**
Calculated lease obligations 01.01.2019, cf. the introduction of IFRS 16	0	1,163,654	1,163,654	0
New lease obligations during the year	11,446	10,822	22,268	3,061
Change in value of lease obligations during the year	8	15,741	15,749	0
Lease payments during the year	-18,153	-48,009	-66,162	-17,370
Translation differences	0	249	249	0
Lease obligations, 31 December 2019	**162,758**	**1,142,457**	**1,305,215**	**169,457**
Of which current lease obligations	103,665	50,534	154,199	18,063
Of which non-current lease obligations	59,101	1,091,915	1,151,016	151,394

1. Financial leases at the end of 2018 were presented as part of the debt to credit institutions.

Maturity analysis of lease obligations

Figures in nominal NOK 1,000	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Operational	94,549	363,682	1,138,320	1,596,551
Financial	107,930	55,651	5,013	168,594
Total	**202,479**	**419,333**	**1,143,333**	**1,765,145**

Operational lease agreements

Operational lease agreements include the agreement concluded with Gjelleråsen Eiendom AS on the lease of production, distribution and administration buildings at Gjelleråsen for a term of 25 years as from 1 January 2012. The annual rent under this agreement is TNOK 82,627 as from 2019. Other obligations include lease agreements for office premises in Stockholm, Copenhagen, Helsinki and Berlin, lease of company cars for individual employees, lease of a pallet-truck park, and lease of various office machines.

As a general rule, the lease period is set as the length of the lease contract. Most of the lease contracts related to production and office premises also include renewal options. In cases where the agreement includes such options, the probability that the option will be used is assessed, and if the probability is assessed to exceed 50 percent, the lease period will also include the contract renewal period.

Total lease obligations are calculated by discounting the nominal lease amount for these agreements by the Group's marginal borrowing rate.

Financial lease agreements

On moving to Gjelleråsen in 2012, agreements were entered into for the lease of a number of new machines and equipment for the production and distribution activities at Gjelleråsen. The contract partner for these agreements is Nordea Finans, and the agreements are subject to variable interest rates. Even though, in principle, the lease agreements have been entered into with a 15-year repayment and interest rate profile (annuity), the actual terms of the agreements are for a shorter period of time, with the option of renewal. Remaining capitalised lease liabilities will fall due in the course of the last 12 months of the agreement period. The Group and Nordea are in continuous dialogue concerning an extension of the agreements to a total maturity profile of 15 years. All changes to the agreements must be formally handled by the lessor.

Arcus-Gruppen AS has pledged a 100 percent surety guarantee for all liabilities that the subsidiaries have undertaken or may undertake in connection with the signed lease agreements. See also note 24 regarding pledges and guarantees.

Other financial leases are agreements for the lease of lorries in the logistics business. The contract partners for these agreements is Volvo Finans and Nordea Finans. These agreements have durations of 7-10 years, and run at variable interest rates.

Overview of total effect on earnings related to lease agreements.

Figures in NOK 1,000	2019	2018
Depreciation of rights of use	-85,913	-16,495
Interest costs related to rights of use	-49,854	-4,573
Costs related to short-term lease agreements (included in other operating costs)	-987	0
Costs related to operational lease agreements in other operating costs prior to the introduction of IFRS 16	0	-95,750
Total effects in the consolidated income statement	**-136,754**	**-116,818**

Overview of revenue from lease of rights of use

Figures in NOK 1,000	2019	2018
Sub-let premises at Gjelleråsen, Norway	2,014	1,095
Total revenue from sub-letting of rights of use	**2,014**	**1,095**

Reconciliation statement of income for 2019 versus 2018 adjusted for IFRS 16

Figures in NOK 1,000	2019 as reported, new IFRS 16 standard	2019 IFRS 16 reclassifi-cation	2019 reclassified, use of old IAS 17 standard	2018
Sales revenue	2,710,374	0	2,710,374	2,672,615
Other operating revenue	52,403	0	52,403	50,586
Total revenue	**2,762,777**	**0**	**2,762,777**	**2,723,201**
Net gain on sale of fixed assets	11	0	11	365
Cost of sales	-1,601,113	0	-1,601,113	-1,577,306
Salaries and other personnel costs	-439,220	0	-439,220	-426,644
Depreciation and amortisation	-119,573	68,655	-50,918	-50,005
Other operating expenses	-329,443	-92,862	-422,305	-409,330
Share of profit from associated companies and jointly controlled entities	4,059	0	4,059	2,311
Operating profit before other income and expenses	**277,498**	**-24,207**	**253,291**	**262,592**
Other income and expenses	-19,744	0	-19,744	-5,296
Operating profit	**257,754**	**-24,207**	**233,547**	**257,296**
Interest income	22,498	0	22,498	12,906
Other financial income	30,038	0	30,038	27,740
Interest costs	-99,128	44,854	-54,274	-39,029
Other financial costs	-38,693	0	-38,693	-37,733
Net financial profit/loss	**-85,285**	**44,854**	**-40,431**	**-36,116**
Profit before tax	**172,469**	**20,647**	**193,116**	**221,180**
Tax	-39,182	-4,538	-43,720	-56,763
Profit for the year	**133,287**	**16,109**	**149,396**	**164,417**

Reconciliation statement of financial position for 2019 versus 2018 adjusted for IFRS 16

Figures in NOK 1,000	2019 as reported, new IFRS 16 standard	2019 IFRS 16 reclassifi-cation	2019 reclassified, use of old IAS 17 standard	2018
Total intangible assets	**1,923,183**	**0**	**1,923,183**	**1,883,891**
Tangible fixed assets	151,973	157,460	309,433	315,839
Rights of use	1,279,262	-1,279,262	0	0
Total tangible assets	**1,431,235**	**-1,121,802**	**309,433**	**315,839**
Deferred tax assets	**86,100**	**-4,538**	**81,562**	**110,158**
Total financial assets	**65,276**	**0**	**65,276**	**63,072**
Total fixed assets	**3,505,794**	**0**	**3,505,794**	**2,372,960**
Total current assets	**2,084,103**	**0**	**2,084,103**	**2,064,402**
Total assets	**5,589,897**	**-1,126,340**	**4,463,557**	**4,437,362**
			0	
Total equity	**1,662,223**	**16,109**	**1,678,332**	**1,654,034**
Total provisions	**194,327**	**0**	**194,327**	**197,232**
Debt to financial institutions	703,829	59,101	762,930	874,895
Lease obligations	1,151,016	-1,151,016	0	0
Other non-current liabilities	464	0	464	647
Total other non-current liabilities	**1,855,309**	**-1,091,915**	**763,394**	**875,542**
Debt to financial institutions	0	103,665	103,665	18,063
Lease obligations	154,199	-154,199	0	0
Other current liabilities	1,723,839	0	1,723,839	1,692,491
Total current liabilities	**1,878,038**	**-50,534**	**1,827,504**	**1,710,554**
Total liabilities	**3,927,674**	**-1,142,449**	**2,785,225**	**2,783,328**
Total debt and equity	**5,589,897**	**-1,126,340**	**4,463,557**	**4,437,362**

Reconciliation, cash flow 2019 versus 2018 adjusted for IFRS 16

Figures in NOK 1,000	2019 as reported, new IFRS 16 standard	2019 IFRS 16 reclassifi-cation	2019 reclassified, use of old IAS 17 standard	2018
Profit before tax	172,469	20,647	193,116	221,180
Depreciation and amortisation	119,573	-68,655	50,918	50,005
Interest costs during the period	97,510	-44,854	52,656	
Other effects related to operational activities	-97,878	0	-97,878	123,351
Net cash flow from operational activities	**291,674**	**-92,862**	**198,812**	**394,536**
Net cash flow from investment activities	**-70,778**	**0**	**-70,778**	**-22,836**
Repayment of interest-bearing debt	-66,162	48,009	-18,153	-17,370
Interest costs paid during the period	-97,314	44,854	-52,460	-37,302
Other effects related to financial activities	-120,179	0	-120,179	-206,229
Net cash flow from financing activities	**-283,655**	**92,863**	**-190,792**	**-260,901**
Effect of exchange rate fluctuations on cash and cash equivalents	-14,806	0	-14,806	-12,620
Net change in bank deposits, cash and cash equivalents	**-77,565**	**0**	**-77,565**	**98,179**

NOTE 14 OTHER RECEIVABLES

Figures in NOK 1,000	Note	2019	2018
Non-current receivables			
Non-current loans to associated companies		506	506
Other non-current receivables		0	1,075
Total other non-current receivables		**506**	**1,581**

The Group has no receivables with a term of more than five years.

Figures in NOK 1,000		2019	2018
Current receivables			
Prepaid costs*	1.4	26,342	15,001
Prepaid tax	10	16,406	4,400
Fair value of forward contracts	1	0	624
Other current receivables*	1.4	8,062	6,958
Total other current receivables		**50,810**	**26,983**

Figures in NOK 1,000		2019	2018
Prepayments to suppliers			
Nominal prepayments to suppliers		67,772	58,899
Provision for losses		-4,620	-5,900
Total prepayments to suppliers*	1.4	**63,152**	**52,999**

Through its logistics business, Vectura purchases goods on behalf of agents and importers. Depending on the type of agreement entered into by the agent or importer, there will be instances where Vectura buys in goods on behalf of the agent or importer and where the agent or importer bears most of the risk associated with this inventory. This type of financing of inventory for individual partners is stated at nominal value less provision for expected losses, and is presented as prepayments to suppliers.

* Items included in changes in working capital in Note 4.

NOTE 15 INVENTORIES

Figures in NOK 1,000	2019	2018
Raw materials	32,117	25,951
Goods in transit[1]	14,951	0
Goods in progress	107,163	97,521
Finished goods/goods for resale	351,860	332,902
Provision for obsolescence	-19,479	-15,257
Total inventories	**486,612**	**441,117**

1. Goods in transit comprise goods that have not yet been physically received, but where the Group has taken over the significant risk for the goods in transit.

Cost of inventories in the statement of income comprises purchase costs for finished goods/goods for resale and production value at cost price for goods produced in-house. The total cost of inventories was NOK 1,601 million in 2019 (2018: NOK 1,577 million).

See also Note 24 for details of pledges and guarantees.

NOTE 16 CURRENT LIABILITIES

Figures in NOK 1000	2019	2018
Unpaid public duties		
Special duties, alcohol	581,673	564,611
Value added tax	354,509	344,692
Other public duties	23,515	21,149
Total unpaid public duties*	**959,697**	**930,452**

Figures in NOK 1000	2019	2018
Other current liabilities		
Current non-interest-bearing debt*	19,579	22,894
Fair value, foreign exchange forward contracts	425	0
Provision for social security costs related to share-based remuneration	0	1,923
Provision for liabilities*, see Note 20	6,121	8,398
Other accrued costs*	162,516	152,041
Total other current liabilities	**188,641**	**185,256**

* Items included in changes in working capital in Note 4.

All current liabilities fall due within 12 months.

NOTE 17 CASH AND CASH EQUIVALENTS

Figures in NOK 1,000	2019	2018
Cash and cash equivalents in the Group's cash pool system	64,182	149,213
Other bank deposits	140,837	133,210
Cash holdings	10	171
Total cash and cash equivalents	**205,029**	**282,594**
Available drawing rights	605,183	605,850
Utilised drawing rights	0	0
Available liquidity	**810,212**	**888,444**

Figures in NOK 1,000	2019	2018
Restricted bank deposits		
Restricted bank deposits	571	554
Total restricted bank deposits	**571**	**554**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes all subsidiaries, with the exception of the companies included in the wine business in Sweden and Finland. At the end of 2019, this Group cash pool system was managed by the parent company, Arcus ASA.

The joint overdraft limit in the Group cash pool system is TNOK 600,000. At the end of 2019, the Group has a deposit of TNOK 64,182, while at the end of 2018 it had a deposit TNOK 149,213. The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement in Sweden, with a maximum credit facility of TNOK 5,183 at the end of 2019. There was no drawing on any of these entitlements at the end of 2019.

The Group's exposure to interest-rate risk is stated in Note 1.

Summary of bank guarantees as at 31 December:

Figures in NOK 1,000	2019	2018
Bank guarantees for tax deduction funds	28,050	30,500
Bank guarantees for customs and duty credit facilities	29,094	29,431
Other bank guarantees	73	76
Total bank guarantees	**57,217**	**60,007**

NOTE 18 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Options for the purchase of non-controlling interests:
Within the Group's wine business, the general managers of several subsidiaries have non-controlling interests. Most of the general managers have put options linked to their interests, and these options can be exercised on a future date. The Group does not have control of these shares at the of the period, nor does it have control of the possible exercising of the put options. The value of the put options is therefore recognised as liabilities at fair value at the end of the year.

The liabilities related to options for the purchase of non-controlling interests are estimated on the basis of pricing mechanisms applied in the shareholder agreements, discounted to the close of the financial year. The most important parameters in the pricing mechanisms were the development of the share values, measured as EBIT (operating profit) up until the estimated due date, multiplied by a fixed, market-based multiple. As the basis for EBIT, the underlying companies' budgets and long-term plans up until the expected due date are used. The discount rate used is NIBOR or STIBOR, with duration matched to the expected due date.

Reconciliation of earmarked liabilities, measured at fair value via profit or loss:

Figures in 1,000 (stated currency)	Minority options	Liability at fair value through profit or loss
Book value of liability 31.12.2017	**0**	**0**
Fair value on initial recognition 2018	67,874	67,874
Changes in value during the period 2018	2,560	2,560
Interest during the period 2018	104	104
Translation differences 2018	3,680	3,680
Book value of liability 31.12.2018	**74,218**	**74,218**
Changes in value during the period 2019	-3,364	-3,364
Interest during the period 2019	196	196
Translation differences 2019	-1,707	-1,707
Book value of liability 31.12.2019	**69,343**	**69,343**
Of which due within 12 months, presented as current liabilities	0	0
Of which due after 12 months or later, presented as non-current liabilities	69,343	69,343

NOTE 19 INTEREST-BEARING DEBT

Figures in 1,000	Type of financing	Currency	Interest-rate profile	Loan amount in foreign currency 31.12.2019	Loan amount in NOK 31.12.2019	Loan amount in NOK 31.12.2018
SEB	Mortgage loan	SEK	Variable	750,000	706,950	728,325
Several	lease obligations	NOK	Variable	1,257,547	1,257,547	169,457
Several	lease obligations	DKK	Variable	21,934	29,014	0
Several	lease obligations	SEK	Variable	13,647	12,864	0
Several	lease obligations	EUR	Variable	586	5,790	0
Total interest-bearing debt					**2,012,165**	**897,782**
Capitalised front-end fees					-3,121	-4,824
Book value of interest-bearing debt					**2,009,044**	**892,958**

Term structure

Figures in 1,000	Type of financing	Currency	Maturity 2020	Maturity 2021-2024	Maturity 2025 or later	Total
SEB	Mortgage loan	SEK	0	706,950	0	706,950
Several	lease obligations	NOK	148,115	247,607	861,825	1,257,547
Several	lease obligations	DKK	458	2,694	25,862	29,014
Several	lease obligations	SEK	3,265	9,599	0	12,864
Several	lease obligations	EUR	2,361	3,429	0	5,790
Total interest-bearing debt			**154,199**	**970,279**	**887,687**	**2,012,165**

Reconciliation of interest-bearing debt, 31.12.2019

		Cash flow 2019		Without cash flow 2019					
Figures in NOK 1,000	Book value 31.12.2018	Additions	Redemption	Additions	Change in value	Amortisation of front-end fee	Reclassification	Translation differences	Book value 31.12.2019
Non-current debt									
Mortgage loan	723,501	0	0	0	0	1,618	0	-21,290	703,829
lease obligations	151,394	0	0	1,185,346	16,332	0	-202,298	242	1,151,016
Total non-current interest-bearing debt	**874,895**	**0**	**0**	**1,185,346**	**16,332**	**1,618**	**-202,298**	**-21,048**	**1,854,845**
Current liabilities									
lease obligations	18,063	0	-66,162	0	0	0	202,298	0	154,199
Total current interest-bearing debt	**18,063**	**0**	**-66,162**	**0**	**0**	**0**	**202,298**	**0**	**154,199**
Total interest-bearing debt	**892,958**	**0**	**-66,162**	**1,185,346**	**16,332**	**1,618**	**0**	**-21,048**	**2,009,044**

Reconciliation of interest-bearing debt, 31.12.2018

		Cash flow 2018		Without cash flow 2018					
Figures in NOK 1,000	Book value 31.12.2017	Additions	Redemption	Additions	Change in value	Amortisation of front-end fee	Reclassification	Translation differences	Book value 31.12.2018
Non-current debt									
Mortgage loan	742,823	0	0	0	0	1,623	0	-20,945	723,501
lease obligations	166,395	0	0	0	0	0	-15,001	0	151,394
Total non-current interest-bearing debt	**909,218**	**0**	**0**	**0**	**0**	**1,623**	**-15,001**	**-20,945**	**874,895**
Current liabilities									
lease obligations	17,371	0	-17,370	3,061	0	0	15,001	0	18,063
Overdraft facility	72,700	0	-72,700	0	0	0	0	0	0
Total current interest-bearing debt	**90,071**	**0**	**-90,070**	**3,061**	**0**	**0**	**15,001**	**0**	**18,063**
Total interest-bearing debt	**999,289**	**0**	**-90,070**	**3,061**	**0**	**1,623**	**0**	**-20,945**	**892,958**

The Group has a non-current mortgage loan denominated in SEK. The non-current mortgage loan is legally placed in the subsidiary VinGruppen Sweden Holding AB in Stockholm, and falls due in its entirety at the end of 2021.

The Group has not hedged the interest rate.

On the establishment of the new loan, a front-end fee was paid, which is capitalised in the statement of financial position and amortized over the duration of the loan.

Maturity in 2020 is presented as current liabilities in the statement of financial position.

See also Note 1 for information about management of financial risk related to debt, and Note 13 for further information about lease agreements.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2019 the Group was well within the required ratio.

NOTE 20 OTHER PROVISIONS FOR LIABILITIES

Severance pay (non-current)
Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other non-current provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at an interest rate which depends on the length of the obligation. As at 31.12.2019 all of this non-current severance pay has been paid out, and there are no remaining provisions related to the scheme.

Severance pay (current)
It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31.12.2019, the liability associated with this was recognised at NOK 6.1 million.

All of the current liabilities are recognised in the statement of financial position under other current liabilities.

Non-current liabilities

2019 *Figures in NOK 1000*	Book value as at 31.12.2018	Reversed provision 2019	Recognised provision 2019	Translation differences 2019	Book value as at 31.12.2019
Severance pay	92	-92	0	0	0
Non-current provisions for liabilities	**92**	**-92**	**0**	**0**	**0**

2018 *Figures in NOK 1000*	Book value as at 31.12.2017	Reversed provision 2018	Recognised provision 2018	Translation differences 2018	Book value as at 31.12.2018
Severance pay	320	-228	0	0	92
Non-current provisions for liabilities	**320**	**-228**	**0**	**0**	**92**

Current liabilities

2019 *Figures in NOK 1000*	Book value as at 31.12.2018	Reversed provision 2019	Recognised provision 2019	Translation differences 2019	Book value as at 31.12.2019
Severance pay	8,916	-10,479	7,657	27	6,121
Other current liabilities	**8,916**	**-10,479**	**7,657**	**27**	**6,121**

2018 *Figures in NOK 1000*	Book value as at 31.12.2017	Reversed provision 2018	Recognised provision 2018	Translation differences 2018	Book value as at 31.12.2018
Severance pay	2,158	-4,054	10,793	19	8,916
Other provisions	10,000	0	-10,000	0	0
Other current liabilities	**12,158**	**-4,054**	**793**	**19**	**8,916**

NOTE 21 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2018		68,023,255	0.02	1,360
31.12.2019		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2019:	Number of shares	Ownership and voting shares
Canica AS	30,093,077	44.2%
Geveran Trading Co Ltd	6,750,000	9.9%
Verdipapirfondet Dnb Norge	3,441,226	5.1%
Hoff SA	3,297,000	4.8%
Sundt AS	2,399,460	3.5%
Verdipapirfondet Eika Spar	1,943,660	2.9%
Danske Invest Norske Instit. Ii.	1,823,598	2.7%
Folketrygdfondet	1,800,000	2.6%
Verdipapirfondet Eika Norge	1,568,193	2.3%
Goldman Sachs International	1,092,651	1.6%
Centra Invest AS	988,818	1.5%
Danske Invest Norske Aksjer Inst	789,038	1.2%
Rbc Investor Services Bank S.A.	778,250	1.1%
Mutual Fund Localtapiola Consumer	467,243	0.7%
Wenaas Kapital AS Aksjebeholdning	406,923	0.6%
Verdipapirfondet Eika Balansert	398,307	0.6%
Centra Capital AS	355,000	0.5%
Danske Invest Norge II	327,966	0.5%
Avanza Bank AB	311,156	0.5%
Kbl European Private Bankers S.A.	294,753	0.4%
Other shareholders	8,696,936	12.8%
Total	**68,023,255**	**100.0%**

Shareholdings of the Group Management as at 31.12.2019:	Number of shares	Ownership and voting rights
Kenneth Hamnes[1]	148,391	0.2%
Sigmund Toth	30,441	0.0%
Erik Bern	25,609	0.0%
Jan-Erik Nilsen	10,304	0.0%
Per Bjørkum	24,767	0.0%
Erlend Stefansson	69,096	0.1%
Eirik Andersen	19,337	0.0%
Svante Selling	16,410	0.0%
Petra Thorén	0	0.0%
Roar Ødelien	0	0.0%
Total shareholdings of the Group Management	**344,355**	**0.5%**

1. Of these, 126,499 shares are owned via Ekelyveien AS

Portfolio of own shares

The Group from time to time purchases own shares on settlement of share saving programmes for the Group's employees. In 2019, the Group has purchased shares in conjunction with the settlement of matching shares in the first quarter of 2019. See further details of this in Note 7.

The portfolio of own shares is deducted from equity at the acquisition price for the Group.

The table below presents the development in the holding of own shares.

Shares owned by the Group as at 31.12.2019	Total nominal value (TNOK)	Number of shares	Book value (TNOK)	Fair value (TNOK)
Shares owned by Arcus ASA	0	6,948	575	285
Total shares owned by the Group	**0**	**6,948**	**575**	**285**

Shares owned by the Group as at 31.12.2018	Total nominal value (TNOK)	Number of shares	Book value (TNOK)	Fair value (TNOK)
Shares owned by Arcus ASA	4	193,965	8,303	7,953
Total shares owned by the Group	**4**	**193,965**	**8,303**	**7,953**

Development in the number of own shares

Number of shares	**2019**	**2018**
Holding of own shares, 1.1.	193,965	0
External purchase of own shares during the period	41,419	220,709
Settlement of matching shares and share savings programme for employees during the period[1]	-228,436	-26,744
Holding of own shares, 31.12	**6,948**	**193,965**

1. In order to finance the payment of tax deductions, some recipients of matching shares chose to physically receive a smaller number of shares, against the Group's payment of the tax. As a consequence, the Group had no need to purchase shares equivalent to the value of all of the shares redeemed. In total, 196,968 physical shares were distributed in conjunction with the redemption of matching shares, as well as 31,468 shares in conjunction with share saving for all employees. See also Note 7.

Dividend and Group contributions

The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2019 (2018: NOK 1.66 per share).

Earnings per share

Earnings per share are calculated on the basis of the profit for the year attributable to the shareholders in the parent company, divided by a weighted average of the number of outstanding ordinary shares for the year, reduced for ordinary shares bought by the company and held as own shares.

The Arcus Group has an incentive scheme for senior executives under which externally owned shares can be diluted by issuing new shares. To take account of this future increase in the number of shares, diluted earnings per share are also calculated, which takes account of a weighted average for the year of the number of outstanding options.

Earnings per share:	**2019**	**2018**
Profit for the year	133,287	164,417
Profit for the year attributable to non-controlling interests	5,466	5,954
Profit for the year to the owners of the parent company	**127,821**	**158,463**
Total comprehensive income	126,736	179,007
Total comprehensive income attributable to non-controlling interests	5,104	5,214
Total comprehensive income to the owners of the parent company	**121,632**	**173,793**
Weighted average of the number of outstanding shares	68,023,255	68,023,255
Weighted dilution effect from option scheme	3,409,511	2,060,574
Weighted dilution effect from matching shares	0	291,653
Weighted average holding of own shares	-35,215	-35,432
Weighted average of the number of outstanding shares - diluted	**71,397,551**	**70,340,050**
Earnings per share in NOK	1.88	2.33
Diluted earnings per share in NOK	1.79	2.25
Total comprehensive income per share in NOK	1.79	2.55
Diluted total comprehensive income per share in NOK	1.70	2.47

NOTE 22 TRANSACTIONS WITH RELATED PARTIES

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group executive management, as well as companies in which any of these parties have either controlling interests, Board appointments or managerial positions.

The Group's transactions with related parties:

Purchase of goods and services:

Figures in NOK 1,000	**Relationship**	**Delivery**	**2019**	**2018**
Hoff SA	Shareholder	Raw materials	21,028	21,156
Tiffon SA	Associated company	Raw materials and consumables	57,501	45,456
Destilleriveien 11 AS[1]	Owned by shareholder (Canica AS)	Rent	0	27,570
Draaav Konsult AB	Owned by a former Board member of Vingruppen i Norden AB	Consulting services	0	767
Total purchase of goods and services			**78,529**	**94,949**

Sales of goods and services:

Figures in NOK 1,000	**Relationship**	**Delivery**	**2019**	**2018**
Tiffon SA	Associated company	Market support	1,212	5,880
Total sales of goods and services			**1,212**	**5,880**

Receivables from related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of receivable**	**2019**	**2018**
Tiffon SA	Associated company	Current receivables	0	1,997
Smakeappen AS	Jointly-controlled company	Non-current receivables	506	506
Total receivables from related parties as at 31.12.			**506**	**2,503**

Liabilities to related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of liability**	**2019**	**2018**
Hoff SA	Shareholder	Current liabilities	492	492
Tiffon SA	Associated company	Current liabilities	4,400	7,145
Draaav Konsult AB	Owned by a former Board member of Vingruppen i Norden AB	Current liabilities	0	32
Total liabilities to related parties as at 31.12.			**4,892**	**7,669**

1. The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destilleriveien 11 AS as from 1 January 2018; both companies are controlled by Canica AS. On 30 April 2018, the property was sold from Destilleriveien 11 to Storebrand, and as from that date the rent is no longer a transaction with related parties.

All transactions with related parties take place on market terms.

Transactions between Group companies:
Agreements have been reached between the companies in the Group on the cost distribution for internal services and joint procurement. This applies chiefly to rent, maintenance and property service functions, as well as shared functions such as finance, IT, payroll, etc. The services are recognised in the various companies' accounts as other income and other operating expenses, respectively.

All buying and selling of goods and services between the companies takes place on market terms and is eliminated in the consolidated financial statements.

NOTE 23 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

2019

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2019	Buy/sell/ issue	Share of profit for the year	Dividend	Other changes	Translation differences	Book value 31.12.2019
Tiffon SA[1]	AC	34.8%	61,172	0	4,251	-447	0	-386	64,590
Smakeappen AS[2]	JCE	50.0%	119	0	-189	0	-11	0	-81
Beverage Link AS[3]	AC	45.0%	0	15	-3	0	0	0	12
Total investments in associated companies and jointly controlled entities			**61,291**	**15**	**4,059**	**-447**	**-11**	**-386**	**64,521**

2018

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2018	Buy/sell/ issue	Share of profit for the year	Dividend		Translation differences	Book value as at 31.12.2018
Tiffon SA[1]	AC	34.8%	58,670	0	2,311	-445	0	636	61,172
Smakeappen AS[2]	JCE	50.0%	0	119	0	0	0	0	119
Total investments in associated companies and jointly controlled entities			**58,670**	**119**	**2,311**	**-445**	**0**	**636**	**61,291**

1. The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 22. Tiffon SA has a financial year from 1 July to 30 June. The share of profit from Tiffon is based on an estimated annual profit for the calendar year that is equivalent to the Group's financial year.
2. Smakeappen AS runs an app which gives consumers wine tips and wine importers a useful tool in conjunction with wine fairs. Smakeappen is a cooperation venture between the logistics company Vectura and Hegnar Media. Vectura contributes product data and Hegnar Media has the full editorial responsibility.
3. Beverage Link AS is a jointly-owned distribution company between Vectura AS, Skandinavisk Logistik AS log AS and Cuveco AS. The purpose of the company is to deliver distribution and forwarding services in Norway, including national distribution to the retail market and HoReCa, transport services, incoming and outgoing freight, and customs clearance.

None of the associated companies or jointly controlled entities has listed share prices. The Group's share of the profit from associated companies, after tax is presented on a separate line before Group operating profit.

Summarised financial information regarding associated companies and jointly controlled entities, based on 100 percent:

2019

Figures in NOK 1,000	Total current assets 31.12.2019	Total fixed assets 31.12.2019	Total current liabilities 31.12.2019	Total non-current liabilities 31.12.2019	Total equity 31.12.2019	Operating revenue 2019	Operating expenses 2019	Profit for the year 2019
Tiffon SA	323,860	17,341	26,016	132,214	182,971	130,424	106,457	12,226
Smakeappen AS	295	782	72	1,166	-161	128	-506	-378
Beverage Link AS	24	0	0	0	24	0	-6	-6

2018

Figures in NOK 1,000	Total current assets 31.12.2018	Total fixed assets 31.12.2018	Total current liabilities 31.12.2018	Total non-current liabilities 31.12.2018	Total equity 31.12.2018	Operating revenue 2018	Operating expenses 2018	Profit for the year 2018
Tiffon SA	326,321	16,914	31,700	135,519	176,016	103,724	91,961	6,650

NOTE 24 PLEDGES AND GUARANTEES

Non-current credit financing in SEB

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries, with the exception of the companies in the wine business in Sweden and Finland. At the end of 2019, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which is linked to the outstanding drawing on this scheme at any time.

The Group's long-term credit financing in SEB has no established pledger of security. For further information about non-current financing, see Note 19.

Surety guarantee related to financial leasing

One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2019, the surety guarantee amounted to TNOK 162,766 for the Group's own leased operating equipment. See also Note 13 concerning lease agreements and Note 19 concerning interest-bearing debt.

NOTE 25 BUSINESS MERGERS

Purchase of shares in Wongraven Wines AS
Since 2014, Wongraven Wines has cooperated with the Arcus Group on the sale of quality wines in Norway, via the subsidiary Symposium Wines AS. On 2 December 2019, Vingruppen AS acquired 90 percent of Wongraven Wines AS. In cooperation with founder and minority shareholder Sigurd Wongraven, the Group has plans to expand the company's sales area to the rest of the market outside Norway where the Group is already represented.

A provisional acquisition analysis is presented below, based on the company's statement of financial position as of the acquisition date:

Figures in NOK 1,000	Recognised value of acquired business	Observable excess values	Fair value of acquired business
Brands	12	49,700	49,712
Receivables	1,449	0	1,449
Bank deposits	198	0	198
Deferred tax	0	10,934	10,934
Tax payable	-3	845	842
Trade payables	40	0	40
Unpaid public duties	170	0	170
Other current liabilities	262	0	262
Fair value, observable net assets			**39,111**
Acquisition value			50,888
Goodwill			**11,777**

Observable excess values are assessed to be the Wongraven brand. On acquisition, goodwill is the part of the net excess value that is not identifiable Calculated goodwill is capitalised in the consolidated statement of financial position based on the expectation that synergies with the Group's existing operations will provide opportunities for increased earnings in the future. The acquisition analysis is provisional, since the final acquisition statement of financial position was not completed on the statement of financial position date.

The purchase of these shares entailed a net outlay for the Group of TNOK 50,690 after deduction of the bank holding in the company on the purchase date. In addition the Group recognised TNOK 726 as acquisition costs.

The non-controlling interest on the acquisition date is booked as the minority's share of the book value of the company's equity.

Impact on the profit for the year of the acquired business:

Figures in NOK 1000	2019 during the Group's ownership	2019 full year
Sales revenue	1,323	6,537
Total operating revenue	**1,323**	**6,537**
Salaries and other personnel costs	76	-661
Other operating expenses	-148	-1,013
Total operating expenses	**-72**	**-1,674**
Operating profit	**1,251**	**4,863**

NOTE 26 COMPANIES IN THE GROUP

The consolidated financial statements for 2019 concern the following subsidiaries and associated companies:

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Arcus ASA (parent company)	Nittedal	NOK	1,360	
Subsidiaries				
Arcus-Gruppen AS	Nittedal	NOK	276,552	100%
Vectura AS	Nittedal	NOK	14,014	100%
Shares owned by Arcus-Gruppen AS				
Arcus Norway AS	Nittedal	NOK	62,100	100%
Arcus Denmark AS	Copenhagen	DKK	10,324	100%
Det Danske Spiritus Kompagni A/S	Copenhagen	DKK	6,500	100%
Vingruppen AS	Nittedal	NOK	60	100%
VinGruppen Sweden Holding AB	Stockholm	SEK	50	100%
Arcus Deutschland GmbH	Bremen	EUR	500	100%
Shares owned by Arcus Norway AS				
Arcus Sweden AB	Stockholm	SEK	100	100%
Arcus Finland OY	Helsinki	EUR	311	100%
BevCo AS	Nittedal	NOK	600	100%
Atlungstad Håndverksdestilleri AS	Stange	NOK	30	100%
Stockholms Spritfabrik AB	Stockholm	SEK	50	100%
De Lysholmske Brenneri- og Destillasjonsfabrikker ANS	Nittedal	NOK	0	100%
Oplandske Spritfabrik ANS	Nittedal	NOK	0	100%
Løiten Brænderis Destillation ANS	Nittedal	NOK	0	100%
Siemers & Cos Destillasjon ANS	Nittedal	NOK	0	100%
Shares owned by VinGruppen Sweden Holding AB				
Vingruppen i Norden AB	Stockholm	SEK	4,192	100%

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Shares owned by Vingruppen AS				
Arcus Wine Brands AS	Nittedal	NOK	100	100%
Vinordia AS	Nittedal	NOK	968	100%
Symposium Wines AS	Nittedal	NOK	500	90%
Vinuniq AS	Nittedal	NOK	100	100%
Excellars AS	Nittedal	NOK	181	100%
Heyday Wines AS	Nittedal	NOK	100	70%
Classic Wines AS	Nittedal	NOK	30	100%
Creative Wines AS	Nittedal	NOK	30	100%
Wongraven Wines AS	Nittedal	NOK	30	90%
Shares owned by Symposium Wines AS				
Hedoni Wines AS	Nittedal	NOK	30	90%
Shares owned by Arcus Wine Brands AS				
Arcus Brand Lab AS	Nittedal	NOK	30	100%
Arcus Co Brands AS	Nittedal	NOK	30	100%
Shares owned by Vingruppen i Norden AB				
Vinunic AB	Stockholm	SEK	145	100%
WineWorld Sweden AB	Stockholm	SEK	500	90%
The WineAgency Sweden AB	Stockholm	SEK	100	90%
Valid Wines Sweden AB	Stockholm	SEK	1,100	83%
Arcus Winebrands Sweden AB	Stockholm	SEK	50	100%
Social Wines OY	Helsinki	EUR	8	94%
Vinum Import Oy	Åbo	EUR	3	88%
Vingruppen Oy	Helsinki	EUR	3	100%
Shares owned by Wineworld Sweden AB				
Wineworld Finland Oy	Helsinki	EUR	220	76%
Quaffable Wines Sweden AB	Stockholm	SEK	100	72%
Shares owned by Vinunic AB				
Vingaraget AB	Stockholm	SEK	50	100%

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Owned by The WineAgency Sweden AB and WineWorld Sweden AB				
Your Wineclub Sweden AB	Stockholm	SEK	50	90%
Shares owned by Social Wines Oy				
Vinunic Oy	Helsinki	EUR	3	94%
Brews4U Finland Oy	Helsinki	EUR	3	85%
Shares owned by Quaffable Wines Sweden AB				
New Frontier Wines AB	Stockholm	SEK	50	72%
Associated company				
Tiffon SA	Jarnac	EUR	1131	35%
Smakeappen AS	Oslo	NOK	100	50%
Beverage Link AS	Nittedal	NOK	33	45%

Profit, dividends and equity attributable to non-controlling interests

Figures in NOK 1,000	Profit shares attributable to non-controlling interests in 2019	Accumulated non-controlling interests 31.12.2019 (assuming that put options are not exercised)*	Accumulated non-controlling interests 31.12.2019 (assuming that put options are exercised)*	Dividend distributed to non-controlling interests in 2019
Symposium Wines AS	803	1,482	0	-612
Heyday Wines AS	-80	379	0	-545
WineWorld Sweden AB	1,805	6,393	0	-918
The WineAgency Sweden AB	1,379	4,937	0	-918
Social Wines OY	109	1,418	0	-117
Vinum Import Oy	433	1,604	1,604	-232
Other companies with minority interests	1,017	4,026	2,292	0
Total	**5,466**	**20,240**	**3,896**	**-3,342**

Since the Group does not have control of this exercising, the Group's book equity is subject to the assumption that the options are exercised.

Figures in NOK 1,000	Profit shares attributable to non-controlling interests in 2018	Accumulated non-controlling interests 31.12.2018 (assuming that put options are not exercised)*	Accumulated non-controlling interests 31.12.2018 (assuming that put options are exercised)*	Dividend distributed to non-controlling interests in 2018
Symposium Wines AS	515	1,259	0	-920
Heyday Wines AS	548	1,004	0	-68
WinewWorld Sweden AB	1643	5,674	0	-3,177
The WineAgency Sweden AB	1381	4,619	0	-1,367
Social Wines OY	337	1,428	0	-95
Vinum Import Oy	351	1435	1,435	-170
Other companies with minority interests	1179	2,822	1,530	0
Total	**5,954**	**18,241**	**2,965**	**-5,797**

* Several of the subsidiaries' general managers have non-controlling interests, and most of these general managers have put options linked to their interests that can be exercised at a given time in the future. The Group does not have control of these shares at the of the period, nor does it have control of the possible exercising of the put options. The table above presents accumulated non-controlling interests, subject to both the assumption that the options are exercised and that they are not exercised.

Key figures for companies with significant non-controlling interests in the Group

2019

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	WineWorld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenue	146,173	37,527	200,249	254,849	98,875	56,454
Other operating revenue	0	0	673	1,535	1,931	424
Operating expenses excluding depreciation	-135,037	-37,534	-178,024	-238,693	-98,343	-52,275
Depreciation	0	0	-13	-18	-20	-10
Operating profit	**11,136**	**-7**	**22,885**	**17,673**	**2,443**	**4,593**
Net financial profit	597	-248	-59	60	-158	-49
Tax	-2,620	50	-4,780	-3,939	-473	-936
Profit for the year	**9,113**	**-205**	**18,046**	**13,794**	**1,812**	**3,608**
Fixed assets	96	135	2,775	382	3,636	217
Current assets	47,982	10,904	106,024	103,788	51,400	37,438
Assets	**48,078**	**11,039**	**108,799**	**104,170**	**55,036**	**37,655**
Equity	4,173	1,326	63,932	49,364	24,860	13,586
Liabilities	43,905	9,713	44,867	54,806	30,176	24,069
Equity and liabilities	**48,078**	**11,039**	**108,799**	**104,170**	**55,036**	**37,655**

2018

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	WineWorld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenue	130,291	31,694	205,280	227,577	220,182	101,689
Other operating revenues	0	0	-2,950	-4,302	197	-756
Operating expenses excluding depreciation	-122,221	-29,053	-181,146	-205,504	-213,146	-91,013
Depreciation	0	0	-4	-21	-26	0
Operating profit	**8,070**	**2,641**	**21,180**	**17,750**	**7,207**	**9,919**
Net financial profit	609	-259	-38	74	-14	0
Tax	-2,030	-555	-4,719	-4,009	-1,434	-857
Profit for the year	**6,649**	**1,827**	**16,423**	**13,814**	**5,759**	**9,062**
Fixed assets	388	85	2,951	484	678	409
Current assets	45,356	11,875	108,004	94,367	59,662	33,854
Assets	**45,744**	**11,960**	**110,955**	**94,851**	**60,340**	**34,263**
Equity	4,187	1,530	56,747	46,178	25,441	12,065
Liabilities	41,557	10,430	54,208	48,673	34,899	22,197
Equity and liabilities	**45,744**	**11,960**	**110,955**	**94,851**	**60,340**	**34,263**

NOTE 27 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Since the COVID-19 outbreak, Arcus' business segments have managed to keep operations stable. Supply of wine and other raw materials, has more or less been according to plan due to close cooperation with our partners. At our production and bottling facility, there have been no major disruptions. Sales of wine and spirits to Vinmonopolet has been higher than normal. The main reasons are strongly reduced sales to Duty Free Travel Retail, hotels, restaurants and cafés, and strongly reduced shopping at the Swedish border. Logistics has had high activity due to increased demand at Vinmonopolet, and operation and deliveries have been very close to plan.

No employees have so far reported COVID-19 infection. By mid-April 3,7 percent of the employees were temporarily laid off. All temporary layoffs in Arcus are related to reduced sales to hotels, restaurants and bars. To minimize temporary layoffs, some of these employees have worked in our production, to fill vacant positions.

The Group's overdraft facility at SEB has been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19 outbreak. The due date on the group's term loan has also been extended by one year to 1 December 2022.

Given the challenging situation faced by some of our customers we are closely monitoring the situation and taking appropriate actions to mitigate the risk of credit losses. We currently estimate that the effect will be relatively moderate and have made appropriate extraordinary provisions for expected losses in our Q1 accounts.

On 11 March, Arcus announced that Vectura and Cuveco were assessing the possibility of a merger. In an industry subject to strong competition and low margins, the two parties would like to establish a company that, over time, can develop even better services. A merger would make it possible to achieve a size that makes it easier to invest for the future in automation, digitalisation and sustainable solutions. The new company would gradually be able to offer a better and broader range of services to its many customers. The Norwegian Competition Authority (Konkurransetilsynet) has approved the possible merger between Vectura and Cuveco. The merger project will then move on to the next stage of negotiations and planning.

Accounting policies

The consolidated financial statements for 2019, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2019, and as described in the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board of Directors on 29 April 2020. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core business are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA is listed on the Oslo Stock Exchange. The price on 31.12.2019 was NOK 36.50 per share, compared to NOK 41.00 per share at the end of 2018.

NEW ACCOUNTING STANDARDS

IFRS 16 Leases

As from 1 January 2019, changes were introduced in the framework from IFRS concerning the booking of lease agreements (IFRS 16). The Group has implemented this standard according to a modified retrospective method and this implementation significantly affected the Group's financial statements.

See further details of this in Note 13 to the consolidated financial statements.

IFRS 3 Business combinations

The changes to IFRS 3 clarify that when a company gains control of a jointly-controlled entity, the requirements of a business combination achieved by acquisition in stages will apply. This includes new measurement of previous interests in assets or liabilities in the jointly-controlled entity, at fair value. In this way, the buyer must measure their entire former interest in the jointly-controlled entity.

The Group has applied these changes to business combinations with an acquisition date after 1 January 2019.

These changes have not affected the consolidated financial statements, as there have not been any transactions whereby control was achieved.

The most important changes to the accounting standards that will affect the Group in the future are presented below.

IFRIC 23 Uncertainty over income tax treatments

The interpretation clarifies how uncertain tax positions are to be reflected in IFRS accounts. Uncertain tax positions arise when it is unclear how current tax law applies to a particular transaction or circumstance, and when it is uncertain whether the tax authorities will approve a company's tax treatment. The interpretation does not apply to taxes or duties outside the scope of IAS 12, nor does it include specific requirements concerning interest or fines due to uncertain tax treatment. The interpretation considers the following in particular:

- Whether a company assesses uncertain tax payments separately.
- The assumptions made by an entity concerning the investigation of tax treatment by the tax authorities.
- How an entity determines the tax-liable profit (tax loss), tax basis, unused taxable loss, unused tax credits and tax rates.
- How an entity assesses changes in facts and circumstances.

The Group must determine whether they are to assess each uncertain tax position separately, or together with one or several other uncertain tax positions, and use the approach that is best estimated to give the best solution to the uncertain tax position.

After adopting the interpretation, the Group will assess whether is has any uncertain tax positions, in particular concerning internal pricing between companies in different countries within the Group. The Group's and several of the subsidiaries' tax registrations are in different jurisdictions, and include deductions related to internal prices that may be challenged by the tax authorities.

The interpretation enters into force as from 1.1.2019, and has not had any great impact on the consolidated financial statements.

Adopted IFRS and IFRIC with future effective dates:

The standards and interpretations adopted up to the date of presentation of the consolidated financial statements, but where the effective date is in the future, are shown below. The Group's intention is to implement the relevant changes on the effective date, subject the assumption that the EU approves the changes before the presentation of the consolidated financial statements.

CHANGES RELEVANT TO THE ARCUS GROUP:

IAS 1 Presentation of financial statements

IASB has adopted changes to the description of the materiality concept in IAS 1 Presentation of financial statements, and IAS 8 Accounting policies, changes in accounting estimates and errors. The new definition of materiality is that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. Use of the term "obscuring" indicates that the definition must not only ensure that all material information is included, but must also prevent information that is not material being given, which might draw attention away from or conceal the material information,

The changes enter into force on 1 January 2020, but are not expected to have any great impact on the consolidated financial statements.

Other changes

Other changes resulting from new standards that have yet to come into effect will not influence or have any significant effect on the consolidated financial statements.

Accounting policies

Consolidation principles

The consolidated financial statements comprise Arcus ASA and subsidiaries in which Arcus ASA has control, and present the overall financial results, the overall financial position, and the overall cash flows, as one financial entity. Control takes place when the Group is entitled to variable returns from an investment object, and can also influence relevant activities which affect the returns on the investment object. Normally this will be the company in which Arcus ASA, either directly, or indirectly via subsidiaries, owns more than 50 percent of the shares with voting rights. In the consolidated financial statements, this Group is referred to as Arcus or the Arcus Group.

See Note 26 for an overview of all the companies included in the consolidation.

In the consolidated financial statements, all intra-Group receivables and internal transactions between companies within the Group have been eliminated. The cost price of shares in subsidiaries is eliminated against equity at the time of acquisition. Accounting values including goodwill and excess values associated with foreign subsidiaries are translated from the functional currency to NOK according to the exchange rate at the close of the financial year.

Goodwill is included in the consolidated financial statements as an intangible asset.

Any changes in the Group's ownership of a subsidiary, without any loss of control, is recognised as an equity transaction. If the Group loses control of a subsidiary, underlying assets (including goodwill), debt, non-controlling interests and other equity components are deducted, while gains and losses are recognised in the income statement. Any remaining investment is recognised at fair value.

Non-controlling interests
Non-controlling interests' share of profit after tax is shown on a separate line after the Group's profit for the year. Non-controlling interests' share of equity is shown on a separate line as a part of the Group's equity.

In some subsidiaries with non-controlling interests there are sales and/or purchase options related to the non-controlling interests, where the Group does not have control of the non-controlling interests before the options are exercised, nor does it have control of whether the options are exercised, or when this may have taken place. The value of such options is recognised as obligations at fair value in the statement of financial position, and reduces the non-controlling share of equity.

As at 31.12.2019, the following exchange rates are used on translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2019	2018
EUR average rate	Income statement items	9.8540	9.6033
EUR closing rate	Financial position items	9.8807	9.9448
SEK average rate	Income statement items	0.9308	0.9365
SEK closing rate	Financial position items	0.9426	0.9711
DKK average rate	Income statement items	1.3198	1.2885
DKK closing rate	Financial position items	1.3228	1.3319

The profit shares are presented in the consolidated income statement as non-controlling interests' share of the result, but since the Group has recognised the obligation for the options against the non-controlling share of equity, the result related to non-controlling interests is adjusted for distributed dividend and translation differences transferred to the majority's share of equity at the end of each reporting period.

Currency
All transactions in foreign currency are translated to functional currency as of the date of the transaction. Monetary items in foreign currency are translated as of the close of the financial period to functional currency using the exchange rate as of the close of the financial period.

The Group's presentation currency is NOK, which is also the parent company's functional currency.

The functional currency of subsidiaries is the currency in which the subsidiary reports its financial statements. On consolidation of subsidiaries that have a functional currency other than NOK, items of income and expenses are converted to the Group's presentation currency in accordance with average translation rates. This means that at the end of each period, items of income and expenses are translated at the average exchange rate to date in the year. For the statement of financial position, including excess values and goodwill, the closing exchange rate as of the close of the financial period is used. Currency differences arising on consolidation of entities with another functional currency are attributed to equity and presented as other comprehensive income in the consolidated statement of other comprehensive income. On disposal of subsidiaries, accumulated translation differences associated with the subsidiary are charged to the statement of income.

Investments in associated companies and jointly controlled entities
Associated companies are companies in which the Group has significant influence, normally between a 20 and a 50 percent holding. The equity method is used for associated companies in the consolidated financial statements. Excess value analysis is performed with regard to the acquisition of interests in associated companies. The share of profit is based on profit after tax in the company in which investment has been made, with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired book value of equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

Jointly controlled companies are investments in which the Group has an agreement on joint control of an entity together with one or more other parties, when none has decisive influence and all strategic, financial and operational decisions concerning the entity require unanimity between the parties. The share of profit is based on profit after tax in the company in which investment has been made, with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired book value of equity. The share of profit is shown in the statement of income on a separate line before operating profit, and the investment is shown as a line under financial fixed assets.

Business mergers
Business mergers in the Group are treated according to the acquisition method and present the Group as a single entity. On acquisition, the cost price of the acquired business is allocated so that the

consolidated opening statement of financial position reflects the estimated fair value of the acquired assets and liabilities. To determine fair value on acquisition, alternative methods of determining fair value must be used for assets for which there is no active market. Added value in excess of what is attributable to identifiable assets and liabilities is reported as goodwill. If the fair value of the equity in the acquired company exceeds the consideration, a reassessment is made of the valuation of observable assets and liabilities. If the reassessment reveals no discrepancies, the difference is recognised as income as at the acquisition date. The allocation of the cost price of the business merger must be changed if new information is revealed about the fair value applicable at the time of acquisition and up until the final excess value analysis. This must take place within 12 months of the acquisition date.

With each business acquisition, the non-controlling interest will be measured at fair value, and non-controlling interest's share of goodwill is capitalised in the consolidated statement of financial position.

On stepwise acquisition of subsidiaries, the basis is the value of assets and liabilities on the date of the establishment of the Group. Subsequent acquisition of ownership of existing subsidiaries in addition to the majority interest will not affect the assessment of assets or liabilities.

Revenue recognition principles
The Group's revenue recognition principles are presented in a separate note (Note 3) to the consolidated financial statements.

Other income and expenses
To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also the detailed specification of what these items include in the notes relating to the individual line items.

Inventories
Inventories are valued at the lower of acquisition cost/production cost and net selling value, where net selling value is calculated as the selling price in a transaction with market participants on the measurement date less selling expenses. Purchased inventories are valued at acquisition cost according to the principle of weighted average, with deduction for obsolescence, while inventories produced in-house are valued at production cost according to the principle of full costing, with deduction for obsolescence.

Prepayments to suppliers
Prepayments to suppliers apply to financing the purchase of inventory for individual partners. Prepayments are shown at nominal value after deduction for provisions for expected losses. Provisions for losses are made on the basis of identified indicators of impairment.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits, balances in the Group cash pool system and other means of payment with a due date less than three months from the acquisition date.

The Group's cash pool system is connected with cash and bank overdrafts within the same cash pool system and is presented net.

The Group cash pool system is managed by the parent company, Arcus ASA.

Tangible fixed assets and rights of use
Tangible fixed assets are capitalised at cost price less accumulated depreciation and accumulated loss on non-transitory impairment. Depreciation is calculated and taken to expenses from the date the fixed asset is taken into use, and is calculated on the basis of expected useful life, taking account of estimated residual value.

Different rates of depreciation are used for a fixed asset's components if these have different economic lives. Assets under construction are not depreciated. Depreciation is only taken to expenses when the asset is ready for use. Profit and loss on sale of fixed assets are determined as the difference between the selling price and the book value at the time of sale. Profits on sales of fixed assets are recognised as operating income and losses as operating expenses. If there are indications of impairment, the amount recoverable is estimated in order to assess any loss through the impairment. If the book value exceeds the amount recoverable, the asset is written down to recoverable value while the remaining depreciation period is maintained (breakpoint solution). Depreciation methods, residual values and estimated life are continuously assessed.

Rights of use are capitalised at present value of the leased equipment's nominal lease payments, with deduction for accumulated depreciation. Capitalised values and depreciation are calculated and booked as from the date of establishment of the lease agreement, and the depreciation term is normally set as the agreed duration of the lease agreement. In cases where the lease agreement includes options for renewal or early redemption, the probability that the options are exercised is assessed. If this probability is assessed to exceed 50 percent, the present value is calculated on the basis of the duration of the lease agreement, taking due account of the term of the option, and the depreciation term is set equivalently.

If a lease agreement is terminated before the agreed term of the contract has run, the right of use on the termination date is deducted. Gains and losses are calculated on the basis of the difference between the book value of the right of use on the termination date and the book value of the remaining obligation related to the same lease agreement.

For further information concerning the recognition and capitalisation of lease agreements, see Note 13 to the consolidated financial statements.

Intangible assets
Intangible assets comprise brands, software and goodwill. Intangible assets are capitalised at cost price with deduction for accumulated depreciation and accumulated write-downs in the event of non-transitory impairment.

Intangible assets with limited useful lives are depreciated by the straight-line method over the expected useful life.

The capitalised value of goodwill, brands and other intangible assets with indeterminate lifetime is tested for impairment at least once a year, or more often if there are indications that the value of the asset has decreased. This requires estimates of the recoverable amount (value in use) for cash-generating entities to which goodwill and other intangible assets are attributed.

To determine the recoverable amount (value in use), the Group estimates expected future pre-tax cash flows from the cash-generating unit and applies appropriate discount rates in order to calculate the present value of future cash flows. Cash flows for brands are calculated on the basis of a market-based "relief from royalty" method before tax. See Note 12 for a more detailed description of this model.

Expectations regarding future cash flows will vary over time. Changes in the market conditions and expected cash flows may cause losses in the event of impairment in the future. The most important assumptions with significance for the present value of the cash flows associated with the investments are future profits and growth, as well as the discount rate used.

Pensions
Net pension costs for defined benefit plans comprise the period's service cost, including future growth in salaries and interest rates on the estimated obligation, less expected returns on the pension assets. Prepaid pension is shown as a non-current asset in the statement of financial position where it is probable that the over-financing can be used or repaid. Correspondingly, a non-current liability is shown in the accounts when the pension obligation is greater than the pension assets. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations), are recognised against equity and are presented in the statement of other comprehensive income.

The Group also has defined contribution pension plans, which are schemes whereby the company pays contributions on an ongoing basis to the employees' individual pension plans. Ongoing premium invoices of this kind are expensed as salaries and other personnel costs.

Restructuring
Provisions for restructuring are recognised as expenses when the programme has been adopted and announced and the costs are identifiable and quantifiable. Provisions linked to restructuring are included as other provisions for liabilities calculated at present value. Agreements securing future work input are recognised as expenses over the period in which the work input is delivered.

Taxes
The tax expense comprises both tax payable and the change in deferred tax. Tax payable is based on taxable income for the year. Taxable income is different from the profit before tax as presented in the statement of income due to income and expenditure items that are not taxable/deductible (permanent differences) and due to the change in differences in taxable and accounting accruals (temporary differences). Tax payable is calculated on the basis of tax rates that had been adopted at the end of the period.

Deferred tax is capitalised on the basis of the temporary differences and any deficit to be carried forward existing at the end of the financial year and that involves increased or reduced future tax payable, when these differences are reversed in future periods. Temporary differences are differences between accounting and taxable results arising during a period and are reversed during a later period. Deferred tax is calculated on the basis of nominal tax rates (rates adopted as of the close of the financial year in the individual country) multiplied by temporary differences and the deficit to be carried forward. Deferred tax assets are capitalised when the probability exists that future taxable income will enable utilisation of the asset.

Share-based payment
The Group has two share-based incentive schemes for senior executives, and a general share savings programme for all employees.

The costs related to the two share-based incentive schemes for senior executives are accrued during the vesting period, which is the period between the allocation date and the date of redemption. The costs which are accrued are the calculated value of the matching shares or options as of the allocation date, and this value is not adjusted during the vesting period. These costs are booked as personnel costs, set off to Group equity.

The related employer tax is in principle accrued during the same period. The costs of the employer tax in each period are calculated on the basis of the fair value of the matching shares or options. The costs for the period comprise the change in provisions, and are booked as personnel costs, set off as debt in the statement of financial position.

The costs related to these programme are recognised in accordance with IFRS 2.

The general share savings programme for all employees is based on the Group selling shares to the employees below market value. The costs related to this programme are recognised by booking the difference between the market value of the shares and the purchase price for the employees as personnel costs.

Classification principles
Other assets included in the operating cycle or falling due within 12 months are classified as current assets. Remaining assets are classified as fixed assets.

Liabilities included in the operating cycle or falling due within 12 months, where there is no unconditional right to defer settlement, are classified as current liabilities. Remaining liabilities are classified as long term.

Proposed dividend are capitalised in the statement of financial position as a liability when the Group has an irrevocable obligation to make dividend payments, normally after adoption by the annual general meeting.

Measurement and classification of financial instruments
The Group books financial instruments in accordance with IFRS 9. This new standard provides combined rules for all three aspects concerning recognition of financial instruments in the accounts: classification and measurement; impairment write-downs and hedge accounting.

(a) Classification and measurement
In accordance with IFRS 9, debt instruments are measured at fair value through profit or loss, amortised cost, or fair value through total comprehensive income (OCI). The classification is based on two criteria: the Group's business model for management of assets; and whether the instrument's contractual cash flows solely represent "payment of principal and interest".

The valuation of whether contractual cash flows for debt instruments solely comprise principal and interest was factually based on initial recognition of the assets.

Financial instruments at fair value via profit or loss
Financial instruments are recognised in the statement of financial position when the Group has become party to the instrument's contractual provisions, and deducted when the contractual rights or obligations are fulfilled or cancelled, or have expired or been transferred. Financial instruments are classified as current assets if the expected settlement date is within 12 months of the close of the financial year, and as non-current assets if the settlement date is later than 12 months after the close of the financial year Derivatives are classified as financial instruments at fair value through profit or loss, unless they form part of a hedge. Assets and liabilities in this category are

classified as current assets or current debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

Debt instruments at amortised cost
Assets in the category of debt instruments at amortised cost are financial assets that are not derivatives and which have contractual cash flows which solely represent the principal and any interest, and are not traded in an active market. Any value changes as a consequence of interest rate changes are not recognised.

They are classified as current assets unless they fall due more than 12 months after the close of the financial year. Financial assets in the category of debt instruments at amortised cost comprise trade receivables and other receivables, as well as cash and cash equivalents in the statement of financial position. Financial liabilities in the category of debt instruments at amortised cost are debt to financial institutions, trade payables and other current liabilities.

Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Sold accounts receivable that are included in the factoring agreement are presented as reduced accounts receivable in the statement of financial position.

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities related to lease agreements are recognised on the recognition date at the estimated present value of future lease payments.

Financial liabilities are recognised at amortised cost based on an effective interest-rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and amortized over the period of the loan. Obligations in currencies other than the functional currency are translated at the exchange rate at the close of the financial year.

For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 1.

Equity investments in non-listed companies are classified and measured as financial instruments at fair value via total comprehensive income (OCI).

(b) Write-down of expected losses on receivables and debt
A significant share of the Group's revenue is associated with the state monopolies in the Nordic region, where there is not considered to be any credit risk. The Group's credit risk is otherwise spread over a large number of small customers within the HORECA market, as well as a small number of distributors outside the home markets.

On this basis, the Group applies a simplified approach to the calculation of expected credit losses. The Group does not track changes in credit risk, but instead assesses losses on the basis of the experienced credit loss on each reporting date. The Group has established a provisions matrix that is based on historical credit loss, adjusted for forward-looking factors that are specific to the debtors and the economic environment.

(c) Hedge accounting
The Group has derivatives that are defined for hedging purposes, but does not use the hedge accounting rules.

Categorisation of financial assets and debt
The Group's measurement of financial assets, debt and other financial instruments at fair value can be divided into three categories:

Level 1: Listed (unadjusted) prices in active markets.
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

Leases
As from 2019, the Group's booking of lease contracts has changed significantly as a consequence of the implementation of IFRS 16. As from 2019, all significant lease agreements are capitalised as rights of use and depreciated over the lifetime of the lease agreement.

For further details of the accounting principles related to lease agreements, see the accounting principles concerning Tangible fixed assets and rights of use, and Note 13 to the consolidated financial statements concerning lease agreements.

Statement of cash flows
The indirect method is used in the preparation of the statement of cash flows. Bank deposits, cash and cash equivalents in the statement of financial position are defined as holdings of bank deposits, cash and cash equivalents in the statement of cash flows.

Segment information
Operating segments are reported in the same way as for internal reporting to the Group Management. The Group's business areas comprise Spirits, Wine and Logistics and decisions within each business area are taken by the Group CEO.

The Group's business consist of sales and marketing of Spirits, sales and marketing of Wine, and Distribution of spirits and wine.

The Spirits business area comprises the following companies: Arcus Norway AS with subsidiaries, Det Danske Spiritus Kompagni A/S, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy and Arcus Deutschland GmbH.

The Wine business area comprises the following companies: Vingruppen Sweden Holding AB and subsidiaries, and Vingruppen AS and subsidiaries.

The Logistics business area comprises Vectura AS.

In addition, there are the remaining Group income and expenses, as well as financing costs, that comprise Arcus-Gruppen AS and Arcus ASA.

The Group does not present the segments' assets or liabilities as this is not part of the Group's internal reporting.

For further information about the Group's operating segments, see Note 2.

Related parties
The Group's related parties, in addition to subsidiaries, associated companies and jointly controlled companies, are defined as the owners, all members of the Board of Directors and Group Management, and companies in which any of these parties either have controlling interests, Board appointments, or are senior employees.

All transactions between Group companies and related parties are made on market terms.

Important accounting estimates and discretionary assessments
Preparation of the annual financial statements requires management to make estimates and assumptions that affect the value of assets, liabilities and conditional liabilities in the statement of financial position, and income and expenses for the financial year.

Areas in which estimates have major significance are:
Figures in NOK 1,000

Accounting item	Note	Assumptions	Book value 2019	Book value 2018
Goodwill	15	Present value of future cash flows	1,048,185	1,042,130
Brands	15	Present value of future cash flows	853,965	815,009
Other intangible assets	15	Recoverable amounts and correct useful life	21,033	26,752
Tangible fixed assets	14	Recoverable amounts and correct useful life	151,973	315,839
Rights of use	13	Present value of future cash flows	1,279,262	0
Deferred tax assets	12	Assessment of the ability to exploit tax assets in the future	86,100	110,356
Pension obligations	10	Economic and demographic assumptions	23,724	21,077
Liabilities at fair value through profit or loss	22	Present value of future cash flows	69,343	74,218
Provisions	23	Correct basis for estimate calculations	6,121	9,008

Future events and changes in the regulatory framework may mean that estimates and assumptions must be changed, while new opinions and interpretations of standards may entail that the choice of principles and presentation will be changed. Estimates and underlying assumptions are examined and evaluated continuously, and changes in accounting estimates are recognised in the period in which the estimates are changed.

Present value estimates of future cash flows are affected by correct assumptions and estimates of future cash flows and estimates of return requirements. Return requirements are determined using the capital asset pricing model (CAPM) and assumptions in using the CAPM are: risk-free interest; market risk premium; and beta.

The areas with greatest risk of substantial changes are capitalised goodwill, brands, and tax assets and liabilities at fair value via profit/loss, on the basis that the capitalised sums are substantial, and that considerable discretion may be exercised. The estimates are based on assumptions concerning future cash flows that are discounted at a selected discount rate.

Estimates and assumptions are described in the various notes.

Alternative performance measurements

In the discussion of the reported operational results, statement of financial position and cash flows, the Group refers to a number of parameters for alternative performance measurements. These are not defined in the general accounting policies, as for IFRS.

The executive management of the Arcus Group frequently uses these parameters for alternative performance measurements and believes that, in combination with comparable parameters defined in ordinary accounting policies, these are of great value to investors wishing to understand the Group's business, ability to fulfil its commitments, and the ability to monitor the development of new business opportunities. These alternative performance measurements should not be seen in isolation, but, as the name indicates, are an alternative to more well-known performance measurement parameters as defined in international accounting standards.

Below, the Group's parameters for alternative performance measurements are defined.

Gross profit
The Arcus Group defines gross profit as total operating revenue less cost of sales.

Figures in NOK 1000	2019	2018
Group		
Sales revenue	2,710,374	2,672,615
Other operating revenue	52,403	50,586
Total operating revenue	**2,762,777**	**2,723,201**
Cost of sales	-1,601,113	-1,577,306
Gross profit	**1,161,664**	**1,145,895**

Figures in NOK 1000	2019	2018
Spirits		
Sales revenue	811,555	762,447
Other operating revenue	164,024	157,151
Total operating revenue	**975,579**	**919,598**
Cost of sales	-491,295	-447,962
Gross profit	**484,284**	**471,636**

Figures in NOK 1000	2019	2018
Wine		
Sales revenue	1,577,769	1,604,715
Other operating revenue	25,589	20,031
Total operating revenue	**1,603,358**	**1,624,746**
Cost of sales	-1,238,298	-1,244,346
Gross profit	**365,060**	**380,400**

Figures in NOK 1000	2019	2018
Logistics		
Sales revenue	293,612	272,378
Other operating revenue	34,457	35,361
Total operating revenue	**328,069**	**307,739**
Cost of sales	0	0
Gross profit	**328,069**	**307,739**

Other income and expenses
To improve the information value of the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. Other income and expenses are presented in Note 5.

Below, the income statement is presented up to and including EBIT, with and without adjustment for other income and expenses:

	2019		2018	
Figures in NOK 1000	Adjusted	Non-adjusted	Adjusted	Non-adjusted
Sales revenue	2,710,374	2,710,374	2,672,615	2,672,615
Other operating revenue	52,403	52,403	50,586	50,586
Total operating revenue	**2,762,777**	**2,762,777**	**2,723,201**	**2,723,201**
Net gain on sale of fixed assets	11	11	365	365
Cost of sales	-1,601,113	-1,601,113	-1,577,306	-1,577,306
Salaries and other personnel costs	-439,220	-448,355	-426,644	-441,158
Other operating expenses	-329,443	-340,052	-409,330	-400,112
Share of profit from associated companies and jointly controlled entities	4,059	4,059	2,311	2,311
EBITDA	**397,071**	**377,327**	**312,597**	**307,301**
Depreciation and amortisation	-119,573	-119,573	-50,005	-50,005
Operating profit (EBIT)	**277,498**	**257,754**	**262,592**	**257,296**
Other income and expenses	-19,744	0	-5,296	0
Reported operating profit (EBIT)	**257,754**	**257,754**	**257,296**	**257,296**

EBITDA and adjusted EBITDA
EBITDA is defined as operating profit before depreciation, write-downs and amortisation.
Adjusted EBITDA is defined as operating profit before depreciation, write-downs, amortisation and other income and expenses.
EBITDA margin = EBITDA/Total operating revenue
Adjusted EBITDA margin = adjusted EBITDA/Total operating revenue

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1000	2019	2018
Group		
Operating profit	257,754	257,296
Depreciation, write-downs and amortisation	119,573	50,005
EBITDA	**377,327**	**307,301**
Other income and expenses	19,744	5,296
Adjusted EBITDA	**397,071**	**312,597**

Figures in NOK 1000	2019	2018
Spirits		
Operating profit	121,627	118,061
Depreciation, write-downs and amortisation	25,254	24,744
EBITDA	**146,881**	**142,805**
Other income and expenses	2,004	1,768
Adjusted EBITDA	**148,885**	**144,573**

Figures in NOK 1000	2019	2018
Wine		
Operating profit	158,038	167,083
Depreciation, write-downs and amortisation	3,053	2,586
EBITDA	**161,091**	**169,669**
Other income and expenses	8,827	11,838
Adjusted EBITDA	**169,918**	**181,507**

Figures in NOK 1000	2019	2018
Logistics		
Operating profit	2,170	1,095
Depreciation, write-downs and amortisation	11,455	11,261
EBITDA	**13,625**	**12,356**
Other income and expenses	1,583	381
Adjusted EBITDA	**15,208**	**12,737**

Figures in NOK 1000	2019	2018
Other		
Operating profit	-43,113	-23,764
Depreciation, write-downs and amortisation	5,981	6,235
EBITDA	**-37,132**	**-17,529**
Other income and expenses	7,330	-8,691
Adjusted EBITDA	**-29,802**	**-26,220**

Other definitions of alternative performance measurements, shown in key figures

Equity ratio
Equity ratio = equity/total equity and debt

Net interest-bearing debt
Net interest-bearing debt + debt to financial institutions + lease obligations + book value of capitalised front-end fee + fair value, interest-rate swap - bank deposits and other cash and cash equivalents.

Figures in NOK 1000	2019	2018
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	703,829	874,895
Current interest-bearing debt to credit institutions	0	18,063
Book value of capitalised front-end fee	3,121	4,824
Non-current lease obligations	1,151,016	0
Current lease obligations	154,199	0
Bank deposits and other cash and cash equivalents	-205,029	-282,594
Net interest-bearing debt	**1,807,136**	**615,188**

Organic growth
Organic growth in income is the Group or segment's total operating revenue, adjusted for translation effects and structural changes.

Figures in NOK 1000	2019	2018
Group		
Sales revenue	2,710,374	2,672,615
Other operating revenue	52,403	50,586
Total operating revenue	**2,762,777**	**2,723,201**
Currency effects[1]	0	4,700
Structural changes[2]	-7,070	0
Calculation basis, organic growth	**2,755,707**	**2,727,901**
Growth	1.5%	
Organic growth	1.0%	

1. Currency effects are calculated by translation of income in other currencies than NOK in 2018 at the same average exchange rate as for translation of income in 2019.
2. The structural changes in 2019 mainly consist of adjustment for increased revenue from the acquisition of Wongraven Wines, and a settlement from a previous producer-supplier in Sweden which the Group lost in 2019.

Figures in NOK 1000	2019	2018
Spirits		
Sales revenue	811,555	762,447
Other operating revenue	164,024	157,151
Total operating revenue	**975,579**	**919,598**
Currency effects[1]	0	5,500
Structural changes	0	0
Calculation basis, organic growth	**975,579**	**925,098**
Growth	6.1%	
Organic growth	5.5%	

1. Currency effects are calculated by translation of income in other currencies than NOK in 2018 at the same average exchange rate as for translation of income in 2019.

Figures in NOK 1000	2019	2018
Wine		
Sales revenue	1,577,769	1,604,715
Other operating revenue	25,589	20,031
Total operating revenue	**1,603,358**	**1,624,746**
Currency effects[1]	0	-800
Structural changes[2]	-7,070	0
Calculation basis, organic growth	**1,596,288**	**1,623,946**
Growth	-1.3%	
Organic growth	-1.7%	

1. Currency effects are calculated by translation of income in other currencies than NOK in 2018 at the same average exchange rate as for translation of income in 2019.
2. The structural changes in 2019 mainly consist of adjustment for increased revenue from the acquisition of Wongraven Wines, and a settlement from a previous producer-supplier in Sweden which the Group lost in 2019.

Figures in NOK 1000	2019	2018
Logistics		
Sales revenue	293,612	272,378
Other operating revenue	34,457	35,361
Total operating revenue	**328,069**	**307,739**
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	**328,069**	**307,739**
Growth	6.6%	
Organic growth	6.6%	

PARENT COMPANY ACCOUNTS

Statement of income 01.01. -31.12.

Figures in NOK 1000	Note	2019	2018
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	10,691	12,003
Other operating expenses		11,227	3,998
Total operating expenses		**21,918**	**16,001**
Operating profit		**-21,918**	**-16,001**
FINANCIAL INCOME AND EXPENSES			
Income from investment in subsidiary	8	105,661	106,362
Other interest income		13,539	8,377
Other financial income		3,909	6,699
Other interest costs		-23,009	-13,241
Other financial costs		-9,718	-13,009
Net financial profit/loss		**90,382**	**95,188**
PROFIT BEFORE TAX		**68,464**	**79,187**
Tax	2	16,386	23,738
PROFIT FOR THE YEAR		**52,078**	**55,449**
Transferred from/to other equity		52,078	55,449
Total transfers		**52,078**	**55,449**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2019	2018
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	85,995	102,381
Total intangible assets		**85,995**	**102,381**
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Total financial assets		**1,438,317**	**1,438,317**
Total fixed assets		**1,524,312**	**1,540,698**
Current assets			
Receivables			
Trade receivables from companies in the same Group	8	0	1,114
Group contributions from Group companies	8	113,047	106,362
Current receivables from Group companies	8	3,544	13,558
Other receivables		199	193
Total receivables		**116,790**	**121,227**
Cash and cash equivalents	9	64,182	149,213
Total current assets		**180,972**	**270,440**
TOTAL ASSETS		**1,705,284**	**1,811,138**

Figures in NOK 1,000	Note	2019	2018
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4, 5	1,360	1,356
Share premium	5	719,280	719,280
Total paid-in equity		**720,640**	**720,636**
Retained earnings			
Other equity	5	-122,384	-58,956
Total retained earnings		**-122,384**	**-58,956**
Total equity		**598,256**	**661,680**
Liabilities			
Provisions			
Pension obligations	6	1,468	1,029
Total provisions		**1,468**	**1,029**
Other non-current liabilities			
Debt to financial institutions	7	-1,495	-2,275
Total other non-current liabilities		**-1,495**	**-2,275**
Current liabilities			
Trade payables		246	121
Trade payables to Group companies	8	148	155
Tax payable	2	0	839
Other current liabilities		2,739	6,204
Other current liabilities payable to Group companies	8	0	686
Allocated dividend	5	112,919	112,919
Intragroup balance in Group cash pool system	8,9	991,003	1,029,780
Total current liabilities		**1,107,055**	**1,150,704**
Total liabilities		**1,107,028**	**1,149,458**
TOTAL EQUITY AND LIABILITIES		**1,705,284**	**1,811,138**

Gjelleråsen, 29 April 2020

Michael Holm Johansen
Chairman of the Board

Carl Erik Hagen

Nils Selte

Ann-Beth Freuchen

Eilif Due

Leena Maria Saarinen

Kirsten Ægidius

Ann Therese Jacobsen

Konstanse M. Kjøle

Erik Hagen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. -31.12.

Figures in NOK 1000	2019	2018
CASH FLOWS FROM OPERATIONS		
Profit before tax	68,464	79,187
Tax payable	-839	-1,146
Pension costs without cash effect	352	362
Costs related to share-based remuneration without cash effect	394	7,603
Financial expenses without cash effect	780	780
Change in trade receivables	1,114	-1,092
Change in trade payables	118	167
Change in other current assets and other liabilities	1,276	-46,612
Net cash flows from operational activities	**71,659**	**39,249**
CASH FLOWS FROM FINANCING ACTIVITIES		
Payouts in share-based incentive programme	-2,125	0
Purchase of own shares	-2,915	-8,303
Redemption of debt to financial institutions	0	-72,700
Change in intragroup balance in Group cash pool system	-38,777	303,886
Payments of dividends/Group contributions	-112,873	-112,919
Net cash flow from financing activities	**-156,690**	**109,964**
Net change in bank deposits, cash and cash equivalents	**-85,031**	**149,213**
Holdings of bank deposits, cash and cash equivalents as at 01.01.	149,213	0
Holdings of bank deposits, cash and cash equivalents as at 31.12.	**64,182**	**149,213**

Accounting policies

GENERAL
The annual accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting policies.

The company was founded on 5 November 2004, and listed on the Oslo Stock Exchange on 1 December 2016.

The purpose of the company is to operate the import, export, production, storage and distribution of alcoholic beverages and other goods, and other activities related to this business, as well as the ownership of participations in other companies that conduct such business.

CONSOLIDATED FINANCIAL STATEMENTS
Arcus ASA owns 100 percent of the shares in Arcus-Gruppen AS and Vectura AS.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES
Assets intended for continuing ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due for payment within one year are classified as current assets. The classification of current and non-current liabilities is based on similar criteria.

Fixed assets are valued at acquisition cost, but written down to fair value if the impairment is not expected to be temporary. Fixed assets with a limited economic life are depreciated according to a reasonable depreciation plan.

Current assets are valued at the lower of cost or fair value. Current and non-current liabilities are capitalised at the nominal amounts received at the time of establishment. Borrowing costs are capitalised together with the loan and amortised over the term of the loan. The first year's instalment is reclassified as a current liability.

Certain items are valued according to different principles, as explained below.

SHARES IN SUBSIDIARIES
Shares in subsidiaries are valued using the cost method. The transaction costs are added to the purchase price of shares in subsidiaries. Shares are written down to fair value if this is lower than the recognised value.

Group contributions are recognised in the same year as they are allocated in the subsidiary.
If dividends/other distributions exceed the share of retained profit after the acquisition, the surplus represents repayment of invested capital and the distributions are deducted from the value of the investment in the statement of financial position.

RECEIVABLES
Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Provisions for losses are made on the basis of an individual assessment of each receivable.

CASH AND CASH EQUIVALENTS
Cash and cash equivalents include cash, bank deposits and other means of payment with a due date less than three months from the acquisition date.

BORROWING
Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Transaction costs (front-end fees) are capitalised in the statement of financial position and amortized over the term of the loan.

Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year.

PENSION
Pension costs comprise the change in actuarially calculated pension obligations and costs related to defined contribution pension plans. For actuarially calculated pension obligations the costs comprise the period's pension-accrual based assumptions concerning future salary increases and interest costs for the calculated obligation. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations) are recognised against equity.

TAXES
Tax expenses are matched with profit/loss before tax. Tax costs comprise tax payable (tax on the year's directly taxable income) and changes in net deferred tax. Deferred tax and deferred tax assets are presented net in the statement of financial position.

Tax assets are only capitalised if it can be shown to be probable that they can be utilised via future taxable income.

STATEMENT OF CASH FLOWS
The indirect method is used in the preparation of the statement of cash flows. Cash and cash equivalents in the statement of financial position are defined as holdings of cash and cash equivalents in the statement of cash flows.

All figures in the financial statements are presented in NOK 1,000 unless otherwise indicated.

Notes

NOTE 1 PAYROLL COSTS

	2019	2018
Salaries including holiday pay	8,424	7,229
Social security costs	1,602	1,078
Pension costs including social security costs	544	553
Other personnel costs	121	3,143
Total salaries and other personnel costs	**10,691**	**12,003**
Average number of employees	2	2

	2019		2018	
Benefits to executive personnel	**Group CEO**	**Board of Directors**	**Group CEO**	**Board of Directors**
Salary	3,103	2,747	3,118	2,546
Pension costs	486	0	332	0
Other remuneration	1,954	0	234	0

The company had two employees during the year.

The Group CEO also has an ordinary bonus agreement which, on specific terms, will release payment of up to five monthly salaries. He is also included in a temporary share programme (matching shares) which was established in conjunction with the IPO in 2016, and was concluded in Q1 2019. He also takes part in an option programme whereby he was allocated share options in 2017, 2018 and 2019. Further information about these incentive schemes, including his option holdings at the end of the year, is presented below, and in Note 7 to the consolidated financial statements.

The Group CEO has an ordinary occupational pension plan with Storebrand, which entails 5 percent pension contributions for salaries of 0 to 7.1G and 11 percent for salaries from 7.1 to 12G. He also has a supplementary pension agreement that gives pension earnings of 15 percent of salaries above 12G. These pension earnings are capitalised annually in the company's statement of financial position, where the return is based on the return from the Storebrand Balansert pension fund.

If the CEO gives notice of termination, he is subject to six months' notice. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

No loans or surety are granted for either the Group CEO or members of the Board of Directors.

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 21 for the Group.

Share-based incentive schemes

Matching shares:

In connection with the IPO for the parent company, Arcus ASA, in 2016, some key persons were offered matching shares, whereby they are entitled to receive one matching share for each share acquired under the IPO. These matching shares were redeemed in Q1 2019, to the persons still employed by the Group. This incentive programme meant that he received 42,100 shares in Arcus ASA in February 2019, for a total value of TNOK 1,766 (included in other remuneration in the above table).

In total, this programme entailed costs of TNOK 67 in 2019 (TNOK 1,318 in 2018).

Options:

In 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options. Two persons at Arcus ASA are included in this programme, including the general manager.

The options' vesting period will be three years from the allocation data, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

Options allocated in 2017 were cancelled in 2019, because the Group's KPIs for the period were not achieved, This programme entailed costs of TNOK 52 in 2019 (TNOK 1,087 in 2018). Below, the number of outstanding options regarding the company's employees at the end of the year is presented:

Number of options	2019	2018
Outstanding options at the beginning of the year	658,759	290,199
Allocated options during the year	512,717	368,560
Terminated options during the year	-290,199	0
Outstanding options at the end of the year*	**881,277**	**658,759**

* Of which 579,375 options outstanding to the general manager.

Auditors' fees	2019	2018
Statutory audit	290	285
Other financial auditing	37	91
Tax advisory services	21	36
Total auditors' fees	**348**	**412**

The amounts are stated in TNOK and exclude VAT.

NOTE 2 TAX

Tax for the year is calculated as follows:	2019	2018
Tax payable	0	839
Change in deferred tax	16,386	22,852
Tax effect related to previous years	0	47
Tax	**16,386**	**23,738**

Reconciliation from nominal to actual tax rates:		
Profit before tax	68,464	79,187
Expected income tax at a nominal tax rate of 22 percent (23 percent in 2018)	15,062	18,213
Tax effect of the following items:		
Non-deductible costs	1,344	803
Change due to a change in tax rate	0	4,654
Tax on costs booked directly to equity	-20	21
Insufficient/surplus provision in previous years	0	47
Tax	**16,386**	**23,738**
Effective tax rate	23.9%	30.0%

Specification of temporary differences and deficit carried forward:

	2019		2018	
	Asset	Liability	Asset	Liability
Non-current debt	0	1,495	0	2,275
Pension obligations	1,467	0	1,029	0
Other liabilities	0	3,127	0	932
Deficits and interest rate limitations carried forward	394,040	0	467,548	0
Total	**395,507**	**4,622**	**468,577**	**3,207**
Basis for deferred tax asset/liability	390,885		465,370	
Net deferred tax asset in the statement of financial position*	**85,995**		**102,381**	

At the end of the year, the company had NOK 86.7 million in capitalised deferred tax assets associated with the deficit to be carried forward. Based on the Group's strategic and long-term plans for companies in the tax group, the Board of Directors and executive management expect that the deferred tax assets can be utilised.

At the end of 2019, deferred tax was calculated at 22 percent of net temporary differences, which is unchanged from 2018.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

Company	Acquisition date	Registered office	Voting and ownership	Currency	Nominal share capital
Arcus-Gruppen AS	10.10.2005	Nittedal	100%	NOK	276,000
Vectura AS	30.09.2013	Nittedal	100%	NOK	14,000

Company	Cost price (NOK)	Book value as at 31.12	Equity according to last annual financial statements (NOK)	Profit for the year 2019 (NOK)
Arcus-Gruppen AS	1,886,607	1,362,217	2,022,701	118,659
Vectura AS	76,100	76,100	25,789	2,454
Total subsidiaries	**1,962,707**	**1,438,317**	**2,048,490**	**121,113**

NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
01.12.2018		68,023,255	0.02	1,360
31.12.2019		68,023,255	0.02	1,360

20 largest shareholders as at 31.12.2019:	Number of shares	Ownership and voting rights
Canica AS	30,093,077	44.2%
Geveran Trading Co Ltd	6,750,000	9.9%
Verdipapirfondet Dnb Norge	3,441,226	5.1%
Hoff SA	3,297,000	4.8%
Sundt AS	2,399,460	3.5%
Verdipapirfondet Eika Spar	1,943,660	2.9%
Danske Invest Norske Instit. Ii.	1,823,598	2.7%
Folketrygdfondet	1,800,000	2.6%
Verdipapirfondet Eika Norge	1,568,193	2.3%
Goldman Sachs International	1,092,651	1.6%
Centra Invest AS	988,818	1.5%
Danske Invest Norske Aksjer Inst	789,038	1.2%
Rbc Investor Services Bank S.A.	778,250	1.1%
Mutual Fund Localtapiola Consumer	467,243	0.7%
Wenaas Kapital AS Aksjebeholdning	406,923	0.6%
Verdipapirfondet Eika Balansert	398,307	0.6%
Centra Capital AS	355,000	0.5%
Danske Invest Norge II	327,966	0.5%
Avanza Bank AB	311,156	0.5%
Kbl European Private Bankers S.A.	294,753	0.4%
Other shareholders	8,696,936	12.8%
Total	**68,023,255**	**100.0%**

Dividend
The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2019 (2018: NOK 1.66 per share).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	**1,356**	**719,280**	**-58,956**	**661,680**
Profit for the year	0	0	52,078	52,078
Purchase of own shares	4	0	-539	-535
Share-based payment	0	0	-1,961	-1,961
Estimate deviations, pensions	0	0	-87	-87
Allocated dividend	0	0	-112,919	-112,919
Equity as at 31.12	**1,360**	**719,280**	**-122,384**	**598,256**

NOTE 6 PENSION OBLIGATIONS AND COSTS

The company is obliged to have an occupational pension scheme under the Norwegian Act on mandatory occupational pension schemes, and has a pension scheme which fulfils the requirements under this Act.

Defined contribution pension
Arcus-Gruppen's ordinary pension plan for all other employees is a defined contribution pension plan with Storebrand. The contribution rate is 5 percent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 percent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 percent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

The costs associated with the defined contribution pension plan are related to the current premium invoices from the insurance company with which Arcus-Gruppen has signed a defined contribution pension agreement. The current defined contribution pension plans and disability pensions for employees in the defined contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 0.1 million at the end of 2019.

Unfunded pension arrangement
The Group CEO also has an unfunded pension arrangement in which the pension entitlement earned is 15 percent of the salary above 12G. Ongoing provision is made for this obligation in the company's statement of financial position and the annual interest accrual is the same as for the Storebrand Balansert Pension. At the end of 2019, this obligation was recognised at NOK 1.4 million.

General assumptions

The Company applies a discount rate equivalent to the covered bond interest rate to its pension obligations. This is in line with the recommendations of the Norwegian Accounting Standards Board. The pension assumptions made by the company are consistent with the recommendations of the Accounting Standards Board from September 2019.

Figures in NOK 1,000

Pension costs	**2019**	**2018**
Present value of pension earnings for the year	280	277
Interest cost of pension obligations	28	40
Accrued social security contributions	44	45
Net pension costs after social security contributions	**352**	**362**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	192	191
Net pension obligations:		
Estimated accrued obligations, non-funded pension plans	1,468	1,029
Net pension assets/liabilities recognised in the statement of financial position	**1,468**	**1,029**
Changes in obligations:		
Net pension obligations 01.01	1,029	757
Pension costs, continued operations	352	362
Estimate deviations recognised directly in equity (IAS19R)	87	-90
Net pension obligations 31.12.	**1,468**	**1,029**
Financial assumptions:		
Discount rate	1.80%	2.30%
Expected salary adjustment	2.25%	2.50%
Expected pension increase	1.25%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.00%	2.25%
Expected return on pension assets	1.80%	2.30%
Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

NOTE 7 LOANS, PLEDGES AND GUARANTEES, ETC.

Debt to financial institutions *Figures in NOK 1,000*	**Currency**	**Interest-rate profile**	**Loan amount in foreign currency**	**2019 Loan amount in NOK**	**2018 Loan amount in NOK**
Overdraft facility, SEB	NOK	Variable	0	0	0
Total debt to financial institutions				**0**	**0**
Capitalised loan costs				-1,495	-2,275
Book value as at 31.12				**-1,495**	**-2,275**

Term structure	**Maturity 2020**	**Maturity 2021-2023**	**Maturity after 2023**	**Total**
SEB	0	0	0	0
Total debt to financial institutions	**0**	**0**	**0**	**0**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries, with the exception of the companies in the wine business in Sweden and Finland. At the end of 2019, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

The capitalised front-end fee with a book value of TNOK 1,495 relates to the front-end fee for the cash pool scheme. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

The Group has a long-term financing agreement with SEB, whereby the loan is formally for TSEK 750 and is booked in one of the subsidiaries in Sweden, VinGruppen Sweden Holding AB. The financing agreement does not include a pledger of security.

The company has no non-current debt with terms exceeding five years.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis.
As at 31.12.2019 the Group was well within the required ratio.

NOTE 8 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2019	2018
Claims on Group contributions from Arcus-Gruppen AS	113,047	106,362
Trade receivables from companies in the same Group	0	1,114
Other current receivables from Group companies	3,544	13,558
Total	**116,591**	**121,034**

Liabilities	2019	2018
Trade payables to Group companies	148	155
Other current liabilities payable to Group companies	0	686
Intragroup balance in Group cash pool system	991,003	1,029,780
Total	**991,151**	**1,030,621**

The company has no consolidated assets or liabilities that will fall due more than five years after the close of the financial year.

NOTE 9 BANK DEPOSITS

The company has no restricted bank deposits, but has a bank guarantee for a tax payment of TNOK 2,500.

The company administrates the Group cash pool scheme for the Group and the scheme includes most of the Group's subsidiaries. The Swedish and Finnish wine business are not part of the scheme.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000.

At year-end, the Group had total drawings of TNOK 64,182 from the scheme, which are presented as an overdraft for Arcus ASA, compared with TNOK 149,213 at the end of 2018.

As at 31.12.2019, Arcus ASA has drawings of TNOK 1,029,780 in the Group cash pool system, compared to drawings of TNOK 991,003 at the end of 2018.

NOTE 10 FINANCIAL MARKET RISK

Financial risk

The company has individual financial derivatives for hedging purposes. The company does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes.

The risk management procedures are adopted by the Board of Directors and undertaken by the administration in cooperation with the individual business areas. The most important financial risks to which the company is exposed are associated with interest-rate risk, liquidity risk and foreign currency risk. The company's management continuously assesses how these are to be handled.

Interest-rate risk

The company is exposed to interest-rate risk by placing liquid assets and drawing in the Group cash pool system. As at 31.12.2019, the company had variable interest rates for all of its interest-bearing deposits and liabilities.

Liquidity risk

Liquidity risk is the risk that the company will not be in a position to service its financial liabilities as they fall due. The company must at all times have sufficient liquidity to fulfil its obligations. It is also a goal to minimise the company's excess liquidity. The company will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

As far as possible, the company wishes to have flexibility for its liquid assets related to day-to-day operations. This is achieved through a Group cash pool system with a drawing facility that as of 31.12.2019 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used.

Currency risk

Since the company operates international business, there is some exposure to currency risk. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions. The accounting treatment of financial derivatives is described under "Accounting Policies".

The company makes substantial purchases in foreign currency (mainly EUR), while the functional currency is NOK.

Receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate. Currency exposure is hedged mainly by using forward contracts.

During the year, to a certain degree purchase and sale of goods in foreign currency are hedged, and the forward exchange rate achieved in the market is used as the transaction rate. As a general rule, the currency exposure is hedged three times a year, for four-month terms.

As at 31.12.2019, the company had no forward contracts (asset hedging) to hedge items in the statement of financial position and orders already placed.

NOTE 11 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Since the COVID-19 outbreak, Arcus' business segments have managed to keep operations stable. Supply of wine and other raw materials, has more or less been according to plan due to close cooperation with our partners. At our production and bottling facility, there have been no major disruptions. Sales of wine and spirits to Vinmonopolet has been higher than normal. The main reasons are strongly reduced sales to Duty Free Travel Retail, hotels, restaurants and cafés, and strongly reduced shopping at the Swedish border. Logistics has had high activity due to increased demand at Vinmonopolet, and operation and deliveries have been very close to plan.

No employees have so far reported COVID-19 infection. By mid-April 3,7 percent of the employees were temporarily laid off. All temporary layoffs in Arcus are related to reduced sales to hotels, restaurants and bars. To minimize temporary layoffs, some of these employees have worked in our production, to fill vacant positions.

The Group's overdraft facility at SEB has been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19 outbreak. The due date on the group's term loan has also been extended by one year to 1 December 2022.

Given the challenging situation faced by some of our customers we are closely monitoring the situation and taking appropriate actions to mitigate the risk of credit losses. We currently estimate that the effect will be relatively moderate and have made appropriate extraordinary provisions for expected losses in our Q1 accounts.

On 11 March, Arcus announced that Vectura and Cuveco were assessing the possibility of a merger. In an industry subject to strong competition and low margins, the two parties would like to establish a company that, over time, can develop even better services. A merger would make it possible to achieve a size that makes it easier to invest for the future in automation, digitalisation and sustainable solutions. The new company would gradually be able to offer a better and broader range of services to its many customers. The Norwegian Competition Authority (Konkurransetilsynet) has approved the possible merger between Vectura and Cuveco. The merger project will then move on to the next stage of negotiations and planning.

DECLARATION

The Board of Directors and the General Manager confirm that, to the best of their knowledge, the annual financial statements have been prepared in accordance with current accounting standards and that the information presented in the financial statements provides a true and fair view of the assets, debt, financial position and overall results of the Group. The Board of Directors and the General Manager also confirm that, to the best of their knowledge, the Annual Report presents a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risk and uncertainty factors faced by the company.

Gjelleråsen, 29 April 2020

Michael Holm Johansen Chairman of the Board	Carl Erik Hagen	Nils Selte	Ann-Beth Freuchen	Eilif Due
Leena Maria Saarinen	Kirsten Ægidius	Ann Therese Jacobsen	Konstanse M. Kjøle	Erik Hagen
Kenneth Hamnes Group CEO				

AUDITOR'S REPORT

Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Arcus ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arcus ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2019, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2019, statement of income, statements of comprehensive income, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2019 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2019. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessments – goodwill and trademarks

As at 31 December 2019, the Arcus Group had trademarks and goodwill recognized in the balance sheet, representing 34 % of the total capital, mainly related to the spirit segment. Uncertainty related to earnings and profitability increases the risk of loss due to impairment. Due to the extent of judgmental assessments applied in management's models for impairment considerations, together with the significant value in the balance sheet, the impairment assessments of trademarks and goodwill are considered a key audit matter.

Our audit of the Group's impairment assessments has included a review and testing of the impairment models, assessment of cash-generating units, control of mathematical accuracy of models together with testing and evaluating the assumptions management used as a basis in the calculations. We also reviewed the design of management's internal controls related to the impairment assessments. In addition, we considered management's assumption on future cash-flow forecasts by looking at the historical accuracy in management's budgets and prognoses against the Company's actual results. We compared key assumptions against market information where available. We also assessed discount rates by comparing the assumptions for the calculation with external data like expected inflation, debt ratio, loan interest, risk premium and beta values for comparable companies. In addition, we have reviewed and carried out sensitivity analyses in order to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to note 12 in the financial statements and to information about intangible assets and significant accounting estimates and judgemental considerations in the Group's accounting principles.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information obtained prior to the date of the auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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, 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.

Building a better working world

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Building a better working world

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 30 April 2020
Ernst & Young AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Directors' Report: ARCUS ASA

The Arcus Group is a leading wine and spirits company in the Nordic region. The Group is a global market leader in the aquavit category, a market leader for spirits in Norway, and number two in Denmark. The Group is also the market leader for wine in Norway, number two in Sweden, and probably number three in Finland.

Arcus ASA is a holding company whose purpose is the import, export, production, storage and distribution of alcoholic beverages and other goods, as well as other activities related to this business, and the ownership of interests in other companies that conduct such business. Arcus' head office is located at Gjelleråsen in Nittedal Municipality, close to Oslo.

STRATEGY

The Group has three business areas: Wine, Spirits and Distribution.

For Wine, the domestic market is Sweden, Norway and Finland. There is strong focus on winning tenders and attracting complementing agencies. The further development of our own brands, primarily through Arcus Wine Brands, is important. The opportunity for minority ownership interests must be used actively to attract skilled individuals for starting up wine companies.

For Spirits, the domestic market is defined as the Nordic countries and Germany. A clear objective is to further develop sales in the domestic market, while revitalising the German market. The primary objective is growth in the core categories of aquavit, bitters and cognac. Innovation is key, in terms of categories, consumer groups and occasions.

Concerning Distribution, there is sustained focus on cost optimisation and on increasing revenue, primarily by attracting new customers.

The Group's financial objectives, adopted in conjunction with the Group's IPO on 1 December 2016, are firm. This entails organic growth of 3-5 per cent per annum (including minor bolt-on acquisitions) and EBITDA growth of 6-9 per cent per annum during the next three to five years. The Group's ambition is to pay annual dividend of around 50-70 per cent of the net annual profit.

The consolidated financial statements of Arcus ASA are presented in accordance with IFRS (International Financial Reporting Standards).

FINANCIAL DEVELOPMENT

Statement of income

In 2018, the Group's total operating revenue was NOK 2,723 million (NOK 2,575 million in 2017). Increased wine sales, primarily in Sweden and Norway, and a higher number of new customers in Vectura, contributed positively to revenue, while sales of spirits showed a weak increase compared to the previous year, due to low market growth and somewhat lower market shares in some markets.

Consolidated operating costs totalled NOK 2,463 million (NOK 2,292 million). The cost increase is mainly due to a higher cost of sales, which is related to higher sales, but also to a weaker Norwegian krone and Swedish krona against the euro. In addition, logistics costs were somewhat higher, as a consequence of higher Distribution volume. On the other hand, impairment was lower than for the previous year.

In 2018, the Group's operating profit before depreciation (EBITDA) was NOK 307 million, compared to NOK 348 million in 2017. Operating EBITDA (adjusted for non-recurring items) was NOK 313 million, compared to NOK 361 million in 2017. A key reason is the negative currency development, making the Group's purchases denominated in EUR more expensive.

In 2018, the Group's operating profit was NOK 257 million, compared to NOK 273 million in 2017. The decrease is mainly due to the same conditions as described above.

The Group's net financial items amounted to NOK -36 million (NOK -15 million) in 2018. The increase in net financial items is to a great extent driven by revenue recognition of NOK 14 million in 2017 concerning value adjustment of a remaining liability related to synthetic shares and options from prior to the IPO in 2016.

In 2018, the Group's tax costs amounted to NOK 57 million, compared to NOK 71 million in 2017. The effective tax rate was 26 per cent, compared to 27 per cent for the previous year. The lower effective tax rate is due to a lower actual tax rate in the Norwegian company, and lower non-deductible costs.

The parent company Arcus ASA has no operating revenue. The pre-tax profit of the parent company was NOK 79 million, compared to NOK 48 million in 2017. The increase is mainly due to Group contributions of NOK 106 million from the subsidiary, Arcus-Gruppen AS, compared to NOK 65 million in 2017.

Financial position, investments and liquidity

At the end of the year, the Group had brands and goodwill for NOK 1,857 million (NOK 1,862 million). The decrease is mainly due to depreciation, as well as currency fluctuations, to some extent.

At the close of the year, the Group had investments in fixed assets and software for NOK 343 million (NOK 359 million). In 2018, the Group invested NOK 23 million in fixed assets and software, while depreciation of NOK 42 million resulted in a lower book value at the end of 2018 compared to the end of 2017. No significant investments are expected in the coming years.

The deferred tax assets at the end of the year amount to NOK 110 million, compared to NOK 137 million at the end of 2017. The reduction is mainly due to the utilisation of taxable deficits carried forward in Norway in 2018, while the net deferred tax asset is lower, as a consequence of a reduction of the tax rate from 23 per cent to 22 per cent in Norway as from 2019.

At the end of 2018, financial assets totalled NOK 63 million (NOK 60 million).

Total current assets amounted to NOK 2,064 million, compared to NOK 2,114 million at the same time last year. Of this amount, receivables at year-end totalled NOK 1,341 million (NOK 1,519 million).

At the end of 2018, cash and bank deposits were NOK 283 million (NOK 184 million).

Group equity was NOK 1,654 million as at 31 December (NOK 1,669 million). Changes in equity are affected positively by the profit for the year, but reduced by the dividend paid to minority shareholders in the Group and share-holders in the parent company. At year-end, the equity ratio was 37 per cent, which is unchanged from the end of 2017.

The Group is financed through non-current loans of NOK 728 million. In addition, the Group has debt of NOK 169 million related to financial leasing, of which NOK 18 million falls due during 2019. At the end of the year, the Group had non-utilised drawing facilities under the Group cash pool system, but had deposits of NOK 149 million. As at 31 December 2018, the Group's total liabilities amounted to NOK 2,784 million (NOK 2,863 million), of which the interest-bearing debt amounted to 32 per cent.

Consolidated net cash flow from operating activities was NOK 395 million (NOK 200 million). The change is influenced significantly by lower trade receivables due from Vinmonopolet at the end of 2018 than at the end of 2017.

Net cash flow from investment activities was NOK -23 million (NOK -144 million). The positive change in cash flow from investment activities is mainly due to the acquisitions of the Vanlig and Hot n'Sweet brands in 2017.

Net cash flow from financing activities was NOK -261 million (NOK -91 million). The change in cash flow from financing activities is to a great extent influenced by the redemption of drawing on the Group cash pool system by NOK 73 million in 2018, compared to an equivalent drawing increase in 2017.

Holdings of cash and cash equivalents were NOK 283 million (NOK 184 million). Deviations between the company's operating profit and operating cash flow are the Group's financial expenses, changes in working capital and tax paid during the period.

Significant changes in accounting policies

IFRS 15 revenue recognition was introduced as of 1 January 2018. This has entailed insignificant changes to the income statement. See Note 4. IFRS Financial instruments, introduced as of 1 January 2019, has no consequences for Arcus. As from 1 January 2019, IFRS 16, Operational leases is introduced, which entails significant changes in the income statement and statement of financial position. See Note 16 for further information.

Financial risk and risk management

The Board has adopted a financial policy, defining the framework and guidelines for financial risk management within the Group.

Arcus' principal source of income is the core business. The main risk management strategy for the Group is to limit the financial risk created by the core business.

The most important financial risks to which the Group is exposed are associated with credit risk, interest-rate risk, liquidity risk and foreign currency risk.

To a small extent, Arcus uses financial instruments to hedge interest-rate and currency risks. The Group does not use hedge accounting and on initial recognition, financial instruments are recognised as financial instruments at fair value, while changes in value are recognised through profit or loss.

Credit risk

The finance policy stipulates that credit risk must be assessed before establishing credit purchase agreements with new customers. The assessment includes a review of accounting information, as well as other relevant and accessible data, to determine the credit limit and credit terms. Once a relationship has been established with a customer, credit risk and credit limits are continuously assessed in relation to the customer's financial performance and payment history. Outstanding receivables are continuously monitored by the finance department in cooperation with the marketing departments of the individual businesses. A large proportion of the Group's accounts receivable arise from the sale of wines and spirits to the state-owned monopoly outlets in the Nordic region. Credit risk associated with these customers is considered to be non-existent. The Group's credit risk is otherwise spread over a large number of small customers within the hotel, restaurant and café market, as well as a small number of distributors outside the Nordic region.

Interest-rate risk

The Group is exposed to interest-rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2018, the Group's non-current liabilities consisted of credit facilities at SEB and financial leasing at Nordea Finans and Volvo Finans. The interest-rate hedging policy entails that up to 50 per cent of the base rate on non-current loans can be hedged. At the end of 2018, none of the Group's interest-bearing debt was hedged. The interest-rate margin on credit facilities at SEB is related to the size of the Group's net interest-bearing debt relative to EBITDA, while the agreement with Nordea Finans involves a fixed interest-rate margin.

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. Arcus must at all times have sufficient liquidity to meet its obligations. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

Arcus aims for the greatest possible degree of flexibility in terms of utilising liquid assets as effectively as possible in day-to-day operations. This is achieved through a Group cash pool system with a drawing facility managed by Arcus AS.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Arcus Group had no significant investments during 2018, but acquired some minority interests in existing subsidiaries. This acquisition was financed with own liquidity and existing drawing facilities.

The Group entered into a new financial leasing agreement with Volvo Finans in 2018, in conjunction with the replacement of three trucks in Distribution. This increased the debt by NOK 3 million.

Currency risk

The Group is exposed to currency risk as it operates in several countries and makes significant purchases in foreign currencies. The most significant currencies are euro, Danish krone, Swedish krona and US dollar.

The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in Norwegian kroner. It is continuously sought to offset changes in purchase costs from suppliers in functional currency, due to exchange rate fluctuations, by changing sales prices for customers, and by renegotiation of purchase prices from suppliers.

The risk horizon, i.e. the time it takes to compensate for negative currency movements, is generally controlled by the price-adjustment opportunities in relation to the Nordic state monopolies. In Norway, this takes place every fourth month and in Sweden, every sixth month. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

Some of the Group's non-current borrowing is undertaken in Swedish kronor, as a natural hedging of cash flows in the form of dividends in Swedish kronor.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rates in the companies' functional currencies. The Group's presentation currency is Norwegian kroner. The Group is therefore further exposed to currency risk on translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged.

ABOUT THE COMPANY

Arcus ASA owns all of the shares in Arcus-Gruppen AS and Vectura AS. The purpose of the company is to manage shares and other company holdings and the Group operates within the business areas of Wine, Spirits and Distribution.

The Wine business area imports, bottles, markets and sells wine in Norway, Sweden and Finland, as well as within tax-free. In 2018, the Wine business area achieved sales of NOK 1,625 million, compared to NOK 1,541 million in 2017. EBITDA (adjusted) was NOK 182 million in 2018, compared to NOK 192 million in 2017. Sales increased as a consequence of adjusting the portfolio towards lighter wines (significant growth for white wine, rosé wine and sparkling wine), and a hot summer throughout the Nordic region. Profitability was undermined by a sustained high EUR rate. The operating profit for 2018 was NOK 167 million, compared to NOK 185 million for 2017.

The Spirits business area imports, produces, bottles, markets and sells wine and spirits primarily in the Nordic region and Germany, but also in other selected export markets. Bottling services are also undertaken for sister companies at the Gjelleråsen facility. In 2018, the Spirits business area achieved sales of NOK 920 million, compared to NOK 913 million in 2017. EBITDA (adjusted) was NOK 145 million in 2018, compared to NOK 183 million in 2017. Lower sales of spirits in Denmark and Germany, and price competition in the low-price segment of the Norwegian market, affected revenue and the result. The operating profit for 2018 was NOK 118 million, compared to NOK 152 million for 2017.

The Distribution business area (Vectura) distributes alcoholic beverages in the Norwegian

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2018 DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	92	28	3	8	2	133
Men	253	22	13	13	1	302
Total	**345**	**50**	**16**	**21**	**3**	**435**

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2018 DISTRIBUTED BY BUSINESS AREA

	Men	Women	Total
Spirits	95	46	141
Wine	37	46	83
Arcus-Gruppen AS	24	15	39
Arcus ASA	2	0	2
Vectura AS	144	26	170
Total	**302**	**133**	**435**

market. In 2018, the Distribution business area achieved sales of NOK 308 million, compared to NOK 285 million in 2017. EBITDA (adjusted) was NOK 13 million in 2018, compared to NOK 14 million in 2017. Revenue grew as a consequence of new customers and increased sales of services, while an increased degree of overtime, and leasing of trucks and drivers, reduced the result. The operating profit for 2018 was NOK 1.1 million, compared to NOK 0.7 million for 2017.

The company's registered office is in Nittedal Municipality.

EMPLOYEES AND ORGANISATION

Employees

At year-end, the Group had 428.9 FTEs (full-time equivalents), distributed on 435 permanent employees, of whom 345 are employed in Norway. The parent company Arcus ASA has two employees. The gender distribution for the overall Group was 69.4 per cent men and 30.6 per cent women.

The Board of Directors considers the working environment and cooperation with employee representatives to be good and constructive. The co-involvement of employees is assured at several levels of the Group. Permanent cooperation committees, consisting of employee representatives and representatives from management, have been established in the operating companies in Norway. At these meetings, the management provides information, and engages in discussions when needed. A corporate committee has also been established where the employees' Board members and key representatives meet before each Board meeting to discuss relevant Group-wide issues.

Absence due to illness

The Group has a strong focus on sick leave rates. The Norwegian companies in the Group work closely with the occupational health service and NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. For Arcus-Gruppen AS with subsidiary in Norway, the sick leave rate was 4.6 per cent in 2018, compared to the target of 4.2 per cent. The target for 2019 is unchanged at 4.2 per cent. For Vectura AS, where a lot of manual and physical work is undertaken, sick leave was 8.5 per cent in 2018, which is an improvement of 0.4 percentage points from 2017. The target for 2018 was 7.5 per cent, which is also the target for 2019. Sick leave varies between departments and among business areas.

For the Arcus ASA Group, total sick leave in Norway amounted to 6.4 per cent in 2018, which is an improvement of 0.2 percentage points from 2017. For comparison, the Confederation of Norwegian Enterprise's sick leave statistics for beverage production in Q3 2018 show doctor-certified sick leave at 4.6 per cent and own-reported sick leave at an estimated 2 per cent, which gives total sick leave of 6.6 per cent.

Sick leave statistics and HSE incidents are presented each month at departmental meetings and on bulletin boards, and are considered by the working environment committees.

Working environment and HSE

The Group's operating companies work systematically with health, safety and the environment. Individual action plans are established and followed up centrally, at business area level, and in the working environment committees.

To avoid serious injuries and incidents, it is important to have an organisation and culture that can identify hazardous conditions, register adverse incidents and introduce corrective measures on an ongoing basis. In this respect, the operating companies in the Group have been successful. Adverse incidents are reported regularly. These incidents are reported on a monthly basis to management, employees, working environment committees and safety representatives.

All injuries are investigated to discover the underlying cause and measures are then implemented to avoid similar incidents.

In 2018, there were four injuries resulting in absence due to illness (three in Vectura AS and one in Arcus Norway AS). The injuries were not serious and the persons returned to work after brief periods of absence. The Group's goal for 2019 is zero absence due to injuries.

Equal opportunities

Of the Group's 435 employees at year-end, 30.6 per cent were women and 69.4 per cent were men, after a small decrease in the ratio of women from the preceding year. The management groups of the operating companies all have female members, while the Group Management of Arcus ASA solely consists of men, including the CEOs of Vectura AS and Vingruppen i Norden AB, respectively. At the same time, the Group had 32 per cent female managers.

At the end of 2018, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom five were women. Three members of the Board of Directors are representatives elected by the employees, and two of these members are women. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representation on an ASA's board of directors.

In connection with the local salary settlement in 2018 in Norway, the parties reviewed the situation concerning equal opportunities and equal pay. The local parties agree that satisfactory consideration is made of equal pay and equal opportunities.

Diversity

The Group has a stated policy not to discriminate on the basis of gender, religion, race, sexual orientation, age, disability, or ethnic and/or cultural origin.

At the end of 2018, the employees represented around 30 different languages and approximately 18 per cent of employees did not have a Nordic cultural or ethnic background.

The Group's goal for the operating companies is for them to be workplaces without any form of discrimination or harassment. The Group's Work Regulations and Ethical Rules set out guidelines for this, and good reporting procedures have also been established.

In 2018, a new Plan for Diversity and Inclusion was also drawn up. The plan defines concrete targets and activities. As a Group and employer, Arcus ASA must promote equal opportunities and prevent discrimination of its employees.

The Board of Directors and the management groups of the operating companies are aware of this in relation to recruitment, appointments, salary appraisals and working conditions, as well as through awareness-raising activities.

Ethical guidelines

The Group's ethical guidelines define, clarify and ensure a common business ethics framework to outline the expectations for the ethical and appropriate behaviour of all employees. The Group's ethical guidelines stipulate that Arcus has zero tolerance for discrimination, bullying and corruption. As part of the ethical guidelines, provision is also made for the notification of any misconduct within the Group. Whistle-blowers can use a designated telephone number, established for this purpose. All employees have been made aware of this, and the fact that their anonymity is guaranteed. In 2018, two whistle-blower reports were made.

Data protection
On 25 May 2018, the new EU General Data Protection Regulation (GDPR) entered into force. The key aspects of the existing legislation are continued, with the addition of new regulations comprising extensive new requirements of companies which process personal data. For Arcus, this entailed extensive mapping and documentation of personal data, procedures, systems and documentation related to the processing of all personal data, gap analyses, production and documentation, as well as implementation and operation. Procedures for compliance, control and auditing were also drawn up, so that Arcus handles personal data protection in accordance with GDPR.

Environment
Consideration of the external environment is an important aspect of corporate social responsibility at Arcus. The Group's activities affect the external environment via the production and distribution of its products. Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of its activities on the external environment. In 2018, the Group set 11 specific KPIs that are to be achieved before 2020. They include KPIs for reduction of carbon dioxide and increased recirculation of waste.

The Annual Report includes a separate report on Arcus' corporate social responsibility in accordance with paragraph 3-3c in the Norwegian Accounting Act , including the current status for each of the 11 KPIs. This is an integrated element of the Annual Report.

Alcohol
Arcus takes a clear stance on responsible alcohol consumption. Our aim is to raise awareness and understanding among all of the target groups which are relevant for Arcus about our corporate approach to alcohol and responsible consumption. This is the background to our "Think before you drink" campaign, launched in the autumn of 2015, and which has become an integral aspect of Arcus' communication strategy. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus. In 2017, and again in 2018, Arcus ran a campaign which targeted graduates. The "Think before you drink" message was shared on the graduates' own digital channels. At the celebrations at Tryvann and Tusenfryd in Oslo, 7,000 filled bottles of water were distributed to graduates, with ample opportunity to refill the bottles. This was 1,000 more bottles than in 2017. Arcus was not identified as the originator of the initiative.

As part of the same strategy, in 2018 a decision was taken to fit alcolocks on all lorries and new company cars. AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies.

The Annual Report includes a separate report on Arcus' organisation.

Ownership
On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and at year-end 2017/18 had 2,132 shareholders. At the close of the year, three shareholders each held more than 5 per cent of the company's shares: Canica AS (42.1 per cent), Geveran Trading Co Ltd (9.9 per cent) and Verdipapirfondet DNB Norge (IV) (5.3 per cent). Quarterly results have been presented in Oslo for each quarter. In addition, the result for Q4 2017 was presented to investors in Madrid, London and Frankfurt, and the result for Q1 2018 in Stockholm. In addition, one-to-one investor meetings were held in Oslo on a regular basis throughout the year, as well as investor meetings via Skype with investors in London.

The Annual Report includes a separate report on Arcus' corporate governance compliance. This is an integrated element of the Annual Report.

Continued operations
In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the company is a going concern. The basis for this lies in the long-term plans and strategic choices that have been made.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR
No significant events have occurred after the close of the financial year, between the date of the statement of financial position and the Board of Directors' consideration of the financial statements for 2018.

APPROPRIATION OF PROFITS
The parent company Arcus ASA reported a profit for the year of NOK 55.4 million in 2018, compared to NOK 31.0 million in 2017. The Board proposes the allocation of dividend of NOK 1.66 per share, in total NOK 113 million, and that the profit of NOK 55.4 million be transferred to other equity.

FUTURE PROSPECTS
In conjunction with the IPO, the company published its long-term growth targets, with organic revenue growth of 3-5 per cent, including minor bolt-on acquisitions, and EBITDA growth of 6-9 per cent in the next three to five years. The Board continues to set these targets as the basis for the Group's continued development.

Gjelleråsen 20 March 2019

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Konstanse M. Kjøle

Ann Therese Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

BOARD OF DIRECTORS

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen
Board member

Hanne Refsholt
Board member

Eilif Due
Board member

Trond Berger
Board member

Leena Saarinen
Board member

Ann-Beth Freuchen
Board member

Erik Hagen
Board member

Konstanse M. Kjøle
Board member

Ann Therese Jacobsen
Board member

Financial Statements and Notes

CONSOLIDATED FINANCIAL STATEMENTS

Statement of income 01.01. -31.12.

Figures in NOK 1,000	Note	2018	2017
OPERATING REVENUE AND EXPENSES			
Sales revenue	4,5	2,672,615	2,530,126
Other operating revenue	4,5	50,586	44,934
Total operating revenue	**4,5**	**2,723,201**	**2,575,060**
Net gain on sale of fixed assets	3,14,15	365	30
Cost of sales	6,18	-1,577,306	-1,408,524
Salaries and other personnel costs	8,9,10	-426,644	-417,412
Depreciation and amortization	14,15	-50,005	-51,581
Impairment	14,15	0	-22,700
Other operating expenses	6,7,16	-409,330	-391,699
Share of profit from associated companies and jointly controlled entities	13	2,311	3,286
Operating profit before other income and expenses		**262,592**	**286,460**
Other income and expenses	7, APM	-5,296	-13,167
Operating profit		**257,296**	**273,293**

Figures in NOK 1,000	Note	2018	2017
FINANCIAL INCOME AND EXPENSES			
Interest income	11	12,906	6,654
Other financial income	11,22	27,740	41,304
Interest costs	11	-39,029	-33,127
Other financial costs	11,22	-37,733	-29,374
Net financial profit/loss		**-36,116**	**-14,543**
PROFIT BEFORE TAX		**221,180**	**258,750**
Tax	12	-56,763	-70,528
Profit for the year		**164,417**	**188,222**
The profit for the year is allocated to			
Non-controlling interests	1	5,954	6,944
Parent company shareholders		158,463	181,278
		164,417	**188,222**
Earnings per share (NOK)			
Earnings per share	20	2.33	2.66
Diluted earnings per share	20	2.25	2.62

Statement of other comprehensive income 01.01. -31.12.

Figures in NOK 1,000	Note	2018	2017
Profit for the year		164,417	188,222
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	10	9,900	4,439
Total items that will not be reclassified against the statement of income, before tax		**9,900**	**4,439**
Tax on items that will not be reclassified against the statement of income	12	-2,277	-1,065
Total items that will not be reclassified against the statement of income, after tax		**7,623**	**3,374**
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		6,967	73,207
Total items that may be reclassified against the statement of income, before tax		**6,967**	**73,207**
Tax on items that may be reclassified against the statement of income		0	0
Total items that may be reclassified against the statement of income, after tax		**6,967**	**73,207**
TOTAL OTHER COMPREHENSIVE INCOME		**14,590**	**76,581**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**179,007**	**264,803**
The total comprehensive income for the year is allocated as follows			
Non-controlling interests		5,214	8,127
Parent company shareholders		173,793	256,676
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**179,007**	**264,803**
Total comprehensive income per share (NOK)			
Earnings per share	20	2.55	3.77
Diluted earnings per share	20	2.47	3.70

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	15	1,042,130	1,042,596
Brands	15	815,009	819,702
Software	15	26,752	29,151
Total intangible assets		**1,883,891**	**1,891,449**
Tangible assets			
Machinery and equipment	14	293,273	304,534
Fixtures and fittings, tools, office equipment etc.	14	17,652	19,614
Assets under construction	14	4,914	5,678
Total tangible assets		**315,839**	**329,826**
Deferred tax assets	**12**	**110,158**	**136,786**
Financial assets			
Investments in associated companies and jointly controlled entities	13	61,291	58,670
Other investments in shares		200	200
Other non-current receivables	17	1,581	1,205
Total financial assets		**63,072**	**60,075**
Total fixed assets		**2,372,960**	**2,418,136**

Figures in NOK 1,000	Note	2018	2017
Current assets			
Inventories	18	441,117	410,759
Receivables			
Trade receivables	2	1,260,709	1,432,164
Prepayments to suppliers	17	52,999	64,570
Other receivables	12,17	26,983	22,325
Total receivables		**1,340,691**	**1,519,059**
Bank deposits	2,19	282,594	184,415
Cash and cash equivalents		**282,594**	**184,415**
Total current assets		**2,064,402**	**2,114,233**
TOTAL ASSETS		**4,437,362**	**4,532,369**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	20	1,356	1,360
Share premium		770,743	770,743
Total paid-in equity		**772,099**	**772,103**
Retained earnings			
Other equity		878,970	878,489
Total retained earnings		**878,970**	**878,489**
Non-controlling interests	1	2,965	18,823
Total equity		**1,654,034**	**1,669,415**
Liabilities			
Provisions			
Deferred tax liability	12	101,845	101,032
Pension obligations	10	21,077	30,552
Liabilities at fair value through profit or loss	2,22	74,218	0
Other provisions	23	92	320
Total provisions		**197,232**	**131,904**

Figures in NOK 1,000	Note	2018	2017
Other non-current liabilities			
Debt to financial institutions	2,21	874,895	909,218
Other non-current liabilities		647	0
Total other non-current liabilities		**875,542**	**909,218**
Current liabilities			
Debt to financial institutions	2,21	18,063	90,071
Trade payables		576,783	603,884
Tax payable	12	0	2,128
Unpaid public duties	24	930,452	928,005
Other current liabilities	23,24	185,256	197,744
Total current liabilities		**1,710,554**	**1,821,832**
Total liabilities		**2,783,526**	**2,862,954**
TOTAL EQUITY AND LIABILITIES		**4,437,362**	**4,532,369**

Gjelleråsen, 20 March 2019

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Maria Saarinen

Erik Hagen

Konstanse M. Kjøle

Ann Therese Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. -31.12.

Figures in NOK 1,000	Notes	2018	2017
CASH FLOWS FROM OPERATIONS			
Pre-tax profit		221,180	258,750
Depreciation and amortisation	14,15	50,005	74,281
Share of profit from associated companies and jointly controlled entities	13	-2,311	-3,286
Dividends received from associated companies and jointly controlled entities	13	445	0
Taxes paid	12	-39,991	-33,221
Interest costs during the period		37,406	31,475
Pension costs and other provisions without cash effect	3	197	591
Value changes and other costs without cash effect	3	12,155	-4,444
Profit/loss on sale of fixed assets and intangible fixed assets	3	-365	-30
Unrealised gains	3	1,195	19,195
Change in inventories	3,18	-30,358	-31,781
Change in trade receivables	3	171,455	-43,939
Change in trade payables	3	-27,101	-45,437
Change in other current assets and other liabilities	3	624	-22,256
Net cash flow from operational activities		**394,536**	**199,898**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	15	-3,270	-124,820
Payments on purchase of tangible fixed assets	14	-19,812	-15,894
Proceeds from sale of tangible fixed assets	3,14	365	30
Payments on acquisition of business	26	0	-2,752
Payments on acquisition of other financial investments	3	-119	-454
Net cash flow from investment activities		**-22,836**	**-143,890**

Figures in NOK 1,000	Notes	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of non-current interest-bearing debt to financial institutions	2,21	-17,370	-15,719
Change in other non-current loans		-360	0
Change in overdraft facility	21	-72,700	72,700
Interest cost paid during the period	3	-37,302	-31,454
Payments for acquisition of non-controlling interests		-6,150	-12,913
Payment for purchase of own shares		-8,303	0
Payment of dividends	1,3	-118,716	-103,515
Net cash flow from financing activities		**-260,901**	**-90,901**
Effect of exchange rate fluctuations on cash and cash equivalents		-12,620	19,923
Effect of exchange rate fluctuations on cash and cash equivalents		**-12,620**	**19,923**
Net change in cash and cash equivalents		**98,179**	**-14,970**
Holdings of cash and cash equivalents as at 01.01.		184,415	199,385
Holdings of cash and cash equivalents as at 31.12.	19	**282,594**	**184,415**

Statement of changes in equity

Figures in NOK 1,000	Share capital	Portfolio of own shares	Share premium	Translation differences	Share-based payment fund	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity as at 31.12.2016	1,360	0	770,743	228,788	606	487,190	1,488,687	13,903	1,502,590
Profit for the year 2017	0	0	0	0	0	181,278	181,278	6,944	188,222
Total other comprehensive income 2017	0	0	0	72,024	0	3,374	75,398	1,183	76,581
Total profit for the year 2017	**0**	**0**	**0**	**72,024**	**0**	**184,652**	**256,676**	**8,127**	**264,803**
Transactions with owners 2017									
Share-based payment	0	0	0	0	7,898	0	7,898	0	7,898
Payment of dividend	0	0	0	0	0	-99,994	-99,994	-3,521	-103,515
Changes in non-controlling interests	0	0	0	0	0	-2,675	-2,675	314	-2,361
Total transactions with owners 2017	**0**	**0**	**0**	**0**	**7,898**	**-102,669**	**-94,771**	**-3,207**	**-97,978**
Equity as at 31.12.2017	1,360	0	770,743	300,812	8,504	569,173	1,650,592	18,823	1,669,415
Profit for the year 2018	0	0	0	0	0	158,463	158,463	5,954	164,417
Total other comprehensive income 2018	0	0	0	7,707	0	7,623	15,330	-740	14,590
Total profit for the year 2018	**0**	**0**	**0**	**7,707**	**0**	**166,086**	**173,793**	**5,214**	**179,007**
Transactions with owners 2018									
Purchase of own shares	0	-4	0	0	0	-8,299	-8,303	0	-8,303
Share-based payment	0	0	0	0	6,722	0	6,722	0	6,722
Payment of dividend	0	0	0	0	0	-112,919	-112,919	-5,797	-118,716
Changes in non-controlling interests	0	0	0	0	0	-61,534	-61,534	-12,557	-74,091
Transfer of profit for the year from minority to majority*	0	0	0	0	0	2,718	2,718	-2,718	0
Total transactions with owners 2018	**0**	**-4**	**0**	**0**	**6,722**	**-180,034**	**-173,316**	**-21,072**	**-194,388**
Equity as at 31.12.2018	1,360	-4	770,743	308,519	15,226	555,225	1,651,069	2,965	1,654,034

Within the Group's wine activities, several of the subsidiaries' managing directors have non-controlling interests. Most of the managing directors have put options regarding their shares, which they may exercise at a given future time. The Group does not have control of these shares at the end of the period, nor does it have control of the possible exercising of the put options. The value of the put options are recognized as liabilities at fair value at the end of the year, and has reduced the non-controlling interest. The share of profit of the year is presented as profit to the non-controlling interest in the statement of income. Due to the fact that the value of the put options are recognized as liabilities at fair value, the share share of profit to the non-controlling interest, adjusted for any distributed dividend and exchange rate translation differences, are transferred from the non-controlling interests' share of equity to the owners of the parent company's share of equity at the end of every reporting period.

The remaining book value of non-controlling interests is related to non-controlling interests for which no sales options exist.

Brief history of the Group

Arcus ASA is registered and domiciled in Norway, and located at Destilleriveien 11 in Gjelleråsen in Nittedal Municipality, just north of Oslo. The consolidated financial statements include the parent company and subsidiaries (together referred to as "Arcus" or the "Group", and individually as a "Group company") as well as the Group's holdings in associated companies. The Group's principal activity is the import, production, marketing, sale and distribution of wine and spirits.

Historical development

The Group has carried out the following important transactions in recent years:

2018

- In Q2, the Group's Norwegian spirits activity established a new subsidiary, Atlungstad Håndverksdestilleri AS, which as from 2019 will take over the production-related activity at Stange in Hedmark.
- In June, the Group acquired a further 10.1 per cent interest in Symposium Wines AS, which is part of the Group's Norwegian wine activities. The Group thereafter has an interest of 90.1 per cent.
- In Q3, the Group's spirits activity in Sweden established a new subsidiary, Stockholms Spritfabrik AB, which will operate agency activities for spirits in Sweden.
- In Q4, the Group's wine activity in Norway established three new subsidiaries: Classic Wines AS, Creative Wines AS and Arcus Brand Lab AS. The first two companies will conduct agency activities, while Arcus Brand Lab AS will be part of the company with its own brands.
- In Q4, the Group's Swedish wine activity established a new subsidiary, New Frontier Wines AB, which will be included in the Swedish wine agency activity.

2017

- In January, the Group acquired the remaining 50 per cent interest in Det Danske Spiritus Kompagni A/S. Det Danske Spiritus Kompagni A/S thereby became a wholly-owned subsidiary in the Group's spirits activities.
- In January, the Group established Vingruppen Finland Oy, as a wholly-owned subsidiary of Vingruppen i Norden AB.
- In February, the Group acquired the remaining 9.9 per cent interest in Excellars AS. Excellars AS thereby became a wholly-owned subsidiary in the Group's wine activities.
- In June, the Group increased its ownership of Valid Wines Sweden AB from 97.0 per cent to 100.0 per cent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares. At the same time, the Group sold 16.9 per cent of the shares to the company's general manager, so that after the transaction the Group has an ownership interest of 83.1 per cent in Valid Wines Sweden AB.
- In September, the Group acquired 100 per cent of the shares in the Norwegian company BevCo AS, which as from the same date is part of the Group's spirits activities. Among other things, the company has the distribution rights for Dooley's Toffee in Norway.
- In October, the Group acquired the Vanlig brand, which comprises a vodka and a gin product. The Group took over sales of this product as from the same date, while production was taken over during Q1 2018.
- In December, the Group acquired the Hot n'Sweet brand, which is a vodka shot. The Group took over sales of this product as from 1 January 2018, while production was taken over during Q1 2018.

2016

- In February, the Group increased its ownership of Excellars AS from 51.0 per cent to 90.1 per cent by the subsidiary Vingruppen AS' acquisition of minority shares.
- In February, the Group increased its ownership of Wineagency Sweden AB from 80.0 per cent to 90.0 per cent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In July, the Group increased its ownership of Wineworld Sweden AB from 80.0 per cent to 90.0 per cent on the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In August, the Group acquired the Dworek vodka brand.
- In December, the Group increased its ownership of Vingruppen i Norden AB from 99.37 per cent to 100.0 per cent on the subsidiary VinGruppen Sweden Holding AB's acquisition of the remaining minority shares.
- Arcus-Gruppen Holding AS was restructured as a public limited liability company, and changed its name to Arcus ASA, before the company's listing on the Oslo Stock Exchange on 1 December.

2015

- In February, acquired the aquavit brand Snälleröds in Sweden.
- In April, acquired the wine activity from Fondberg in Finland. Changed the name of the company to Social Wines Oy.
- In September, acquired 70 per cent of the shares in a recently-founded Norwegian wine company, Heyday Wines AS.
- In Q4, reorganised the ownership of Vingruppen i Norden AB, by selling the shares to a newly-established wholly-owned holding company in Sweden called VinGruppen Sweden Holding AB.
- Discontinued production in Aalborg and moved the production and bottling of the Danish brands (Aalborg, Malteserkreutz and Gammel Dansk) to customised facilities at Gjelleråsen.

2014

- Established Vingruppen AS as new holding structure for the wine business in Norway.

2013

- In January, acquired all the shares in Arcus Denmark A/S from Pernod Ricard, which included the Aalborg Aquavit and Gammel Dansk brands, and all the shares in Arcus Deutschland GmbH, which owns the Malteserkreutz brand.

2012

- Completed the new production and distribution facility and head office at Gjelleråsen, and moved the business there.

2011

- Acquired 28.2 per cent of the shares in Vingruppen i Norden AB, increasing the holding from 62.5 per cent to 90.7 per cent. At the same time, entered into an option agreement for the remaining 9.3 per cent.
- Acquired 51 per cent of the shares in Excellars AS, with an option for the remaining 49 per cent.
- Swapped 34 per cent of the shares in SAS de L'île Madame for 32.6 per cent of the shares in Tiffon SA. Acquired a further 106 shares and increased the holding in Tiffon SA to 34 per cent.

2010

- Implemented an agreement on sale of Gjelleråsen Prosjekt 1 AS.
- Started construction of a new production and distribution facility and head office at Gjelleråsen.

2009

- Acquired the brands Star Gin, Red Port and Dry Anise from Pernod Ricard.
- Acquired 80 per cent of the company Symposium Wines AS.

Accounting policies

The consolidated financial statements for 2018, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2018, and as described in the note on the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board of Directors on 20 March 2019. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core activities are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA is listed on the Oslo Stock Exchange. The price on 31 December 2018 was NOK 41.00 per share, compared to NOK 46.50 per share at the end of 2017.

NEW ACCOUNTING STANDARDS

During the year, adjustments to framework conditions from IFRS related to revenue recognition (IFRS 15) affected the Group's accounts to a certain degree. See further details of this in Note 4 to the consolidated financial statements. In addition the Group has from 2018 implemented IFRS 9. The implementation of IFRS 9 has not led to any significant changes for the Group.

The most significant changes in future accounting standards that will affect the Group, is presented below.

Adopted IFRS and IFRIC with future effective dates:
The standards and interpretations adopted up to the date of presentation of the consolidated financial statements, but where the effective date is in the future, are shown below. The Group's intention is to implement the relevant changes on the effective date, on the assumption that the EU approves the changes before the presentation of the consolidated financial statements.

CHANGES RELEVANT TO THE ARCUS GROUP:
IFRS 16 Leases
IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of leasing agreements for both parties to a leasing agreement, i.e. the customer (lessee) and provider (lessor). The new standard requires the lessee to recognise the assets and liabilities under most leasing agreements, which is a significant change from current principles. The standard came into force on 1 January 2019.

See further details of how IFRS 16 will affect the Group's accounts in Note 16 to the consolidated financial statements.

Other changes
Other changes resulting from new standards that have yet to come into effect will not influence or have any significant effect on the consolidated financial statements.

Accounting policies
Consolidation principles
The consolidated financial statements comprise Arcus ASA and subsidiaries in which Arcus ASA has control, and present the overall financial results, the overall financial position, and the overall cash flows, as one financial entity. Control takes place when the Group is entitled to variable returns from an investment object, and can also influence relevant activities which affect the returns on the investment object. Normally this will be the company in which Arcus ASA, either directly, or indirectly via subsidiaries, owns more than 50 per cent of the shares with voting rights. In the consolidated financial statements, this Group is referred to as Arcus or the Arcus Group.

See Note 1 for an overview of all the companies included in the consolidation.

In the consolidated financial statements all intra-Group receivables and internal transactions between companies within the Group have been eliminated. The cost price of shares in subsidiaries is eliminated against equity at the time of acquisition. Accounting values including goodwill and excess values associated with foreign subsidiaries are translated from the functional currency to NOK according to the exchange rate at the close of the financial year.

Goodwill is included in the consolidated financial statements as an intangible asset.

Any changes in the Group's ownership of a subsidiary, without any loss of control, is recognised as an equity transaction. If the Group loses control of a subsidiary, underlying assets (including goodwill), debt, minority interests and other equity components are deducted, while gains and losses are recognised in the income statement. Any remaining investment is recognised at fair value.

Non-controlling interests
Non-controlling interests' share of profit after tax is shown on a separate line after the Group's profit for the year. Non-controlling interests' share of equity is shown on a separate line as a part of the Group's equity.

In some of the subsidiaries with non-controlling interests, there are put options related to the non-controlling interests, where the Group does not have control of the non-controlling interests before the options are exercised, nor does it have control of whether the options are exercised, or when this may have taken place. The value of such put options is recognized as liabilities at fair value in the statement of financial position, and reduces the non-controlling interests' share of equity.

The profit is presented as the non-controlling interests' share of profit in the statement of income, but since the Group has recognized the liability on the put options against the minority's share of equity, the profit, adjusted for distributed dividend and translation differences, is transferred to the majority's share of equity at the end of each reporting period.

Currency
All transactions in foreign currency are translated to functional currency as of the date of the transaction. Monetary items in foreign currency are translated as of the close of the financial year to functional currency using the exchange rate as of the close of the financial year.

The Group's presentation currency is NOK, which is also the parent company's functional currency.

The functional currency of subsidiaries is the currency in which the subsidiary reports its financial statements. On consolidation of subsidiaries that have a functional currency other than NOK, items of income and expenses are converted to the Group's presentation currency in accordance with average translation rates. This means that at the end of each period, items of income and expenses are translated at the average exchange rate to date in the year. For the statement of financial position, including excess value and goodwill, the closing exchange rate as of the close of the financial year is used. Currency differences arising on consolidation of entities with another functional currency are attributed to equity and presented as other comprehensive income in the consolidated statement of other comprehensive income. On disposal of subsidiaries, accumulated translation differences associated with the subsidiary are charged to the statement of income.

Investments in associated companies and jointly controlled entities
Associated companies are companies in which the Group has significant influence, normally between a 20 and a 50 per cent holding. The equity method is used for associated companies in the consolidated financial statements. Excess value analysis has been performed with regard to associated companies. The share of profit is based on the profit after tax in the company in which investment has been made, with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired holding of capitalised equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

Jointly controlled companies are investments in which the Group has an agreement on joint control over an entity together with one or more other parties, where none of them has decisive influence and all strategic, financial and operational decisions concerning the entity require unanimity between the parties. The share of profit is based on profit after tax in the company in which investment has been made, with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired holding of capitalised equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

As of 31/12/2019, the following exchange rates have been used when translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2018	2017
EUR average rate	Income statement items	9.6033	9.3326
EUR closing rate	Financial position items	9.9448	9.8510
SEK average rate	Income statement items	0.9365	0.9684
EUR closing rate	Financial position items	0.9711	0.9992
DKK average rate	Income statement items	1.2885	1.2546
DKK closing rate	Financial position items	1.3319	1.3231

Business mergers
Business mergers in the Group are treated according to the acquisition method and present the Group as a single entity. On acquisition, the cost price of the acquired business is allocated so that the consolidated opening statement of financial position reflects the estimated fair value of the acquired assets and liabilities. To determine fair value on acquisition, alternative methods of determining fair value must be used for assets for which there is no active market. Added value in excess of what is attributable to identifiable assets and liabilities is reported as goodwill. If the fair value of the equity in the acquired company exceeds the consideration, a reassessment is made of the valuation of observable assets and liabilities. If the reassessment reveals no discrepancies, the difference is recognised as income as at the acquisition date. The allocation of the cost price of the business merger must be changed if new information is revealed about the fair value applicable at the time of acquisition and up until the final excess value analysis. This must take place within 12 months of the acquisition date.

With each business acquisition, the minority interest will be measured at fair value, and minorities' share of goodwill is capitalised in the consolidated statement of financial position.

On stepwise acquisition of subsidiaries, the basis is the value of assets and liabilities on the date of the establishment of the Group. Subsequent acquisition of ownership of existing subsidiaries in addition to the majority interest will not affect the assessment of assets or liabilities.

Income recognition principles
The Group's income recognition principles are presented in a separate note (Note 4) to the consolidated financial statements.

Other income and expenses
To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also the detailed specification of what these items include in the notes relating to the individual line items.

Inventories
Inventories are valued at the lower of acquisition cost/production cost and net selling value, where net selling value is calculated as the selling price in a transaction with market participants on the measurement date less selling expenses. Purchased inventories are valued at acquisition cost according to the principle of weighted average, with deduction for obsolescence, while inventories produced in-house are valued at production cost according to the principle of full costing, with deduction for obsolescence.

Prepayments to suppliers
Prepayments to suppliers concern the financing of the purchase of inventory for individual partners. Prepayments are stated at nominal value after deduction for provisions for expected losses. Provisions for losses are made on the basis of identified indicators of impairment.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits, balances in the Group cash pool system and other means of payment with a due date less than three months from the acquisition date.

The Group's cash pool system is connected with cash and bank overdrafts within the same cash pool system and is presented net.

The Group cash pool system is managed by the parent company, Arcus ASA.

Property, plant and equipment
Tangible fixed assets are capitalised at cost price less accumulated depreciation and accumulated loss on non-transitory impairment. Depreciation is calculated and taken to expenses from the date the fixed asset is taken into use, and is calculated on the basis of expected useful life, taking account of estimated residual value.

Different rates of depreciation are used for a fixed asset's components if these have different economic lives. Assets under construction are not depreciated. Depreciation is only taken to expenses when the asset is ready for use. Profit and loss on sale of fixed assets are determined as the difference between the selling price and the book value at the time of sale. Profits on sales of fixed assets are recognised as operating income and losses as operating expenses. If there are indications of impairment, the amount recoverable is estimated in order to assess any loss through the impairment. If the book value exceeds the amount recoverable, the asset is written down to recoverable value, while the remaining depreciation period is maintained (breakpoint solution). Depreciation methods, residual values and estimated lifetime are continuously assessed.

Intangible assets
Intangible assets comprise brands, software and goodwill. Intangible assets are capitalised at cost price with deduction for accumulated depreciation and accumulated impairment in the event of non-transitory impairment.

Intangible assets with limited useful lives are depreciated by the straight-line method over the expected useful life.

The capitalised value of goodwill, brands and other intangible assets with indeterminate lifetime is tested for impairment at least once a year, or more often if there are indications that the value of the asset has decreased. This requires estimates of the recoverable amount to cash-generating units to which goodwill and other intangible assets are attributed.

To determine the recoverable amount, the Group estimates expected future pre-tax cash flows from the cash-generating unit and applies appropriate discount rates in order to calculate the present value of future cash flows. Cash flows for brands are calculated on the basis of a market-based "relief from royalty" method before tax. See Note 15 for a more detailed description of this model.

Expectations regarding future cash flows will vary over time. Changes in the market conditions and expected cash flows may cause losses in the event of impairment in the future. The most important assumptions of significance to the present value of the cash flows associated with the investments are future profits and growth, as well as the discount rate used.

Pensions
Net pension costs for defined benefit plans comprise the period's service cost, including future growth in salaries and interest rates on the estimated obligation, less expected returns on the pension assets. Prepaid pension is shown as a non-current asset in the statement of financial position where it is probable that the over- financing can be used or repaid. Correspondingly, a non-current liability is shown in the accounts when the pension obligation is greater than the pension assets. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations), are recognised against equity and are presented in the statement of other comprehensive income.

The Group also has defined contribution pension plans, schemes whereby the company pays contributions on an ongoing basis to the employees' individual pension plans. Ongoing premium invoices of this kind are expensed as salaries and other personnel costs.

Restructuring
Provisions for restructuring are recognised as expenses when the programme has been adopted and announced and the costs are identifiable and quantifiable. Provisions linked to restructuring are included as other provisions for liabilities calculated at present value. Agreements securing future work input are recognised as expenses over the period in which the work input is delivered.

Taxes
The tax expense comprises both tax payable and the change in deferred tax. Tax payable is based on taxable income for the year. Taxable income is different from the pre-tax profit as presented in the statement of income because of income and expenditure items that are not taxable/deductible (permanent differences), and the change in differences in taxable and accounting accruals (temporary differences). Tax payable is calculated on the basis of tax rates that had been adopted at the end of the period.

Deferred tax is capitalised on the basis of the temporary differences and any deficit to be carried forward existing at the end of the financial year and that involves increased or reduced future tax payable, when these differences are reversed in future periods. Temporary differences are differences between accounting and taxable results arising during a period and are reversed during a later period. Deferred tax is calculated on the basis of nominal tax rates (rates adopted as of the close of the financial year in the individual country) multiplied by temporary differences and the deficit to be carried forward. Deferred tax assets are capitalised when the probability exists that future taxable income will enable utilisation of the asset.

Share-based payment
The Group has two share-based incentive schemes for senior executives, and a general share savings programme for all employees.

The costs related to the two share-based incentive schemes for senior executives are accrued during the vesting period, which is the period between the allocation date and the date of receipt. The costs which are accrued are the calculated value of the matching shares or options as of the allocation date, and this value is not adjusted during the vesting period. These costs are booked as personnel costs, set off to Group equity.

The related employer tax is in principle accrued during the same period. The costs of the employer tax in each period are calculated on the basis of the fair value of the shares or options. The costs for the period comprise the change in provisions, and are booked as personnel costs, set off as debt in the statement of financial position.

The costs related to these programme are recognised in accordance with IFRS 2.

The general share savings programme for all employees is based on the Group selling shares to the employees below market value. The costs related to this programme are recognised by booking the difference between the market value of the shares and the purchase price for the employees as personnel costs.

Classification principles
Other assets included in the operating cycle or falling due within 12 months are classified as current assets. Remaining assets are classified as fixed assets.

Liabilities included in the operating cycle or falling due within 12 months, where there is no unconditional right to defer settlement, are classified as current liabilities. Remaining liabilities are classified as long term.

Proposed dividend/Group contributions are capitalised in the statement of financial position as a liability when the Group has an irrevocable obligation to make dividend payments/Group contribution, normally after adoption by the annual General Meeting.

Measurement and classification of financial assets and liabilities
IFRS 9 (Financial instruments) replaces IAS 39 (Financial instruments – recognition and measurement) from the annual financial statements as from 1 January 2018. This new standard has combined all three aspects concerning recognition of financial instruments in the accounts: classification and measurement; impairment and hedge accounting.

The Group has implemented IFRS 9 prospectively, as from 1 January 2018. This means that the Group has not reviewed the comparable information, which is still reported in accordance with IAS 39. No differences have arisen on the introduction of IFRS 9, so that nothing is carried directly to equity. The change in IFRS 9 has entailed that financial instruments have been classified in accordance with new categories, and the nature of these changes is described below.

(a) Classification and measurement
In accordance with IFRS 9, debt instruments are measured at fair value through profit or loss, amortised cost, or fair value through total comprehensive income (OCI). The classification is based on two criteria: the Group's business model for management of assets; and whether the instrument's contractual cash flows solely represent "payment of principal and interest". This assessment was made as at 1 January 2018.

The valuation of whether contractual cash flows for debt instruments solely comprise principal and interest was factually based on initial recognition of the assets.

Financial instruments at fair value via profit or loss
Financial instruments are recognised in the statement of financial position when the Group has become party to the instrument's contractual provisions, and deducted when the contractual rights or obligations are fulfilled or cancelled, or have expired or been transferred. Financial instruments are classified as current assets if the expected settlement date is within 12 months of the close of the financial year, and as non-assets if the settlement date is later than 12 months after the close of the financial year. Derivatives are classified as financial instruments at fair value through profit or loss, unless they form part of a hedge. Assets and liabilities in this category are classified as current assets or current debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

Debt instruments at amortised cost
Assets in the category of debt instruments at amortised cost are financial assets that are not derivatives and which have contractual cash flows which solely represent the principal and any interest, and are not traded in an active market. Any value changes as a consequence of interest rate changes are not recognised.

They are classified as current assets unless they fall due more than 12 months after the close of the financial year. Financial assets in the category of debt instruments at amortised cost comprise trade receivables and other receivables, as well as cash and cash equivalents in the statement of financial position. Financial liabilities in the category of debt instruments at amortised cost are debt to financial institutions, trade payables and other current liabilities.

Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Sold accounts receivable that are included in the factoring agreement are presented as reduced accounts receivable in the statement of financial position.

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities are recognised at amortised cost based on an effective interest-rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and depreciated over the term of the loan (amortised cost). Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

New guidelines for classification and measurement of financial instruments in accordance with IFRS 9 did not have any significant impact on the Group. The Group continued to apply fair value measurement to all financial assets previously recognised at fair value through profit or loss, in accordance with IAS 39. The following changes have been made to the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets classified as Lending and receivables as at 31 December 2017 are recognised in order to gather contractual cash flows and lead to cash flows that solely concern payment of principal and interest. As from 1 January 2018, these are classified and measured as Debt instruments at amortised cost.
- Equity investments in non-listed companies classified as assets available for sale as at 31 December 2017 are classified and measured as financial instruments at fair value through other comprehensive income (OCI) as from 1 January 2018. The Group chose to classify its non-listed equities investments in accordance with this category, since the intention is to hold these investments for the foreseeable future. No impairment was recognised for these investments in earlier periods.

There are no changes in classification and measurement for the Group's financial liabilities.

(b) Write-down of expected losses on receivables and debt.
A significant share of the Group's revenue is associated with the state monopolies in the Nordic region, where there is not considered to be any credit risk. The Group's credit risk is otherwise spread over a large number of small customers within the HORECA market, as well as a small number of distributors outside the home markets.

On this basis, the Group applies a simplified approach to the calculation of expected credit losses. The Group does not track changes in credit risk, but instead assesses losses on the basis of the experienced credit loss on each reporting date. The Group has established a provisions matrix that is based on historical credit loss, adjusted for forward-looking factors that are specific to the debtors and the economic environment.

(c) Hedge accounting
At the time of the introduction of IFRS 9, all of the Group's existing hedging qualified for treatment as continuing hedging. The Group has derivatives that are defined for hedging purposes, but does not use the hedge accounting rules.

Since IFRS 9 is to be implemented prospectively, the Group's previous accounting policies according to IAS 39 apply to 2017 as the comparison year, and these policies are stated below.

The Group classifies financial instruments in the following categories: financial instruments at fair value via profit or loss, loans and receivables, financial assets available for sale and financial liabilities. The classification depends on the purpose of the asset or liability. Management classifies financial assets and liabilities on acquisition.

Financial instruments at fair value via profit or loss
Financial instruments are recognised in the statement of financial position when the Group has become party to the instrument's contractual provisions, and deducted when the contractual rights or obligations are fulfilled or cancelled, or have expired or been transferred. Financial instruments are classified as current assets if the expected settlement date is within 12 months of the close of the financial year, and as non-current assets if the settlement date is later than 12 months after the close of the financial year.

Financial instruments at fair value via profit or loss are either financial instruments held for trading purposes or financial instruments earmarked at fair value. A financial instrument is classified in the category "held for trading purposes" if it is primarily acquired with a view to producing profit from short-term price fluctuations. Derivatives are classified as held for trading purposes unless they form part of a hedge. Assets and liabilities in this category are classified as current assets or short-term debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the close of the financial year. Loans and receivables comprise accounts receivable and other receivables, as well as cash and cash equivalents in the statement of financial position.

Loans and receivables are measured at amortised cost, and value changes resulting from interest-rate changes are not recognised.

Financial assets available for sale
Financial assets available for sale are financial assets that are not derivatives and that have been placed in this category, or that do not belong to any other category. They are classified as fixed assets provided that the investment does not fall due or the management does not intend to sell the investment within 12 months from the close of the financial year.

Other financial liabilities
Financial liabilities not falling into the category of "financial instruments at fair value via profit or loss" are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities are recognised at amortised cost based on an effective interest-rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and depreciated over the period of the loan.

Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year.

Categorisation of financial assets and debt
The Group's measurement of financial assets, debt and other financial instruments at fair value can be divided into three categories:
Level 1: Listed (unadjusted) prices in active markets.
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

Leases
Leases where a significant part of the risk and return associated with ownership continues to lie with the lessor are classified as operational leases. Lease payments from operational leases (with deduction for any financial incentives from the lessor) are charged as expenses using the straight-line method over the period of the lease.

Leases with regard to property, plant and equipment in which the Group principally holds all risks and rewards are classified as financial leasing. Financial leasing is capitalised at the start of the lease period at the lower of fair value of the leased fixed assets and the present value of the total minimum lease amount. Each lease payment is allocated between a repayment element and an interest element. The lease cost is charged to profit or loss as financial expenses. The lease liability, less the cost of interest, is classified as other current liabilities and other non-current liabilities. Property, plant and equipment acquired through a financial lease agreement is depreciated over the expected life or the period of the lease if this is shorter.

As from the 2019 financial year, the accounting policies for lease agreements are amended after the introduction of new IFRS 16, which will have a significant impact on the Group's accounts. Further details are given in Note 16 to the consolidated financial statements.

Statement of cash flows
The indirect method is used in the preparation of the statement of cash flows. Cash and cash equivalents in the statement of financial position are defined as holdings of cash and cash equivalents in the statement of cash flows.

Segment information
Operating segments are reported in the same way as for internal reporting to Group management. The Group's business areas comprise Spirits, Wine and Distribution and decisions within each business area are taken by the Group CEO.

The Group's activities consist of sales and marketing of Spirits, sales and marketing of Wine, and Distribution of spirits and wine.

The Spirits business area comprises the following companies: Arcus Norway AS with subsidiaries, Det Danske Spiritus Kompagni A/S, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy and Arcus Deutschland GmbH.

The Wine business area comprises the following companies: Vingruppen Sweden Holding AB and subsidiaries, and Vingruppen AS and subsidiaries.

The Distribution business area comprises Vectura AS.

In addition, there are the remaining Group income and expenses, as well as financing costs, that comprise Arcus-Gruppen AS and Arcus ASA.

The Group presents no segment assets or liabilities, as this is not done in the Group's internal reporting

For further information about the Group's operating segments, see Note 5.

Areas in which estimates have major significance will be:
Figures in NOK 1,000

Accounting item	Note	Assumptions	Book value 2018	Book value 2017
Goodwill	15	Present value of future cash flows	1,042,130	1,042,596
Brands	15	Present value of future cash flows	815,009	819,702
Other intangible assets	15	Recoverable amounts and correct useful life	26,752	29,151
Property, plant and equipment	14	Recoverable amounts and correct useful life	315,839	329,826
Deferred tax assets	12	Assessment of the ability to exploit tax assets in the future	110,158	136,790
Pension obligations	10	Economic and demographic assumptions	21,077	30,552
Liabilities at fair value through profit or loss	22	Present value of future cash flows	74,218	0
Provisions	23	Correct basis for estimate calculations	9,008	12,478

Related parties
The Group's related parties, in addition to subsidiaries, associated companies and jointly controlled companies, are defined as the owners, all members of the Board of Directors and Group Management, and companies in which any of these parties either have controlling interests, Board appointments, or are senior employees.

All transactions between Group companies and related parties are made on market terms.

Important accounting estimates and discretionary assessments
Preparation of the annual financial statements requires management to make estimates and assumptions that affect the value of assets, liabilities and conditional liabilities in the statement of financial position, and income and expenses for the financial year.

Future events and changes in the regulatory framework may mean that estimates and assumptions must be changed, while new opinions and interpretations of standards may mean that the choice of principles and presentation will be changed. Estimates and underlying assumptions are examined and evaluated continuously, and changes in accounting estimates are recognised in the period in which the estimates are changed.

Present value estimates of future cash flows are affected by correct assumptions and estimates of future cash flows and estimates of return requirements. Return requirements are determined using the capital asset pricing model (CAPM) and assumptions in using the CAPM are: risk-free interest; market risk premium; and beta.

The areas with greatest risk of substantial changes are capitalised goodwill, brands, tax assets and liabilities at fair value via profit or loss, on the basis that the capitalised amounts are substantial, and that considerable discretion may be exercised. The estimates are based on assumptions concerning future cash flows that are discounted at a selected discount rate.

Estimates and assumptions are described in the various notes.

Notes

NOTE 1 COMPANIES IN THE GROUP

The consolidated financial statements for 2018 cover the following subsidiaries and associated companies:

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Company name				
Arcus ASA (parent company)	Nittedal	NOK	1,360	
Subsidiaries				
Arcus-Gruppen AS	Nittedal	NOK	276,552	100%
Vectura AS	Nittedal	NOK	14,014	100%
Shares owned by Arcus-Gruppen AS				
Arcus Norway AS	Nittedal	NOK	62,100	100%
Arcus Denmark AS	Copenhagen	DKK	10,324	100%
Det Danske Spiritus Kompagni A/S	Copenhagen	DKK	6,500	100%
Vingruppen AS	Nittedal	NOK	60	100%
VinGruppen Sweden Holding AB	Stockholm	SEK	50	100%
Arcus Deutschland GmbH	Bremen	EUR	500	100%
Shares owned by Arcus Norway AS				
Arcus Sweden AB	Stockholm	SEK	100	100%
Arcus Finland OY	Helsinki	EUR	311	100%
BevCo AS	Nittedal	NOK	600	100%
Atlungstad Håndverksdestilleri AS	Stange	NOK	30	100%
Stockholms Spritfabrik AB	Stockholm	SEK	50	100%
De Lysholmske Brenneri- og Destillasjonsfabrikker ANS	Nittedal	NOK	0	100%
Oplandske Spritfabrik ANS	Nittedal	NOK	0	100%
Løiten Brænderis Destillation ANS	Nittedal	NOK	0	100%
Siemers & Cos Destillasjon ANS	Nittedal	NOK	0	100%
Shares owned by VinGruppen Sweden Holding AB				
Vingruppen i Norden AB	Stockholm	SEK	4,192	100%

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Shares owned by Vingruppen AS				
Arcus Wine Brands AS	Nittedal	NOK	100	100%
Vinordia AS	Nittedal	NOK	968	100%
Symposium Wines AS	Nittedal	NOK	500	90%
Vinuniq AS	Nittedal	NOK	100	100%
Excellars AS	Nittedal	NOK	181	100%
Heyday Wines AS	Nittedal	NOK	100	70%
Classic Wines AS	Nittedal	NOK	30	100%
Creative Wines AS	Nittedal	NOK	30	100%
Shares owned by Symposium Wines AS				
Hedoni Wines AS	Nittedal	NOK	30	90%
Shares owned by Arcus Wine Brands AS				
Arcus Brand Lab AS	Nittedal	NOK	30	100%
Shares owned by Vingruppen i Norden AB				
Vinunic AB	Stockholm	SEK	145	100%
Wineworld Sweden AB	Stockholm	SEK	500	90%
The WineAgency Sweden AB	Stockholm	SEK	100	90%
Valid Wines Sweden AB	Stockholm	SEK	1,100	83%
Social Wines OY	Helsinki	EUR	8	94%
Vinum Import Oy	Åbo	EUR	3	88%
Vingruppen Oy	Helsinki	EUR	3	100%
Shares owned by Wineworld Sweden AB				
Wineworld Finland Oy	Helsinki	EUR	220	76%
Quaffable Wines Sweden AB	Stockholm	SEK	100	72%
Shares owned by Vinunic AS				
Vingaraget AB	Stockholm	SEK	50	100%
Owned by The WineAgency Sweden AB and WineWorld Sweden AB				
Your Wineclub Sweden AB	Stockholm	SEK	50	90%

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Shares owned by Social Wines Oy				
Vinunic Oy	Helsinki	EUR	3	94%
Shares owned by Quaffable Wines Sweden AB				
New Frontier Wines AB	Stockholm	SEK	50	72%
Associated company				
Tiffon SA	Jarnac	EUR	1131	35%
Smakeappen AS	Oslo	NOK	100	50%

Profit, dividends and equity attributable to non-controlling interests

Figures in NOK 1,000	Profits attributable to non-controlling interests in 2018	Accumulated non-controlling interests 31 December 2018 (assuming that put options are not exercised)*	Accumulated non-controlling interests 31 December 2018 (assuming that put options are exercised)*	Dividend distributed to non-controlling interests in 2018
Symposium Wines AS	515	1,259	0	-920
Heyday Wines AS	548	1,004	0	-68
Wineworld Sweden AB	1,643	5,674	0	-3,177
The WineAgency Sweden AB	1,381	4,619	0	-1,367
Social Wines OY	337	1,428	0	-95
Vinum Import Oy	351	1,435	1,435	-170
Other companies with minority interests	1,179	2,822	1,530	0
Total	**5,954**	**18,241**	**2,965**	**-5,797**

Figures in NOK 1,000	Profits attributable to non-controlling interests in 2017	Accumulated non-controlling interests 31.12.2017	Dividend distributed to non-controlling interests in 2017
Symposium Wines AS	1,089	2,290	-1,337
Heyday Wines AS	213	459	0
Wineworld Sweden AB	3,161	7,583	-693
The WineAgency Sweden AB	1,454	4,777	-1,098
Social Wines OY	150	1,357	0
Vinum Import Oy	501	1,280	-335
Other companies with minority interests	376	1,077	-58
Total	**6,944**	**18,823**	**-3,521**

* Several of the subsidiaries managing directors have non-controlling interests, and most of the managing directors have put options regarding their shares which they may exercise at a given future time. The Group does not have control of the shares at the end of the period, nor does it have control of the possible exercising of the put options. The table above show accumulated non-controlling interest for both assuming that the put options are exercised and assuming the put options are not exercised.

Since the Group does not have control of this exercising, the Group's book equity is subject to the assumption that the options are exercised.

Key figures for companies with significant non-controlling interests in the Group

2018

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenue	130,291	31,694	205,280	227,577	220,182	101,689
Other operating revenue	0	0	-2,950	-4,302	197	-756
Operating expenses excluding depreciation	-122,221	-29,053	-181,146	-205,504	-213,146	-91,013
Depreciation	0	0	-4	-21	-26	0
Operating profit	**8,070**	**2,641**	**21,180**	**17,750**	**7,207**	**9,919**
Net financial profit	609	-259	-38	74	-14	0
Tax	-2,030	-555	-4,719	-4,009	-1,434	-857
Profit for the year	**6,649**	**1,827**	**16,423**	**13,814**	**5,759**	**9,062**
Fixed assets	388	85	2,951	484	678	409
Current assets	45,356	11,875	108,004	94,367	59,662	33,854
Total assets	**45,744**	**11,960**	**110,955**	**94,851**	**60,340**	**34,263**
Equity	4,187	1,530	56,747	46,178	25,441	12,065
Liabilities	41,557	10,430	54,208	48,673	34,899	22,197
Equity and liabilities	**45,744**	**11,960**	**110,955**	**94,851**	**60,340**	**34,263**

2017

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenue	103,301	17,799	231,364	196,074	124,805	53,147
Other operating revenues	0	0	-4,994	-3,130	190	-143
Operating expenses excluding depreciation	-96,413	-16,735	-185,768	-174,269	-120,314	-47,731
Depreciation	0	0	-9	-19	-1,483	0
Operating profit	**6,888**	**1,064**	**40,592**	**18,656**	**3,198**	**5,273**
Net financial profit	319	-118	0	91	-53	-12
Tax	-1,760	-237	-8,981	-4,203	-694	-1,054
Profit for the year	**5,447**	**709**	**31,611**	**14,544**	**2,451**	**4,207**
Fixed assets	158	7	2,950	475	1,079	440
Current assets	36,139	8,100	129,095	97,556	58,472	32,636
Total assets	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**
Equity	3,722	1,530	75,838	47,763	20,701	10,206
Liabilities	32,575	6,577	56,207	50,269	38,850	22,870
Equity and liabilities	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**

NOTE 2 MANAGEMENT OF FINANCIAL RISK

Financial risk

The Group has a Board-adopted financial policy in which strategy and guidelines for financial risk management are defined. Responsibility for the execution of the adopted financial policy lies with Arcus ASA, but is implemented in cooperation with the individual business areas. The Arcus Group's principal source of income is the core business, and the Group's main strategy with regard to risk is not to speculate, but to limit the financial risk that the core business creates.

The most important financial risks to which the Group is exposed are associated with credit risk, interest-rate risk, liquidity risk and foreign currency risk.

For hedging purposes associated with interest-rate and currency risk, the Group to a certain degree uses financial derivatives. The Group does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes. The accounting treatment of financial derivatives is described under Accounting policies.

Credit risk

The Group has a procedure for the management of credit risk, which indicates that credit risk must be assessed before establishing a customer relationship by examining financial statements and other relevant and available information, and by determining credit periods and credit limits. The credit procedure also defines that after the establishment of a customer relationship:

- Customers that are granted credit must be subject to systematic credit assessment, with the establishment of credit limits that are followed up regularly.
- Credit terms in conjunction with sale to customers must be kept to a minimum and may normally not exceed 30 days.
- Credit risk must be reviewed and assessed at least quarterly.

If it is discovered that a credit assessment has not been made for a merchant customer, or is older than six (6) months, a credit check must be performed immediately.

Outstanding amounts are continuously monitored in cooperation between the finance department and the marketing departments of the individual activities. If an outstanding amount is not paid, a reminder must be sent. Reminders/collection notices must be run once a week, and other activities must be assessed on an ongoing basis.

On a monthly basis, and on the basis of the Group's template rules, the credit department calculates the loss provisions required. The Group's matrix for loss provisions is presented below.

Due date distribution of trade receivables	Assessment of provision requirements
Receivables with reminder level 1 (notice of collection sent)	10.0%
Receivables with reminder level 2 (ready for collection)	15.5%
Receivables with reminder levels 5, 8 and 9 (collection sent)	20.0%
Specific provisions on accounts receivable	Individual assessment

A significant share of the Group's revenue is associated with the state monopolies in the Nordic region, where there is not considered to be any credit risk. The Group's credit risk is otherwise spread over a large number of small customers within the HORECA market, as well as a small number of distributors outside the home markets.

At the end of 2018 the Group had no significant factoring agreements.

The Group's maximum credit risk is equivalent to the book value of financial assets. See also the table to this Note which categorises financial assets.

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	31.12.18	31.12.17
Nominal accounts receivable	1,261,888	1,432,873

The provision for bad debt on accounts receivable as at 31 December 2018 was TNOK 1,179 (2017: TNOK 709). Losses on accounts receivable are classified as other operating expenses in the statement of income.

As at 31 December, the Group had the following accounts receivable fallen due but not paid

31.12.2018[1)] *Figures in NOK 1,000*	Total	Not due	Due in 0-60 days	Due in 61-365 days	Due date after more than 1 year
Nominal accounts receivable	1,261,888	1,208,581	51,529	1,778	0
Provision for losses on accounts receivable	-1,179	0	-683	-496	0
Book value, accounts receivable	**1,260,709**	**1,208,581**	**50,846**	**1,282**	**0**

31.12.2017[1)]

Figures in NOK 1,000	Total	Not due	Due in 0-60 days	Due in 61-365 days	Due date after more than 1 year
Nominal accounts receivable	1,432,873	1,274,624	158,242	7	0
Provision for losses on accounts receivable	-709	0	-702	-7	0
Book value, accounts receivable	**1,432,164**	**1,274,624**	**157,540**	**0**	**0**

1. Receivables as at 31 December 2018 include significantly fewer accounts receivable that have fallen due for the Group than at the end of 2017. At the end of 2018, approximately NOK 1 million was related to accounts receivable that had fallen due from Vinmonopolet in relation to receivables which fell due during the New Year period in December 2018, and these were paid on the first banking day in 2019, i.e. 2 January 2019. In the same way, NOK 127 million was items receivable from Vinmonopolet at the end of 2017.

Interest-rate risk

The Group is exposed to interest-rate risk through financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2018, the Group's non-current liabilities were associated with credit facilities at SEB and financial leasing at at Nordea Finans and Volvo Finans. Group policy is to hedge up to 50 per cent of the base interest rate on non-current loans. The Group assesses the policy on an ongoing basis, and as at 31 December 2018 all interest rates were variable. The margin on credit facilities at SEB is related to the ratio of net interest-bearing debt in relation to EBITDA, while the margin at Nordea Finans and Volvo Finans is fixed.

Figures in NOK 1,000	Currency	Interest-rate profile	Due date	2018	2017
Current interest-bearing debt					
Drawing on the Group's overdraft facility	NOK	Variable	2019	0	72,700
Current liabilities related to financial leasing	NOK	Variable	2019	18,063	17,371
Non-current interest-bearing debt					
Non-current loan to financial institutions	SEK	Variable	2021	728,325	749,400
Non-current liabilities related to financial leasing	NOK	Variable	2020	151,394	166,395

Sensitivity analysis, interest 2018

Figures in NOK 1,000	Increase/reduction in base points	Effect on pre-tax profit
Loans in NOK	50	-4,489
Loans in NOK	-50	4,489

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. The Arcus Group's capital management is described in a separate section of this note.

The Group's activities are subject to seasonal fluctuations, and alcohol sales normally increase in periods with national celebrations and public holidays, especially at Easter and Christmas. The fourth quarter is normally the best quarter for the Group, which is also reflected in cash flows.

Cash flows from operations, which are, for example, affected by changes in working capital, are managed operationally by the business areas. Via reporting, the finance department monitors liquidity flows in the short and long term. Interest-bearing debt is followed up and managed together with interest-bearing receivables at Group level.

The following table presents an overview of the maturity structure for the Group's financial liabilities, based on non-discounted contractual payments. In instances where the counterparty can demand earlier redemption, the amount is recorded in the earliest period in which the payment can be demanded by the counterparty

2018	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	728,325	0
Debt to financial institutions – leasing*	18,063	150,101	1,293
Liabilities at fair value	0	0	0
Other provisions	0	92	0
Trade payables	576,783	0	0
Current liabilities**	1,115,710	0	0
Interest related to mortgage loans	10,925	21,850	0
Interest related to financial leasing debt	4,194	3,301	66
Total	**1,725,675**	**903,669**	**1,359**

2017	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	749,400	0
Debt to financial institutions – leasing*	17,371	166,395	0
Other provisions	0	320	0
Trade payables	603,884	0	0
Current liabilities**	1,125,747	0	0
Interest related to mortgage loans	11,241	33,723	0
Interest related to financial leasing debt	4,316	6,809	0
Total	**1,762,559**	**956,647**	**0**

* Read more about the maturity profile of financial leases in Note 16 concerning Leasing agreements.
** Current liabilities include collected alcohol taxes.

Currency risk

The Group is exposed to currency risk as it has operations in several different countries. The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in NOK. Changes in purchase costs from suppliers in functional currency due to exchange rate changes are continuously offset by changes of sales prices to customers and through renegotiation of purchase prices from suppliers. The most significant currencies are EUR, USD, SEK and DKK. The risk horizon, i.e., the time it takes to compensate for negative exchange rate fluctuations, is to a great extent controlled by price-adjustment opportunities in the state monopolies in the Nordic region. In Norway this takes place every four months and in Sweden every six months. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

All of the Group's long-term borrowing is undertaken in SEK, as a natural hedging of cash flow in the form of dividends in SEK.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate in the companies' functional currencies.

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk when translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31 December 2018, the net translation difference associated with the majority's equity was positive at NOK 308.5 million, corresponding to a positive change in 2018 of NOK 7.7 million (positive by NOK 300.8 million at the end of 2017).

The table below shows the Group's purchase of non-functional foreign exchange during 2018.

	Purchase of currency 2018			
Figures in 1,000 (in the relevant currency)	Spot	Forward	Total	Proportion hedged via forward contracts
EUR	90,399	11,200	101,599	11.0%
USD	11,735	150	11,885	1.3%
AUD	1,088	60	1,148	5.2%
GBP	1,365	320	1,685	19.0%
SEK	0	190	190	100.0%

	Purchase of currency 2017			
Figures in 1,000 (in the relevant currency)	Spot	Forward	Total	Proportion hedged via forward contracts
EUR	85,554	15,885	101,439	15.7%
USD	10,092	390	10,482	3.7%
AUD	1,048	230	1,278	18.0%
GBP	2,215	80	2,295	3.5%
DKK	70,000	0	70,000	0.0%
SEK	40	0	40	0.0%

At the end of the year, the Group had the following forward contracts related to the distribution activities, which were booked at fair value with value changes through profit or loss. The represents financial hedging and the Group does not use hedge accounting.

31.12.18

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	1,600	15,912	15,308	604	2019
Purchase contracts	GBP	50	553	534	20	2019
Total					**624**	

31.12.17

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	2,000	19,702	18,783	919	2018
Purchase contracts	USD	110	907	856	51	2018
Purchase contracts	AUD	60	385	373	12	2018
Purchase contracts	GBP	20	222	211	11	2018
Total					**993**	

All forward contracts are recognised at fair value as of the close of the financial year.

Sensitivity to exchange rate fluctuation:
The following table shows the Group's sensitivity to changes in the most important exchange rates, if all other variables remain constant.

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31 December 2018 in foreign currency (non-functional currency). This includes hedging derivatives recognised at fair value with value changes through profit or loss.

The effect on other comprehensive income (OCI) is calculated as the effect of the translation differences associated with subsidiaries in foreign currency as at 31/12/2018.

Figures in NOK 1,000	Change in exchange rate	Effect on pre-tax profit	Total effect on OCI before tax
EUR	5%	-1,419	3,554
EUR	-5%	1,419	-3,554
SEK	5%	-2,326	1,562
SEK	-5%	2,326	-1,562
DKK	5%	6,016	41,012
DKK	-5%	-6,016	-41,012

The Group's exposure to other currencies is insignificant as at 31/12/2018.

Categorisation of financial assets and liabilities:

Assets

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value through total comprehensive income (OCI).	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	200	0	200	0	200
Other non-current receivables	0	1,581	0	1,581	0	1,581
Trade receivables	0	1,260,709	0	1,260,709	0	1,260,709
Other receivables	624	59,966	0	60,590	20,231	80,821
Bank deposits	0	282,594	0	282,594	0	282,594
Total financial assets 31.12.2018	**624**	**1,605,050**	**0**	**1,605,674**	**20,231**	**1,625,905**

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Loans and receivables	Assets available for sale	Total book value of financial assets, 31.12.	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	0	200	200	0	200
Other non-current receivables	0	1,205	0	1,205	0	1,205
Trade receivables	0	1,432,164	0	1,432,164	0	1,432,164
Other receivables	993	70,981	0	71,974	14,921	86,895
Bank deposits	0	184,415	0	184,415	0	184,415
Total financial assets 31.12.2017	**993**	**1,688,765**	**200**	**1,689,958**	**14,921**	**1,704,879**

Liabilities

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value through total comprehensive income (OCI).	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
Debt to financial institutions	0	892,958	0	892,958	0	892,958
Liabilities at fair value	74,218	0	0	74,218	0	74,218
Other non-current liabilities	0	647	0	647	0	647
Trade payables	0	576,783	0	576,783	0	576,783
Other current liabilities	0	15,960	0	15,960	169,296	185,256
Total financial liabilities 31.12.2018	**74,218**	**1,486,348**	**0**	**1,560,566**	**169,296**	**1,729,862**

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial liabilities	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
Debt to financial institutions	0	999,289	999,289	0	999,289
Liabilities at fair value	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0
Trade payables	0	603,884	603,884	0	603,884
Other current liabilities	0	14,916	14,916	182,828	197,744
Total financial liabilities 31.12.2017	**0**	**1,618,089**	**1,618,089**	**182,828**	**1,800,917**

Fair value hierarchy

The Group uses the following hierarchy to determine and report the fair value of financial instruments:

Level 1: Listed (unadjusted) prices in active markets

Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.

Level 3: Techniques for calculation of fair value based on other than observable market data.

As at 31 December 2018, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.18	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	624	0	624
Total assets	**0**	**624**	**0**	**624**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value through profit or loss	0	0	74,218	74,218
Total liabilities	**0**	**0**	**74,218**	**74,218**

31/12/2017	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	993	0	993
Total assets	**0**	**993**	**0**	**993**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value through profit or loss	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**

There have been no reclassifications between Level 1 and Level 2 during the period. Neither have there been any transfers out of Level 3 during the period.

Reconciliation of liabilities (Level 3):
Commitments classified at Level 3 are related to options for the purchase of non-controlling interests. Further information on these commitments is presented in Note 22.

	Book value 31.12.2017	Used/exercised 2018	Provision made/ issued 2018	Value changes 2018	Recognised interest 2018	Translation differences	Book value 31.12.18
Liabilities at fair value	0	0	67,874	2,560	104	3,680	74,218
Total	**0**	**0**	**67,874**	**2,560**	**104**	**3,680**	**74,218**

	Book value 31.12.2016	Used/exercised 2017	Provision made/ issued 2017	Value changes 2017	Recognised interest 2017	Translation differences	Book value 31.12.2017
Liabilities at fair value	24,135	-10,483	0	-13,673	21	0	0
Total	**24,135**	**-10,483**	**0**	**-13,673**	**21**	**0**	**0**

Capital management
The Group's overall objective is that the Group at all times has sufficient liquidity to fulfil its obligations in both the short and long term. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance. Unutilised credit opportunities are described in Note 19.

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31 December 2018 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Group works according to the objective that the net interest-bearing debt may not exceed 2.5 times EBITDA.

There were no changes in the Group's non-current debt financing during 2018. At the end of 2018, the agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this loan clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio. In connection with the introduction of IFRS 16 concerning leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to the current model, regardless of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

The Group also has financial leasing agreements for major investments in production equipment.

NOK million	2018	2017
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	874,895	909,218
Current interest-bearing debt to credit institutions	18,063	90,071
Capitalised front-end fees	4,824	6,577
Bank deposits and other cash and cash equivalents	-282,594	-184,415
Net interest-bearing debt	**615,188**	**821,451**

NOTE 3 INFORMATION ON CASH FLOWS

The Group prepares the statement of cash flows according to an indirect method. Below is a specification of cash flow effects which are not presented elsewhere in the Notes.

CASH FLOWS FROM OPERATIONS:

Pension costs and other provisions without cash effect
Pension costs without cash effect are the change in pension obligations in the statement of financial position, adjusted for obligations from acquisition or sale, and the effects of booked estimate deviations booked to total comprehensive income (OCI).

Figures in NOK 1,000	Note	2018	2017
Book value pension obligations at the beginning of the year	10	-30,552	-34,092
Estimate deviations booked to the total comprehensive income	10	9,900	4,438
Book value pension obligations at the end of the year	10	21,077	30,552
Pension costs without cash effect		**425**	**898**
Book value other provisions for obligations at the beginning of the year	23	-320	-627
Book value other provisions for obligations at the end of the year	23	92	320
Costs from other provisions without cash effect		**-228**	**-307**
Total pension costs and other provisions without cash effect		**197**	**591**

Value changes without cash effect
Below is a specification of value changes included in the statement of income, but without cash effect.

Figures in NOK 1,000	Note	2018	2017
Value change in options for the purchase of non-controlling interests	11,22	2,560	147
Value change in previous co-investment programme for senior executives	11,22	0	-13,821
Costs related to share-based remuneration without cash effect	9	7,603	9,415
Amortization of front-end fees for interest-bearing debt	21	1,623	1,652
Value change, forward contracts	11	369	-1,837
Total value changes without cash effect		**12,155**	**-4,444**

Profit or loss on sale of fixed assets and intangible fixed assets
The accounting profit or loss on the sale of fixed assets and intangible fixed assets has no cash flow effect, which is thereby reversed from the operational activities in the indirect method. The sales proceeds related to these divestments is the Group's cash flow effect under investment activities.

Figures in NOK 1,000	Note	2018	2017
Book value of sold fixed assets and intangible fixed assets	14,15	0	0
Sales proceeds from sold fixed assets and intangible fixed assets		365	30
Profit (-) / loss (+) on sale of fixed assets and intangible fixed assets		**-365**	**-30**

Unrealised gains
Unrealised gains are related to translation differences for working capital items in foreign subsidiaries with a functional currency other than the Group's functional currency, and statement of income items related to the currency translation of loans booked in other currencies than the functional currency.

Figures in NOK 1,000	Note	2018	2017
Translation differences for working capital items		1,195	19,195
The effects on the result of the translation of loans booked in another currency than the functional currency		0	0
Total unrealised gain		**1,195**	**19,195**

Changes in working capital
Changes in working capital are the change in working capital items in the statement of financial position, adjusted for working capital items from the acquisition or sale of companies during the period.

Figures in NOK 1,000	Note	2018	2017
Book value of inventories at the beginning of the year		410,759	378,777
Addition of inventories on acquisition of companies during the year		0	201
Book value of inventories at the end of the year		-441,117	-410,759
Change in inventories		**-30,358**	**-31,781**

Figures in NOK 1,000	Note	2018	2017
Book value of trade receivables at the beginning of the year		1,432,164	1,344,067
Addition of trade receivables on acquisition of companies during the year		0	44,158
Book value of trade receivables at the end of the year		-1,260,709	-1,432,164
Change in trade receivables		**171,455**	**-43,939**

Figures in NOK 1,000	Note	2018	2017
Book value of trade payables at the beginning of the year		-603,884	-628,347
Addition of trade payables on acquisition of companies during the year		0	-20,974
Book value of trade payables at the end of the year		576,783	603,884
Change in trade payables		**-27,101**	**-45,437**

Figures in NOK 1,000	Note	2018	2017
Book value of other current receivables at the beginning of the year	17	85,902	78,996
Addition of other current receivables on acquisition of companies during the year		0	845
Book value of other current receivables at the end of the year	17	-74,958	-85,902
Change in other current receivables		**10,944**	**-6,061**
Book value of other current liabilities at the beginning of the year	24	-1,124,105	-1,108,674
Addition of other current liabilities on acquisition of companies during the year		0	-31,626
Book value of other current liabilities at the end of the year	24	1,113,785	1,124,105
Change in other current liabilities		**-10,320**	**-16,195**
Change in other current assets and other liabilities		**624**	**-22,256**

CASH FLOWS FROM INVESTMENT ACTIVITIES:

Payments on acquisition of other financial investments

In 2018, the entire amount concerns a payment related to an ownership interest in a new associated company, Smakeappen AS. In 2017, the payment was related to an increased ownership interest in an existing associated company, Tiffon SA.

Figures in NOK 1,000	Note	2018	2017
Increased ownership interest in an associated company (Tiffon SA)	13	0	-454
Ownership interest in Smakeappen AS	13	-119	0
Payments on acquisition of other financial investments		**-119**	**-454**

CASH FLOWS FROM FINANCING ACTIVITIES:

Interest cost paid during the period

The Group has quarterly interest payment dates, so that the Group's recognised interest payable coincides with the interest paid during the year. The difference between recognised interest payable and interest paid is related to calculated interest costs relating to liabilities at fair value through profit and loss, recognized in the statement of financial position.

Figures in NOK 1,000	Note	2018	2017
Interest paid to credit institutions	11	-37,302	-31,454
Interest cost paid during the period		**-37,302**	**-31,454**

Payment of dividend

Dividend paid in 2018 is mainly related to dividend to shareholders in Arcus ASA (TNOK 112,919). Other dividend is to minority shareholders in individual subsidiaries within the wine business. This dividend is specified in Note 1.

NOTE 4 REVENUE

Sales revenue is the primary income source for the Group and related segments.

Spirits
The primary revenue source in Spirits is the sale of spirits products, of which most of the sales revenue is from own produced products, for which the Group is also the owner of the brand. In addition, this segment also has sales revenue from a good number of agencies, of which the products may be processed and bottled by the Group or imported products that are ready for sale, but where the brand is owned by other external operators. The most important spirits categories are Aquavit, Bitters, Vodka and Cognac.

In geographical terms, Norway, Denmark and Sweden are the most important markets, but the Group also has sales to Germany, the USA, Finland and DFTR (Duty Free Travel Retail), as well as other sales to other markets.

Wine
The primary revenue source for Wine is sales of wine products, where most of the sales revenue is from agency activities, where the Group imports products that are ready for sale. The Group also has considerable sales revenue from sales of own Wine brands, with wine being blended and bottled in the Group's own production facility.

In geographical terms, the Group has sales revenue from Wine in Norway, Sweden and Finland, and to small extent from DFTR.

Distribution
The Group's distribution activities comprise its subsidiary,Vectura, whose primary revenue source is comprehensive logistics services for both internal and external suppliers in Norway.

Other operating revenues
Other operating revenues primarily comprise revenues other than the primary source of income. For the Spirits segment this consists mainly of contract bottling, and for the Wine segment glass sales, while for the Distribution segment this consists mainly of other activity-based income, including pallet location hire, export handling, destruction handling and quarter pallet production.

The following table presents the Group's total external revenue:

	2018			2017		
Sales revenue by market - Group:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	1,048,786	27,615	1,076,401	996,050	24,568	1,020,618
Sweden	1,089,855	15,582	1,105,437	1,006,576	12,944	1,019,520
Finland	221,790	3,674	225,464	221,385	4,610	225,995
Denmark	145,077	-116	144,961	146,109	0	146,109
Germany	54,238	1,484	55,722	59,940	1,504	61,444
USA	6,729	31	6,760	3,238	580	3,818
DFTR	104,287	0	104,287	94,870	0	94,870
Other international	1,853	2,316	4,169	1,958	728	2,686
Total operating revenue	**2,672,615**	**50,586**	**2,723,201**	**2,530,126**	**44,934**	**2,575,060**

The tables below present the segments' total external and internal revenue:

	2018			2017		
Sales revenue by market - Spirits:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	302,073	149,186	451,259	301,579	141,306	442,885
Sweden	125,130	4,589	129,719	126,469	5,455	131,924
Finland	34,313	0	34,313	32,711	289	33,000
Denmark	143,220	-116	143,104	146,109	0	146,109
Germany	54,238	1,484	55,722	59,940	1,504	61,444
USA	6,729	31	6,760	3,238	580	3,818
DFTR	94,552	0	94,552	91,417	0	91,417
Other international	2,192	1,977	4,169	1,958	728	2,686
Total operating revenue	**762,447**	**157,151**	**919,598**	**763,421**	**149,862**	**913,283**

	2018			2017		
Sales revenue by market - Wine	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	479,936	0	479,936	448,477	360	448,837
Sweden	932,148	16,018	948,166	882,085	13,509	895,594
Finland	183,235	3,674	186,909	188,674	4,321	192,995
DFTR	9,396	339	9,735	3,453	0	3,453
Total operating revenue	**1,604,715**	**20,031**	**1,624,746**	**1,522,689**	**18,190**	**1,540,879**

	2018			2017		
Revenue by market - Distribution:	**Sales revenue**	**Other operating revenue**	**Total**	**Sales revenue**	**Other operating revenue**	**Total**
Norway	272,378	35,361	307,739	251,332	33,071	284,403
Total operating revenue	**272,378**	**35,361**	**307,739**	**251,332**	**33,071**	**284,403**

Significant customer relationships
The Group has significant customer relationships with Vinmonopolet in Norway and Systembolaget in Sweden, which each represent more than 10 per cent of the Group's total operating revenues.

Total operating revenue from Vinmonopolet was approximately NOK 711 million in 2018, of which NOK 281 million in Spirits and NOK 430 million in Wine. In 2017 the corresponding total was approximately NOK 689 million, of which NOK 286 million in Spirits and NOK 403 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 932 million in 2018, of which NOK 115 million in Spirits and NOK 817 million in Wine. In 2017 the corresponding total was approximately NOK 905 million, of which NOK 116 million in Spirits and NOK 789 million in Wine.

IMPLEMENTATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS
As from 2018, the Group has implemented IFRS 15 Revenue from contracts with customers. IFRS 15 is implemented based on the modified retrospective method, without adjustment of the comparative figures. Reconciliation of previous effects is presented in a separate table under this note. The implementation of IFRS 15 has not led to any significant changes in the Groups principles for revenue recognition. New revenue recognition principles and an overview of the most significant assessments made at implementation of IFRS 15 is described below.

Revenue recognition principles
Sale of goods (wine and spirits)
The Group's sales revenues mainly consist of revenues to the Scandinavian retail monopolies for sale of alcohol, which are the wine and spirits business's largest customers. The Group also has sales to Horeca customers (Hotel, Restaurant, Catering), wholesalers and sales to DFTR customers (Duty Free Travel Retail).

The wine and spirits business in the Group only sells physical goods in the form of wine and spirits products. The Group's sale of goods is recognized as revenue a given point in time when fulfillment of related delivery obligations has taken place. The timing corresponds to when the goods are delivered at the customer's agreed upon delivery point where the risk and control of the goods are transferred to the customer. Revenues are presented as sales revenues within the Wine and Spirits segment.

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of goods.

Sale of distribution services
Sale of distribution services consists of logistics and distribution services to agents and importers (partners) in Norway who supply alcoholic beverages to the Norwegian market. The distribution services consist of several service elements;
- Incoming goods flow (ordering, customs clearance and control on receipt of goods).
- Collaboration with Vinmonopolet, Horeca and wholesalers on distribution solutions and negotiations with customers.
- Arranging market activities for partners, in consultation with these.
- Outgoing goods flow (Customer handling, order receipt, license control, processing of excise duties, filing orders from customers, goods picking and assembling, physical distribution or preparation for pickup).
- Invoicing to customers, credit assessments and follow-up, system for discounts and bonuses from / to the partners to customers.
- Invoicing and reporting of excise duties
- Stock accounts

The revenues from distribution services are recognized at a given point in time when the fulfillment of the related delivery obligations has taken place, which corresponds to the time of fulfillment of the delivery obligations related to the sale of products in the wine and spirits business. Revenues from distribution services are presented as sales revenue within the Distribution segment.

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of distribution services.

Sale of other activity-based revenue
The Distribution business area also provides other activity-based services that consist of;
- Inbound transport from producer to country
- Storage for unsold goods
- Pallet building (conversion from large EUR pallets to smaller pallets)
- Destruction services

The revenues are presented as other operating revenues and are recognized over time in line with the fulfillment of the delivery obligations that correspond to when the services are delivered to the customer.

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of other activity-based revenues.

Sale of contract bottling services
The Spirits business area supplies bottling services to internal and external wine companies.

Revenues related to external wine companies are presented as other operating revenues and are recognized at a given point in time when the delivery obligations are met. The timing corresponds to when the risk and control of lost products is transferred to the customer.

Implementation of IFRS 15 has not led to changes in accounting for revenues from sale of bottling services.

Discounts

Most of the customer agreements, apart from the agreements with the monopolies, also includes clauses of retrospective variable transfers back to the customers after the actual delivery date. This can be volume-based discounts and bonuses that the customer receives based on the customer's sale to the end customer over a given period, or other contractual variable bonuses to a member-based Group of customers based on either sold volume or sales amount for the member companies. Such retrospective variable transfers are estimated and recognized in the income statement when the delivery obligation is fulfilled, and presented as a reduction of the sales revenues.

Implementation of IFRS 15 has not led to changes in accounting for discounts.

SIGNIFICANT CHANGES IN REVENUE RECOGNITION PRINCIPLES AS A CONSEQUENCE OF THE INTRODUCTION OF IFRS 15

Costs for outgoing freight

The group has previously recognized costs relating to outgoing freight (shipping costs for the delivery of goods sold to customers) as reduced sales revenues. IFRS 15 stipulates that outgoing freight costs must either be accounted for as a reduction of sales revenues or as an operating cost based on a principal versus agent assessment, depending on if sales companies are principals or agents for the outgoing freight. The group's assessment is that the wine and spirits businesses are principals, since most of their contracts with customers require delivery to the customers' warehouse. This corresponds to the group's assessment that the distribution business is agent in this respect, and thereby recognize its distribution revenue on a net basis.

On the basis of these assessments, the Group has changed its accounting principle for outgoing freight costs as of 2018, so that freight costs are recognized as a cost of goods. The change does not affect the calculation of gross profit, as revenues increase correspondingly as the increase in cost of goods. The change is not implemented in the segment reporting to ensure consistency between segment note and internal reporting to the Group's decision makers.

Distribution services and presentation

The Group has made significant assessments related to the timing of the distribution services. The assessments have included analysis of whether the underlying service elements are met over time or whether these are fulfilled at a given point in time. The group's assessment is that the service elements do not meet the criteria for revenue recognition over time, and consequently must be recognized as revenues at a given point in time that corresponds to the time when the risk and control of the goods delivered is transferred to the customer. The distribution business's date of revenue recognition consequently coincides with the revenue date of recognition for sale of goods.

Principal vs. Agent (Gross vs. Net Revenue Accounting)

The Distribution business area recognizes its revenues on a net basis after deduction of special taxes, cost of goods and inventory handling costs. The assessment is based on an overall assessment that Vectura's source of income relates to the delivery of total logistics services and that the risk of the flow of goods is the partner's (supplier's) responsibility.

Figures in NOK 1000	Reported 2018	IFRS 15 effects 2018	2018 without IFRS 15 effects	2017
Sales revenue	2,672,615	-41,499	2,631,116	2,530,126
Other operating revenue	50,586	0	50,586	44,934
Total operating revenue	**2,723,201**	**-41,499**	**2,681,702**	**2,575,060**
Cost of sales	-1,577,306	41,499	-1,535,807	-1,408,524
Gross profit	**1,145,895**	**0**	**1,145,895**	**1,166,536**

CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

NOTE 5 SEGMENT INFORMATION

2018 *Figures in NOK 1,000*	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenues – external	766,774	1,603,260	261,082	0	41,499	2,672,615
Sales revenue between the segments	-4,327	1,455	11,296	0	-8,424	0
Other operating revenue – external	8,294	17,185	23,576	1,531	0	50,586
Other operating revenue between the segments	148,857	2,846	11,785	173,533	-337,021	0
Total operating revenue	**919,598**	**1,624,746**	**307,739**	**175,064**	**-303,946**	**2,723,201**
Net profit on sale of fixed assets	185	0	180	0	0	365
Cost of sales	-447,962	-1,244,346	0	0	115,002	-1,577,306
Salaries and other personnel costs	-123,803	-96,882	-146,321	-59,638	0	-426,644
Other operating expenses	-205,756	-102,011	-148,861	-141,646	188,944	-409,330
Share of profit from TS and FKV	2,311	0	0	0	0	2,311
EBITDA, adjusted	**144,573**	**181,507**	**12,737**	**-26,220**	**0**	**312,597**
Other income and expenses	-1,768	-11,838	-381	8,691	0	-5,296
Depreciation and amortization	-24,744	-2,586	-11,261	-6,235	-5,179	-50,005
Operating profit	**118,061**	**167,083**	**1,095**	**-23,764**	**-5,179**	**257,296**
Net financial profit/loss	**-7,938**	**-18,595**	**-221**	**-8,993**	**-369**	**-36,116**
PROFIT BEFORE TAX	**110,123**	**148,488**	**874**	**-32,757**	**-5,548**	**221,180**

2017 *Figures in NOK 1,000*	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenue – external	767,591	1,521,529	241,006	0	0	2,530,126
Sales revenue between the segments	-4,170	1,160	10,326	0	-7,316	0
Other operating revenue – external	6,669	15,072	22,741	452	0	44,934
Other operating revenue between the segments	143,193	3,118	10,330	173,730	-330,371	0
Total operating revenue	**913,283**	**1,540,879**	**284,403**	**174,182**	**-337,687**	**2,575,060**
Net profit on sale of fixed assets	30	0	0	0	0	30
Cost of sales	-404,928	-1,154,411	0	0	150,814	-1,408,524
Salaries and other personnel costs	-122,269	-100,122	-134,419	-60,602	0	-417,412
Other operating expenses	-206,650	-94,678	-135,852	-141,392	186,873	-391,699
Share of profit from TS and FKV	3,286	0	0	0	0	3,286
EBITDA, adjusted	**182,753**	**191,668**	**14,132**	**-27,812**	**0**	**360,741**
Other income and expenses	-7,142	-5,166	-647	-212	0	-13,167
Depreciation and amortization	-24,117	-1,794	-12,825	-7,666	-5,180	-51,581
Impairment	0	0	0	0	-22,700	-22,700
Operating profit	**151,494**	**184,709**	**660**	**-35,690**	**-27,880**	**273,293**
Net financial profit/loss	**2,988**	**-18,103**	**480**	**-1,577**	**1,669**	**-14,543**
PROFIT BEFORE TAX	**154,482**	**166,606**	**1,140**	**-37,267**	**-26,211**	**258,750**

The Group does not present the segments' assets or liabilities as this is not part of the Group's internal reporting either.

For information regarding pricing associated with sales between the segments, see Note 6.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group executive management, as well as companies in which any of these parties have either controlling interests, Board appointments or managerial positions.

The Group's transactions with related parties:

Purchase of goods and services:

Figures in NOK 1,000	**Relationship**	**Delivery**	**2018**	**2017**
Hoff SA	Owner	Raw materials	21,156	22,386
Tiffon SA	Associated company (34.75%)	Raw materials and consumables	45,456	52,746
Gjelleråsen Eiendom AS1)	Owned by shareholder (Canica AS)	Rent	0	79,150
Destilleriveien 11 AS1)	Owned by shareholder (Canica AS)	Rent	27,570	0
Thomas Patay	Former General manager of Vingruppen AS	Minority shareholder in Vinordia AS, Symposium Wines AS and Vinuniq AS	0	2,741
Draaav Konsult AB	Owned by a Board member of Vingruppen i Norden AB (Claes Lindquist)	Consulting services	767	0
Total purchase of goods and services			**94,949**	**157,023**

Sales of goods and services:

Figures in NOK 1,000	**Relationship**	**Delivery**	**2018**	**2017**
Tiffon SA	Associated company (34.75%)	Market support	5,880	3,714
Total sales of goods and services			**5,880**	**3,714**

Receivables from related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of receivable**	**2018**	**2017**
Tiffon SA	Associated company (34.75%)	Current receivables	1,997	170
Hoff SA	Owner (10%)	Current receivables	0	0
Smakeappen AS	Associated company (50%)	Non-current receivables	506	0
Total receivables from related parties as at 31.12			**2,503**	**170**

Liabilities to related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of liability**	**2018**	**2017**
Hoff SA	Owner	Current liabilities	492	1,147
Tiffon SA	Associated company (34.75%)	Current liabilities	7,145	10,821
Draaav Konsult AB	Owned by a Board member of Vingruppen i Norden AB (Claes Lindquist)	Current liabilities	32	0
Total liabilities to related parties as at 31.12			**7,669**	**11,968**

All transactions with related parties are on market terms.

1. The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destilleriveien 11 AS as from 1 Janaury 2018; both companies are controlled by Canica AS. On 30 April 2018, the property was sold from Destilleriveien 11 to Storebrand, and as from that date the rent is no longer a transaction with related parties.

Transactions between Group companies:
Agreements have been reached between the companies in the Group on the cost distribution for internal services and joint procurement. This applies mainly to rent, maintenance and property facility services, as well as shared functions such as finance, IT, payroll, etc. The services are recognised in the various companies' accounts as other income and other operating expenses, respectively.

All buying and selling of goods and services between the companies takes place on market terms and is eliminated in the consolidated financial statements.

NOTE 7 OTHER OPERATING EXPENSES

Figures in NOK 1,000	2018	2017
Sales and marketing costs	-122,518	-122,678
Logistics costs	-64,531	-56,331
Rent	-88,692	-86,706
Property operation	-23,099	-27,950
Repair, maintenance and non-capitalised equipment	-40,307	-37,094
Travel expenses	-15,874	-16,991
Consultants and external outsourcing of services	-46,949	-39,543
Other costs	1,858	-12,650
Total other operating expenses	**-400,112**	**-399,944**
Of which effects which are included in Other income and expenses in the financial statements	-9,218	8,245
Total other operating expenses as presented in the statement of income	**-409,330**	**-391,699**

Other income and expenses:
Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the activities. See also the section concerning alternative profit measurement (APM).

Figures in NOK 1,000	2018	2017
Personnel policy and other organisational measures[1]	-14,514	-4,922
Other transaction costs	-1,246	-502
Other non-recurring items[2]	10,464	-7,743
Total other income and expenses	**-5,296**	**-13,167**

1 **Personnel policy and other organisational measures:** Costs related to organisational and staffing adjustments in order to meet the restructuring need with new work processes and improved profitability, as well as costs related to a temporary incentive programme with matching shares to selected key employees in conjunction with the IPO in 2016. This programme expires in Q1 2019, and further information about the programme is presented in Note 9.

2 **Other non-recurring items:** Other non-recurring items consist of both positive and negative items.
In 2017, this mainly concerned costs related to a dispute with the Swedish customs authorities and a customer concerning a contract-bottling delivery. These costs primarily comprise Swedish customs and VAT charges levied on the Group in conjunction with the delivery, and related legal fees. In 2018, the Group recovered value added tax (1 MNOK) that had been paid, but is still working to also recover customs expenses.
Further, the positive non-recurring effect in 2018 mainly concerns the reversal of a non-utilised provision for an estimated liability related to the previous sale of a property some years back in time.

Auditors' remuneration
The auditors' fees are specified below. The fees cover the Group auditor, EY, as well as other auditors of Group subsidiaries.

Figures in NOK 1,000	2018	2017
Statutory audit	2,926	3,100
Other financial auditing	91	171
Other certification services	139	69
Tax consultancy services	1,055	170
Other non-audit services	24	42
Total remuneration to the auditors	**4,235**	**3,552**

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to parties other than the Group auditor of TNOK 1,252 for 2018 and TNOK 1,243 for 2017.

NOTE 8 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	2018	2017
Salaries including holiday pay	-296,535	-280,838
Social security costs	-61,005	-58,434
Pension costs including social security costs	-32,057	-32,406
Other personnel costs	-51,561	-50,656
Total salaries and other personnel costs	**-441,158**	**-422,334**
Of which effects included under Other income and expenses in the statement of income (see Note 7)	14,514	4,922
Total salaries and personnel costs as presented in the statement of income	**-426,644**	**-417,412**
Average number of FTEs employed during the year	424	420

Remuneration to senior executives

The terms and conditions for the Group CEO are set by the Board of Directors, which also takes decisions in principle concerning the Group's terms and conditions policy and compensation schemes for other employees. The Board has a remuneration committee which prepares remuneration proposals for decision by the Board. The committee comprises two members of the Board elected by the shareholders. The administration handles cases for the remuneration committee and the Board.

In 2018, the Group Management was covered by the Group's annual bonus system, a temporary share programme (matching shares) that was established in conjunction with the IPO in 2016, as well as an option programme adopted at the Annual General Meetings in 2017 and 2018, under which share options were issued in both 2017 and 2018. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the Group Management can receive up to four months' salary.

The Group CEO and other members of the executive management have an ordinary occupational pension with Storebrand, which entails 5 per cent pension contributions for salaries from 0 to 7.1G and 11 per cent for salaries from 7.1 to 12G. The Swedish member of the Group Management has a defined contribution pension scheme for which the contribution rate is 25 per cent of the salary. The Group CEO also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. This pension entitlement is capitalised annually in the consolidated statement of financial position and the return is based on the return from the Storebrand Balansert pension fund.

Salaries and other remuneration to the Group Management is shown in the table below. Benefits from sharebased payments to the Group Management is shown in Note 9.

Figures in 1,000 *Local currency*	Currency	Salary	Bonus earned in 2018	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,118	0	234	332
Sigmund Toth	NOK	1,897	0	152	87
Erlend Stefansson	NOK	2,144	0	191	87
Erik Bern	NOK	1,960	0	196	87
Bjørn Delbæk	NOK	1,671	0	191	87
Per Bjørkum	NOK	1,602	0	196	87
Eirik Andersen[1]	NOK	475	667	42	22
Thomas Patay[2]	NOK	1,731	0	143	65
Claes Lindquist[3]	SEK	208	0	5	72
Svante Selling[4]	SEK	1,780	251	120	442
Christian Granlund	NOK	1,777	0	167	87

1 Eirik Andersen joined the Group Management on 1 October 2018, and the benefits represent three months in the Group Management.
2 Thomas Patay resigned from the Group Management on 30 September 2018, and the benefits represent nine months in the Group Management.
3 Claes Lindquist was part of the Group Management up to 31 January 2018, when Svante Selling joined the Group Management. The benefits stated represent one month in the Group Management. Claes Lindquist resigned on 31 March 2018.
4 Svante Selling took up the position on 1 February 2018, and the benefits represent 11 months in the Group Management.

Salaries and other remuneration to the Group Management in 2017:

Figures in 1000 *Local currency*	Currency	Salary	Bonus earned in 2017	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,031	286	227	386
Sigmund Toth	NOK	1,728	147	146	84
Erlend Stefansson	NOK	2,033	139	179	84
Erik Bern	NOK	1,780	132	190	84
Bjørn Delbæk	NOK	1,572	103	191	84
Per Bjørkum	NOK	1,523	107	137	84
Thomas Patay	NOK	2,288	144	195	84
Lorna Stangeland[1]	NOK	900	0	50	21
Christian Granlund[2]	NOK	870	290	90	45
Claes Lindquist	SEK	2,193	1,031	102	862

1 Lorna Stangeland resigned on 31 March 2017 and the benefits stated represent three months in the Group Management.
2 Christian Granlund was appointed on 12 June 2017 and the benefits stated represent 6.5 months in the Group Management.

If the CEO gives notice of termination, he is subject to six months' notice of termination. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

Concerning the other Group Management members, Sigmund Toth, Erlend Stefansson, Erik Bern, Eirik Andersen, Svante Selling and Christian Granlund are subject to six months' notice of termination, while Per Bjørkum and Bjørn Delbæk are subject to three months' notice of termination.

Concerning the other Group Management members, Erik Bern and Eirik Andersen are subject to a 12-month non-competition clause, while Sigmund Toth, Bjørn Delbæk, Per Bjørkum, Erlend Stefansson, Svante Selling and Christian Granlund are subject to a six-month non-competition clause. They all have an agreement concerning severance pay during the period to which the non-competition clause applies.

Thomas Patay resigned from the Group Management at the end of Q3 2018. He had a 12-month non-competition clause, which was activated, and which entails that in 2019 he receives monthly salary compensation for this at TNOK 2,133. In addition, in 2019 Thomas Patay will receive payments related to earned rights concerning matching shares, options and severance pay totalling TNOK 3,526.

Claes Lindquist resigned from the Group Management at the end of January 2018. He had a non-competition clause whereby he received severance pay of 60 per cent of 12 monthly salaries after his resignation, in total TNOK 1,497.

Both of these severance agreements were considered and approved by the Group's remuneration committee.

No loans or surety have been provided for the Group CEO, other Group Management or members of the Board of Directors.

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 20.

Declaration of the Board of Directors regarding the fixing of salaries and other remuneration to executive personnel
Pursuant to Sections 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors shall prepare a separate declaration on the fixing of salaries and other remuneration to executive personnel.

Furthermore, under Section 5-6(3) of the Norwegian Public Limited Liability Companies Act, an advisory vote must be held at the General Meeting on the Board of Directors' guidelines for fixing remuneration to executive personnel for the coming financial year, see (ii) below. In so far as the guidelines concern share-based incentive arrangements, these must also be approved by the general meeting, see (iii) below.

(i) Salaries and other remuneration to executive personnel
Salaries and other remuneration to executive personnel for the preceding financial year are presented in Notes 8, 9 and 10 to the annual financial statements for Arcus ASA.

(ii) Guidelines for the fixing of salaries and other remuneration to executive personnel
With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2019 for an advisory vote:

The purpose of Arcus' overall compensation policy is to attract personnel with the competence that the Group requires, to further develop and retain employees with key expertise, and to promote a long-term perspective and continuous improvement with a view to achieving Arcus' business goals. As an overall principle, Arcus' policy must be competitive, but not market-leading, in terms of the total compensation package. The total compensation may consist of the following elements:

(a) Fixed elements – Basic salary, pension, etc.
Arcus uses internationally recognised job assessment systems (Hay) to find the "right" level for the position and the fixed salary. Positions are assessed in relation to their local market (country) and a pay range in relation to the median. The employee's area of responsibility, results and performance determine where he or she is placed on the salary scale.

Arcus has a defined contribution occupational pension plan for employees in Norway. The contribution rate is 5 per cent for salaries up to 7.1G and 11 per cent for salaries between 7.1G and 12G (as from 1.5.2018 1G is NOK 96,883). The CEO is the only employee who currently has an occupational pension for salaries above 12G and the contribution rate is 15 per cent. There are no arrangements or agreements regarding an early retirement age for the Group Management other than the national insurance scheme and the AFP arrangement, which allow all employees a flexible retirement age starting at the age of 62. All employees in Norway are subject to a statutory age limit of 72, but the age limit in the Norwegian part of the Group is contractually set at 70, which also applies to the Group Management.

The CEO of Vectura AS has the same pension scheme as the Group Management. The CEO of Vingruppen i Norden AB adheres to the Swedish regulations. The pension scheme in Sweden has different rules and higher contribution rates than in Norway.

In addition to the above, the Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(b) Variable elements – annual bonus
Arcus ASA has an annual bonus system. The bonus system for the Group Management consists of a financial component (70 per cent) tied to a performance-related target for the Group, and an individual component (30 per cent) tied to concrete and defined KPIs for the individual. For other executive positions, the financial element is 50 per cent tied to a performance-related target for the Group or company, and the individual element is 50 per cent.

All bonuses are self-financed. The maximum bonus achievable for Group executives is 30 per cent of their annual salary (four monthly salaries), although the Group CEO may receive a maximum annual bonus of five monthly salaries. In addition to the Group Management, approximately 70 managers and key staff participate in an annual bonus programme, but the criteria vary. These staff members may receive a bonus of between one and three monthly salaries.

The bonus programme for 2019 will consist of the same components, and its primary target will be the Group's and/or the company's earnings (financial element of 70 per cent). Individual bonuses (personal targets), with a maximum percentage of 30 per cent for Group Management, are also a key element of the programme.

Executives of Vectura AS adhere to the same guidelines as the Group Management, but based on the company's EBIT.

Executives of Vingruppen i Norden AB currently adhere to a staggered bonus model, based on the company's EBIT, with maximum five monthly salaries.

(iii) Share-based incentive programmes
In conjunction with the IPO in 2016, the Group Management (nine persons) and an additional 33 managers/key staff were offered the opportunity to invest in shares in exchange for "matching shares" on conditions specified in the prospectus. In total, eight people from the Group Management and a further 29 managers subscribed to the offer. The matching programme was concluded and matching shares were granted to seven persons in the Group Management and 24 persons in addition to the Group Management, after presentation of the result for Q4/2018 in 2019.

The Annual General Meetings in 2017 and 2018 approved an option-based long-term incentive scheme for the Group Management, as well as the CEO of Vectura and the CEO of Vingruppen i Norden, and for certain additional managers and key persons. The primary objective of the programme is to provide executive personnel with incentives to generate long-term and continuous success and value creation for the shareholders. Reference is made to the report concerning the option scheme and the share programme for all employees described in annex 4 to the notice convening the General Meeting, and the Board of Directors' proposal for a continuation of these programmes.

Arcus ASA has managers/key persons in several wine companies in which it has invested as a minority owner, and this mainly concerns the general manager. This model has been a success for the Group, in the form of well-motivated managers who have achieved good results. It is appropriate to continue to allow the general manager of a subsidiary, based on an individual assessment, to be a minority owner, with an ownership interest limited to 9.9 per cent.

Such a model is intended to encourage an entrepreneurship culture, sound business acumen and internal competition between companies which, in turn, can increase the profitability of the company and of the employee. Financing must primarily take place as the employee's contribution of equity.

On starting up or acquiring a new company, greater flexibility (up to 30 per cent ownership interest) must be accepted in terms of how much the employee should/may invest, based on an individual and commercial assessment.

(iv) Executive salary policy in previous financial years
The guidelines for salaries and other remuneration to executive personnel described in item (ii) also served as guidelines for fixing executive salaries and other remuneration in 2018. No bonus was paid for 2018, except for some of the wine companies.

(v) Changes in contractual agreements
CEO Claes Lindquist of Vingruppen i Norden AB resigned in order to take retirement, and was succeeded by Svante Selling, who came from an internal position as sales director in the Spirits business area. Selling took up the position on 1 February 2018. Claes Lindquist continued as an external member of the Board of Directors of Vingruppen i Norden AB as from 1 April 2018, and has also worked on a consultant basis.

CEO Thomas Patay of Vingruppen AS i Norge resigned from his position on 1 October 2018. He was succeeded by Eirik Andersen, who came from a position as general manager of Symposium Wines AS.

The remuneration of the Board of Directors is as follows, as from 11.04.18

Chairman of the Board of Directors	NOK 510,000 p.a.
Board members elected by the shareholders	NOK 230,000 p.a.
Board members elected by the employees	NOK 154,000 p.a.
Deputy member elected by the employees	NOK 7,500 per meeting
Audit Committee	
Chair of the committee	NOK 87,000 p.a.
Member	NOK 41,000 p.a.
Remuneration Committee	
Chair of the committee	NOK 41,000 p.a.
Member	NOK 26,000 p.a.

Remuneration to the members of the Board of Directors in 2018:

Figures in NOK 1000		Board fees including committee work	Number of shares at 31.12.2018
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	548	156300
Hanne Refsholt		255	0
Leena Maria Saarinen		269	1860
Trond Berger		315	17441
Eilif Due[1]		229	3299325
Stein Erik Hagen[2]		229	28607626
Ann-Beth Freuchen		229	0
Board members elected by the employees			
Erik Hagen			925
Konstanse M. Kjøle	Newly-elected Board member in 2018		681
Ann Therese Jacobsen	Newly-elected Board member in 2018		0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board of Directors.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board of Directors.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	493	153	6	25
Ingrid E. Skistad[1]	317	76	5	18
Kjell Arne Greni[1]	97	76	3	9
Konstanse M. Kjøle[2]	285	77	2	14
Ann Therese Jacobsen[2]	269	77	1	13
Arne Larsen[3]	0	15	0	0

1. Kjell Arne Greni and Ingrid E. Skistad resigned from the Board on 30 June 2018, and the benefits represent six months' membership of the Board.
2. Konstanse M. Kjøle and Ann Therese Jacobsen joined the Board on 1 July 2018, and the benefits represent six months' membership of the Board.
3. Arne Larsen attended two Board meetings as deputy employee representative.

Remuneration to the members of the Board of Directors in 2017:

Figures in NOK 1000		Board fees including committee work	Number of shares on 31.12.2017
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	480	150000
Mikael Norlander	Resigning Board member in 2017	177	0
Hanne Refsholt		222	0
Leena Maria Saarinen		227	1860
Trond Berger		301	17441
Eilif Due[1]		275	3299325
Isabelle Ducellier	Resigning Board member in 2017	0	0
Stein Erik Hagen[2]	Newly-elected Board member in 2017	150	22670000
Ann-Beth Freuchen	Newly-elected Board member in 2017	150	0
Board members elected by the employees			
Erik Hagen		See the Table below	566
Ingrid E. Skistad[3]		See the Table below	1368
Kjell Arne Greni		See the Table below	0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board of Directors.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board of Directors.
3. Ingrid E. Skistad owns 322 shares on a personal basis. Other declared shareholdings are held via the company Ibrygging Invest AS, of which she is Chair of the Board of Directors.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	495	157	6	25
Ingrid E. Skistad	617	150	4	31
Kjell Arne Greni	185	155	6	9

NOTE 9 SHARE-BASED REMUNERATION

Share-based incentive schemes
Both before and after the IPO the Group has had long-term incentive programmes for managerial employees, which are related to the Group's value added. The Group also has a share savings programme in which all employees can participate.

Matching shares for senior executives and other key persons
Before the Board of Directors in 2017 adopted a new long-term incentive scheme for senior executives, in conjunction with the IPO in 2016 a temporary two-year incentive scheme (interim retention plan) was adopted, in which 37 employees, including the Group Management, were awarded matching shares. These matching shares are granted to recipients in Q1 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time. Of the nine members of the Group Management who received this offer, eight accepted the offer, as the remaining person resigned soon afterwards.

For the Group Management, matching shares were granted whereby for each share they acquired in addition to their reinvestment obligations related to the settlement of the completed programme with synthetic shares and options, they also received one matching share. The members of the executive management who did not already hold synthetic shares and options were entitled to receive either one matching share for each share they purchased in total, or one matching share for every two shares they purchased in total.

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it.

In 2017 and 2018, six persons who were covered by this programme resigned, so that at the end of 2018 there were 31 persons left in this programme (eight in the Group Management and 23 other key persons).

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed twice the value on the allocation date.

Below, the number of matching shares for the Group Management as at 31 December 2018 is presented, of which the fair value is based on Arcus' share price as at 31 December 2018 (NOK 41.00).

Figures in NOK 1000	Allocation date	Number of matching shares on the allocation date	Number of matching shares 31.12.2017	Number of matching shares 31.12.2018	Fair value 31.12.2018	Redemption date
Kenneth Hamnes	01.12.2016	42,100	42,100	42,100	1,726	14.02.2019
Sigmund Toth	01.12.2016	19,767	19,767	19,767	810	14.02.2019
Erlend Stefansson	01.12.2016	27,062	27,062	27,062	1,110	14.02.2019
Erik Bern	01.12.2016	9,956	9,956	9,956	408	14.02.2019
Bjørn Delbæk	01.12.2016	8,692	8,692	8,692	356	14.02.2019
Per Bjørkum	01.12.2016	8,256	8,256	8,256	338	14.02.2019
Eirik Andersen	01.12.2016	7,558	7,558	7,558	310	14.02.2019
Svante Selling	01.12.2016	6,781	6,781	6,781	278	14.02.2019
Total, Group management		**130,172**	**130,172**	**130,172**	**5,337**	
Other managerial employees	01.12.2016	250,587	200,646	123,560	5,066	14.02.2019
Total number of matching shares		**380,759**	**330,818**	**253,732**	**10,403**	

Overview of the development in the number of allocated matching shares:

Number of matching shares	2018	2017
Allocated matching shares at the beginning of the year	330,818	380,759
Allocated matching shares during the year	0	0
Terminated matching shares during the year	-77,086	-49,941
Allocated matching shares at the end of the year	**253,732**	**330,818**

Effects of matching shares in the accounts:

Figures in NOK 1,000	2018	2017
Earning of matching shares	5,574	6,323
Termination of matching shares	-2,321	-80
Change in provision for employer taxes	545	1,252
Total costs related to matching shares	**3,798**	**7,495**
Liabilities[1]	**1,923**	**1,378**

1. Solely includes employer taxes

Option programme for senior executives
In 2017 and 2018, an option programme for senior executives in the Group was adopted, with annual allocation of new options. At settlement, the receivers will receive a corresponding number of shares in Arcus ASA as they have options.

The options' vesting period will be three years from the allocation date, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The number of options allocated annually will vary, and will correspond to the individual executive's potential maximum bonus that can be achieved in relation to the listed price on the allocation date. The options' strike price is calculated as the volume-adjusted listed price for the last ten days prior to the allocation date, with the addition of 10 per cent.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

Below the Group Management's options holdings are listed. There has not been any settlements during 2018.

Allocation date	# 2018	# 2017
Vesting period	11.4.2018 - 11.04.2021	04.05.2017 - 04.05.2020
Redemption period	11.4.2021 - 11.04.2023	04.05.2020 - 04.05.2022
Redemption price	NOK 45.22	NOK 51.53

Number of options	2018	2017	2018	2017
Kenneth Hamnes	243,457	0	199,426	199,426
Sigmund Toth	125,103	0	90,773	90,773
Erlend Stefansson	135,053	0	110,628	110,628
Erik Bern	117,862	0	96,546	96,546
Bjørn Delbæk	103,166	0	84,508	84,508
Per Bjørkum	100,745	0	82,524	82,524
Eirik Andersen	69,136	0	57,765	57,765
Svante Selling	117,174	0	53,816	53,816
Christian Granlund	116,859	0	95,724	95,724
Total, Group Management	**1,128,555**	**0**	**871,710**	**871,710**
Other managerial employees	215,935	0	201,300	357,594
Total number of options	**1,344,490**	**0**	**1,073,010**	**1,229,304**

Basis for calculation of options:		2018	2017	2018	2017
Share price on the allocation date	NOK	43.70		47.90	47.90
Share price on the date of statement of financial position	NOK	41.00		41.00	46.50
Redemption price - minimum	NOK	45.22		51.53	51.53
Redemption price - maximum	NOK	131.10		143.70	143.70
Risk-free interest	%	1.4%		1.2%	1.1%
Volatility*	%	22.0%		22.0%	25.0%
Expected dividend	%	3.4%		3.4%	3.1%

* As the company has no historical volatility figures to apply, the company has calculated an average volatility for comparable companies on European exchanges within the same sector for the last five years.

Overview of development in the number of allocated options:

Number of options	2018	2017
Outstanding options at the beginning of the year	1,229,304	0
Allocated options during the year	1,534,306	1,407,369
Redeemed options during the year	0	0
Terminated options during the year	-346,110	-178,065
Outstanding options at the end of the year	**2,417,500**	**1,229,304**

Effects of options in the accounts:

Figures in NOK 1,000	2018	2017
Earning of options	3,855	1,655
Termination of options	-386	0
Change in provision for employer taxes	335	265
Total option costs	**3,804**	**1,920**
Liabilities[1]	**600**	**265**

1. Solely includes employer taxes

Share savings programme for all employees
The Group also has a general share savings scheme for all employees, under which all employees will annually have the opportunity to buy a limited number of shares in Arcus ASA, with a discount of 20 per cent. Sale of shares to employees below market value is recognised as a personnel cost comprising the difference between the market value of the shares and the purchase price.

In 2018, a total of 76 employees subscribed for a total of 26,744 shares. These shares were purchased at an average price of NOK 41.67 and sold to the employees at a discount of 20 per cent, whereby each employee could purchase either 359 or 179 shares. For this, costs of TNOK 258 were charged to the consolidated accounts in 2018.

	2018	2017
Number of employees who purchase shares at a discount	76	100
Number of shares purchased at a discount	26,744	31,234
Average price per share for purchase by employees at a discount (NOK)	41.67	46.56
Total cost for the Group (TNOK)	258	290

NOTE 10 PENSION COSTS, ASSETS AND OBLIGATIONS

Defined benefit pension plan
Up to 31 December 2008, Arcus ASA and its subsidiaries in Norway had a group defined benefit plan for their employees in Statens Pensjonskasse (the Norwegian Public Service Pension Fund – SPK) and Storebrand. The SPK pension plan also included a contractual early retirement plan (AFP) with financing from the commencement of employment. As at 31 December 2008, the Group Board of Directors terminated the SPK group pension plan for the entire Group in order to switch to defined contribution pension plans.

With the transition to the new pension plan, all those who were ill or disabled remained in the respective defined benefit plans in Statens Pensjonskasse (SPK) and Storebrand. SPK has confirmed that Arcus no longer has any legal obligations associated with the remaining pension recipients who are linked to the SPK defined benefit plans, but is only obliged to pay annual premium contributions specified by SPK, according to the same principle as for defined contribution plans. The Group therefore carries the current invoices from SPK to expenses in the same way as for the defined contribution plan. Within the pension obligation as at 31 December 2018, a provision of NOK 1.3 million is linked to five individuals in the Storebrand defined benefit plan. This is the only pension obligation secured with assets.

In addition, two individuals, who are no longer employed by the company, have a defined benefit plan for salaries above 12G (National Insurance base amount). This plan has been recognised with obligations totalling NOK 4.1 million at the end of 2018.

Gift pension and unfunded pension arrangement
On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31 December 2018, this gift pension is linked to 130 employees in the Norwegian operations, while the total obligation has been recognised at NOK 12.1 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. At the end of 2018, this obligation was recognised at NOK 1.0 million.

Contractual early retirement plan pension (AFP)
On 1 January 2011, a new contractual early retirement plan (AFP) pension scheme was introduced in Norway. This AFP plan gives a lifelong supplement to the ordinary pension plan. Employees can choose to take out the new AFP pension as from the age of 62, also while continuing to work. This new AFP plan is a collective-agreement based defined benefit multi-enterprise pension scheme, and is financed through premiums that are set as a percentage of salary. So far no reliable measurement and allocation of obligations and assets is available for the plan. In accounting terms, the plan is treated as a defined contribution pension plan in which premium payments are charged as current costs and no provisions are made in the financial statements. In 2017 and 2018, the current premium payments were set at 2.50 per cent of total salary payments between 1 G and 7.1 G to the company's employees. It has been decided not to change the premium payments for 2019. There is no accumulation of funds in the plan and it is expected that the premium level will increase over the coming years.

There are some seniority requirements associated with the new AFP plan with regard to accumulated length of employment in the scheme, and the limited liability company must be subject to a collective agreement. There are three limited liability companies in Norway, with a total of eight persons, who were not subject to the AFP plan as at 31 December 2018. This means that on reaching the age of 62, the individual employee must have been employed for seven of the previous nine years in order to fulfil the seniority requirements to be able to draw an AFP pension under the new scheme.

For the Arcus Group there were 17 individuals who did not fulfil this seniority requirement on the introduction of the new AFP plan. In 2011, Arcus applied for these individuals to have their accumulated period of employment in the old AFP plan in SPK included before transition to the LO/NHO (Norwegian Confederation of Trade Unions/ Confederation of Norwegian Enterprise) plan from 1 January 2009. Fellesordningen (Joint Pension Plan) gave its consent to this in return for Arcus paying the entire excess above and beyond the state supplement of 1/3 of the AFP pension. At the beginning of 2018, this obligation was NOK 5.2 million, and on the basis that all persons subject to this obligation at the end of 2018 were aged over 70, the Group has recognised the remainder of this obligation to OCI, so that at the end of the year no obligation for this had been booked.

Defined contribution pension
The Arcus Group's general pension plan for all other employees concerns defined contribution pension plans which are adapted to the regulations in the individual countries in which the Group has employees.

Norway
The general defined contribution pension plan has contribution rates of 5 per cent of salaries in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 per cent of salaries in the bracket from 7.1 to 12 times the National Insurance basic amount (G). There is also a disability scheme of 69 per cent, plus 18 per cent of the basic amount (G), as the benefit level, without free policy accumulation. Arcus ASA with subsidiary has group life insurance on death of up to 10G for all employees.

The costs associated with the defined contribution pension plan are related to the current premium invoices from the insurance company with which Arcus has signed a defined contribution pension agreement. The current defined contribution pension plans and disability pensions for employees in the defined contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined contribution pension plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised liability related to this was NOK 2.6 million at the end of 2018.

Sweden
In Sweden, the contributions are, to a great extent, individually agreed contribution rates based on individual salaries, and these can vary considerably. In 2018, the contribution rates, including insurance schemes, varied from 9 to 34 per cent of the individual's salary from January to March, while from April and for the rest of the year the contribution rates varied from 9 to 30 per cent of the individual's salary. The contribution rates apply as from the first krone earned.

Denmark
The general defined contribution pension scheme in Denmark has contribution rates varying from 8 to 10 per cent. The contribution rates apply as from the first krone earned.

Finland
The general defined contribution pension scheme in Finland has contribution rates of 18.95 per cent for employees aged below 53, and 17.45 per cent for employees aged over 53.

Germany
The contribution rate in Germany is 18.6 per cent of the employee's salary, up to the maximum calculation basis of EUR 78,000. The pension contribution in Germany is shared 50/50 between the employer and the employee, so that net cost for the German business is 9.3 per cent.

Other matters
The Group applies a discount rate equivalent to the covered bond interest rate to its pension commitments. The pension assumptions made by the Group are consistent with the recommendations of the Accounting Standards Board from September 2018. Due to the lack of significance, the assumptions were not updated as of 31 December 2018.

The table presents both defined benefit and other actuarially calculation pension obligations.

Figures in NOK 1,000

Pension costs	2018	2017
Present value of pension earnings for the year	687	778
Interest cost of pension obligations	870	890
Return on pension assets	-231	-215
Administration costs	109	174
Accrued social security contributions	202	218
Net pension costs after social security contributions	**1,637**	**1,845**

Defined contribution pension plan		
Recognised contributions excluding social security contributions	30,420	30,561

Figures in NOK 1,000

Net pension obligations:	2018	2017
Estimated accrued obligations, funded pension plans	9,058	14,436
Estimated value of pension assets	-7,721	-10,328
Net estimated pension obligations (+) /assets (-)	**1,337**	**4,108**
Estimated accrued obligations, non-funded pension plans	19,740	26,444
Net pension obligations recognised in the statement of financial position	**21,077**	**30,552**

Changes in obligations:		
Net pension obligations 01.01	30,552	34,092
Pension costs, continued operations	1,637	1,845
Paid out through operations	-809	-743
Premium payments including SSC	-403	-204
Estimate deviations recognised directly in equity (IAS19R)	-9,900	-4,438
Net pension obligations 31.12.	**21,077**	**30,552**

Summary of pension assets:		
Shares and other equity instruments	7,721	10,328
Total pension assets 31.12.	**7,721**	**10,328**

Financial assumptions:		
Discount rate	2.60%	2.30%
Expected salary adjustment	2.75%	2.50%
Expected pension increase	1.75%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.50%	2.25%
Expected return on pension assets	2.60%	2.30%

Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

Sensitivity analysis of net pension obligations:
The table below shows the effects of changes in pension obligations, deferred tax assets and equity in the event of a change in the most important economic assumptions by one percentage point up or down. The calculations are otherwise carried out in the same way as the actuarial calculations and are based on all other economic and demographic assumptions remaining unchanged.

Sensitivity 2018	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**%**	**-1%**
Change in pension obligations	-2,002	2,361	1,960	-1,749	1,960	-1,749
Change in deferred tax assets	441	-519	-431	385	-431	385
Change in equity	1,562	-1,841	-1,529	1,365	-1,529	1,365
Percentage change in obligations	**-9.5%**	**11.2%**	**9.3%**	**-8.3%**	**9.3%**	**-8.3%**

Sensitivity 2017	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,116	3,697	6,019	-4,980	-2,566	2,597
Change in deferred tax assets	717	-850	-1,384	1,145	590	-597
Change in equity	2,400	-2,847	-4,634	3,835	1,976	-2,000
Percentage change in obligations	**-10.2%**	**12.1%**	**19.7%**	**-16.3%**	**-8.4%**	**8.5%**

Summary of cash flows related to pension plans

Figures in NOK 1,000	**2018**	**2017**
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	403	204
Payments from operations, gift pension at 65-67 years of age	809	743
Premium payments, AFP plan not recognised in the statement of financial position	4,197	4,069
Premium payments, remaining in SPK	84	72
Premium payments, defined contribution pension	27,254	29,240
Total	**32,747**	**34,328**

All figures include social security costs.

Premium payments associated with ordinary defined contribution pension schemes are the largest disbursement items associated with pensions. The basis for the premium payments to the defined contribution plan is calculated according to the actual salaries and will reflect the salary development within the company.

Premium payments to the AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. The premium rate was 2.50 per cent in 2017 and 2018 and this will remain unchanged in 2019.

NOTE 11 FINANCIAL INCOME AND COSTS

Figures in NOK 1,000	**2018**	**2017**
Financial income		
External interest income	12,906	6,654
Total interest income	**12,906**	**6,654**
Value adjustment of foreign exchange forward contracts at fair value	0	1,837
Value adjustment of co-investment programme (synthetic shares and options)	0	13,821
Agio gains[1]	27,727	24,915
Other financial income	13	731
Total other financial income	**27,740**	**41,304**
Total financial income	**40,646**	**47,958**
Financial costs		
Interest costs to financial institutions	-37,302	-31,454
Interest costs on liabilities at fair value	-104	-21
Amortization of front-end fee related to credit facilities at SEB[2]	-1,623	-1,652
Total interest costs	**-39,029**	**-33,127**
Value adjustment of minority options at fair value	-2,560	-147
Value adjustment of foreign exchange forward contracts at fair value	-369	0
Agio loss[1]	-26,178	-22,061
Other financial costs	-8,626	-7,166
Total other financial costs	**-37,733**	**-29,374**
Total financial costs	**-76,762**	**-62,501**
Net financial profit/loss	**-36,116**	**-14,543**

1. From 2018 the Group presents gross agio gains and losses within other financial income and other financial costs. In former annual reports, agio gains and agio losses has been presented on a net basis as either financial income or financial costs, depending on whether there has been net agio gains or net agio losses.
2. Amortization of front end fees related to credit facilities in SEB is from 2018 presented as interest cost. This was earlier presented as other financial costs. This has also been re-classified in the 2017 figures.

NOTE 12 TAX

Tax for the year is calculated as follows:

Figures in NOK 1,000	2018	2017
Tax payable	-31,141	-37,463
Change in deferred tax	-25,595	-34,306
Insufficient provision in previous years	-27	1,241
Tax	**-56,763**	**-70,528**

Tax cost breakdown by country	2018	2017
Tax - Norway	-27,498	-34,883
Tax - Sweden	-19,594	-26,194
Tax - Denmark	-6,760	-7,343
Tax - Finland	-2,767	-2,220
Tax - Germany	-144	112
Total tax cost	**-56,763**	**-70,528**

Reconciliation from nominal to actual tax rates	2018	2017
Pre-tax profit	221,180	258,750
Expected income tax at the nominal tax rate in Norway	-50,871	-62,100
Tax effect of the following items:		
Non-deductible costs	-2,804	-7,638
Non-taxable income	361	33
Insufficient provision in previous years	27	1,241
Change in non-capitalised tax assets	130	213
Change in tax rate	-5,017	-4,859
Differences in tax rates	1,132	3,366
Profit share, associated companies	532	789
Other	-253	-1,573
Tax	**-56,763**	**-70,528**
Effective tax rate	**26%**	**27%**

Tax on items in OCI

Tax on items in OCI are entirely due to changes in deferred tax associated with pension obligations in Norway.

Tax payable by country in the statement of financial position	2018	2017
Tax liability to Norway	1,472	1,907
Tax liability to Sweden	-11,521	-5,336
Tax liability to Denmark	5,990	5,451
Tax liability to Finland	276	382
Tax liability to Germany	-617	-276
Total tax liabilities payable, see also Note 17	**-4,400**	**2,128**

Tax paid during the period, per country	2018	2017
Tax paid to Norway	-3,053	-896
Tax paid to Sweden	-27,216	-22,412
Tax paid to Denmark	-6,344	-7,510
Tax paid to Finland	-2,871	-1,851
Tax paid to Germany	-507	-552
Total tax paid	**-39,991**	**-33,221**

Specification of tax effect of temporary differences and deficit carried forward:

	2018		2017	
	Asset	Liability	Asset	Liability
Property, plant and equipment	-5,960	394	-3,093	532
Intangible fixed assets	-42,377	-102,262	-45,585	-101,588
Financial assets	-638	0	-931	0
Inventories	-10,686	0	-10,271	0
Trade receivables	1,429	0	1,545	0
Pension obligations	4,524	0	6,604	0
Provisions	5,162	0	5,781	0
Temporary tax fund	-661	23	-864	24
Deficit carried forward	159,365	0	183,600	0
Total deferred tax, gross	**110,158**	**-101,845**	**136,786**	**-101,032**
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	**110,158**	**-101,845**	**136,786**	**-101,032**

At the end of the year, the Group had NOK 159.4 million in capitalised deferred tax assets associated with the deficit carried forward from the Norwegian business. Based on an assessment and analysis of the Group's earnings in Norway historically and the future prognosis it is assessed that the deficit carried forward can be utilised in full, and on this basis it is carried to the statement of financial position.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2018, the rates were 22 per cent in Norway, 21.4 per cent in Sweden, 22 per cent in Denmark and 20 per cent in Finland.

At the end of 2018, deferred tax assets were associated with net negative temporary differences for the tax regimes in Norway and Sweden, while deferred tax liabilities were linked to net positive temporary differences for the tax regime in Denmark. The same applied to the end of 2017.

NOTE 13 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

2018

Figures in NOK 1,000	Company type	Ownership interest	Book value 1.1.2018	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2018
Tiffon SA[1]	TS	34.8%	58,670	0	2,311	-445	636	61,172
Smakeappen AS[2]	TS	50.0%	0	119	0	0	0	119
Total investments in associated companies and jointly controlled entities			**58,670**	**119**	**2,311**	**-445**	**636**	**61,291**

2017

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2017	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2017
Tiffon SA[1]	TS	34.8%	48,029	454	3,286	0	6,901	58,670
Det Danske Spiritus Kompagni A/S[3]	FKV		8,782	-8,782	0	0	0	0
Total investments in associated companies and jointly controlled entities			**56,811**	**-8,328**	**3,286**	**0**	**6,901**	**58,670**

1. The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 6. Tiffon SA has a financial year from 1 July to 30 June. The share of profit from Tiffon is based on an estimated annual profit for the calendar year that is equivalent to the Group's financial year.
2. Smakeappen AS runs an app which gives consumers wine tips and wine importers a useful tool in conjunction with wine fairs. Smakeappen is a cooperation venture between Vectura and Hegnar Media. Vectura contributes product data and Hegnar Media has the full editorial responsibility.
3. Danske Spiritus Kompagni A/S was established in 2013 to handle sales of Arcus products in Denmark, and was owned jointly with Flemming Karberg Familieholding ApS. In January 2017, the Arcus Group acquired the rest of the shares in the company, and as from this date the company is recognised as a wholly-owned subsidiary, and consolidated in the consolidated accounts. Both ownership and voting shares, as well as Board composition, are divided 50/50 between Arcus and Flemming Karberg Familieholding ApS. See detailed information on transactions with related parties in Note 6.

None of the associated companies or jointly controlled entities has listed share prices. The Group's share of profit from associated companies, after tax, is presented on a separate line before Group operating profit.

Summarised financial information regarding associated companies and jointly controlled entities, based on 100 per cent:

2018

Figures in NOK 1,000	Total current assets 31.12.2018	Total fixed assets 31.12.2018	Total current liabilities 31.12.2018	Total non-current liabilities 31.12.2018	Total equity 31.12.2018	Operating revenue 2018	Operating expenses 2018	Profit for the year 2018
Tiffon SA	326,321	16,914	31,700	135,519	176,016	103,724	91,961	6,650

2017

Figures in NOK 1,000	Total current assets 31.12.2017	Total fixed assets 31.12.2017	Total current liabilities 31.12.2017	Total non-current liabilities 31.12.2017	Total equity 31.12.2017	Operating revenue 2017	Operating expenses 2017	Profit for the year 2017
Tiffon SA	329,085	16,933	33,193	144,009	168,815	101,248	82,784	9,457

NOTE 14 TANGIBLE FIXED ASSETS

Figures in NOK 1,000	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible assets
Acquisition cost as at 01.01.2017	**0**	**571,320**	**85,703**	**2,732**	**659,755**
Addition of property, plant and equipment	0	5,320	2,857	7,717	15,894
Transferred from facilities under construction	0	2,693	290	-4,771	-1,788
Disposal at cost	0	-30,643	-358	0	-31,001
Translation differences	0	185	524	0	709
Acquisition cost as at 01.01.2018	**0**	**548,875**	**89,016**	**5,678**	**643,569**
Addition of property, plant and equipment	0	12,487	554	6,771	19,812
Addition of equipment via financial lease	0	3,062	0	0	3,062
Transferred from facilities under construction	0	3,858	1,673	-7,535	-2,004
Disposal at cost	0	0	-6,096	0	-6,096
Translation differences	0	-92	-251	0	-343
Acquisition cost 31.12.2018	**0**	**568,190**	**84,896**	**4,914**	**658,000**
Accumulated depreciation 01.01.2017	**0**	**-245,271**	**-64,249**	**0**	**-309,520**
Ordinary depreciation	0	-29,567	-5,009	0	-34,576
Disposal, accumulated depreciation	0	30,643	358	0	31,001
Translation differences	0	-146	-502	0	-648
Accumulated depreciation 01.01.2018	**0**	**-244,341**	**-69,402**	**0**	**-313,743**
Ordinary depreciation	0	-30,635	-4,178	0	-34,813
Disposal, accumulated depreciation	0	0	6,096	0	6,096
Translation differences	0	59	240	0	299
Accumulated depreciation 01.01.2018	**0**	**-274,917**	**-67,244**	**0**	**-342,161**
Book value as at 31.12.18	**0**	**293,273**	**17,652**	**4,914**	**315,839**
Of which book value of capitalised leases	0	163,264	0	0	163,264
Ordinary depreciation for the year – capitalised leases	0	-16,495	0	0	-16,495
Book value of capitalised interest costs	0	2,946	0	0	2,946
Annual leasing fee for non-capitalised tangible fixed assets	90,613	4,237	900	0	95,750

Both the parent company and the Group use straight-line depreciation for all property, plant and equipment.

The economic life of property, plant and equipment is estimated as follows:

Machines, vehicles and plant	3-15 years
* Office machinery and inventory	4-10 years
* Land, buildings and other real estate	0 years

No indications of impairment or a need to adjust the useful lives of assets were identified during the period.

NOTE 15 INTANGIBLE ASSETS

Figures in NOK 1,000	Goodwill	Trademarks	Software	Total
Acquisition cost 01.01.2017	**1,010,176**	**715,332**	**119,736**	**1,845,244**
Addition of intangible assets	0	118,611	6,209	124,820
Transferred from facilities under construction	0	0	1,788	1,788
Acquisition of business	16,583	3,900	0	20,483
Translation differences	38,537	35,403	136	74,076
Acquisition cost 01.01.2018	**1,065,296**	**873,246**	**127,869**	**2,066,411**
Addition of intangible assets	0	43	3,227	3,270
Transferred from facilities under construction	0	0	2,004	2,004
Translation differences	-466	2,948	-107	2,375
Acquisition cost 31.12.2018	**1,064,830**	**876,237**	**132,993**	**2,074,060**
Accumulated depreciation 01.01.2017	**0**	**-46,095**	**-89,085**	**-135,180**
Ordinary depreciation	0	0	-9,621	-9,621
Amortization	0	-7,396	0	-7,396
Impairment	-22,700	0	0	-22,700
Translation differences	0	-53	-12	-65
Accumulated depreciation 01.01.2018	**-22,700**	**-53,544**	**-98,718**	**-174,962**
Ordinary depreciation	0	0	-7,487	-7,487
Amortization	0	-7,705	0	-7,705
Translation differences	0	21	-36	-15
Accumulated depreciation 31.12.2018	**-22,700**	**-61,228**	**-106,241**	**-190,169**
Book value 31.12.2018	**1,042,130**	**815,009**	**26,752**	**1,883,891**
Of which capitalised value of assets with indefinite useful lives	1,042,130	779,632	0	1,821,762
Economic life of intangible assets with identifiable useful lives		10-19 years	3-10 years	
Depreciation plan		Straight line	Straight line	

Impairment testing

Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the recoverable amount for the cash-generating unit. The recoverable amount is determined by discounting expected cash flows, based on the cash-generating entity's Board-approved business plans. The cash-generating entity is the lowest level at which it is possible to follow up operations comprising the relevant goodwill. At the end of 2018, cash-generating units related to impairment testing of goodwill are defined at business area level. The same is carried out for brands with indefinite useful lives. The cash-generating unit for impairment testing of brands is the brand itself.

The discount rate used for both brands and goodwill is 8.9 per cent before tax, and reflects estimated risk and capital costs for the Group, based on a capital structure considered representative for the activities in which the Arcus Group is engaged.

Recoverable amount on impairment testing of goodwill

The recoverable amount for the cash-generating units is calculated on the basis of the present value estimate of the expected cash flows before tax. The cash flows used as the basis for the impairment test are based on assumptions about future sales volume, sales prices, purchase prices for input factors, salary development and other direct costs set out in Board-approved budgets and long-term plans. The terminal value is based on the cash flow in the last forecast year (2023). The terminal value does not include assumptions about real growth but does include assumptions regarding reinvestments corresponding to expected depreciation of the entities' fixed assets.

CGU related to goodwill from the acquisition of the production activity in Denmark is assessed to be the entire Spirits segment since, as from 2015, the business in Denmark was integrated with other spirits operations in the Group.

In 2018, the Group has performed impairment tests whereby recoverable amounts on impairment testing of goodwill are based on the 2019 budget and with real growth up to 2022 in both revenue and EBITDA equivalent to other long-term plans. The impairment tests have not entailed impairment, and downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would either not have entailed impairment of other goodwill.

Recoverable amount on impairment testing of brands

The recoverable amount for the brands is calculated on the basis of a "relief from royalty" method before taxes, whereby the brand's annual royalty is estimated as future revenues for the brand multiplied by a long-term expected profit level for the relevant brands. Cash flow estimates used are discounted using a discount rate.

Downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would not have entailed impairment for any of the brands.

The table below shows the Group's intangible assets with indefinite useful lives (goodwill and brands) by cash-generating unit. The most important brands are presented individually, while less important brands are presented under other brands.

Figures in NOK 1,000	Category	Currency	Segment	Goodwill	Brands	Total
Cash-generating unit						
Norwegian aquavits	Aquavit	DKK	Spirits	0	119,844	119,844
Danish aquavits	Aquavit	NOK	Spirits	0	293,018	293,018
Other aquavits	Aquavit	NOK, DKK, SEK	Spirits	0	12,947	12,947
Danish bitters	Bitter dram	NOK	Spirits	0	162,492	162,492
Norwegian cognac	Cognac	NOK	Spirits	0	15,005	15,005
Norwegian vodka	Vodka	NOK	Spirits	0	34,700	34,700
International vodka	Vodka	NOK	Spirits	0	67,472	67,472
Agency wine	Agency wine	NOK	Wine	0	3,787	3,787
Other brands	Other	NOK, DKK	Spirits	0	105,744	105,744
Spirits segment		DKK	Spirits	427,007	0	427,007
Spirits segment		NOK	Spirits	381,346	0	381,346
Wine Sweden - agency brands		SEK	Wine	91,649	0	91,649
Wine Finland - agency brands		EUR	Wine	26,912	0	26,912
Wine Norway - agency brands[1]		NOK	Wine	57,608	0	57,608
Wine Norway - own wine brands[1]		NOK	Wine	57,608	0	57,608
Total				**1,042,130**	**815,009**	**1,857,139**

1. The Group has during 2018 reorganized the Norwegian wine business, which has encountered a more significant distinction between the agency brand business and the own wine brands business. As a result, goodwill has been reallocated between these two cash generating units. This reallocation is based on a relative calculation method after the reorganization, in accordance with IAS 36.

The various cash-generating entities listed below include the following known brands:

Cash-generating unit	Brands
Norwegian aquavits	Lysholm Linie, Løiten Linie, Gammel Opland and Gilde, and other Norwegian aquavits
Danish aquavits	Aalborg
Other aquavits	Malteserkreutz and Snälleröds
Danish bitters	Gammel Dansk
Norwegian cognac	Braastad cognac
Norwegian vodka	Vikingfjord, Amundsen and Brennevin Seksti
International vodka	Vanlig, Dworek, Hammer, Kalinka and Dobra
Agency wine	Doppio Passo and Pietro de Campo
Other brands	Hot n'Sweet, Dooley's, Eau de Vie, Golden Cock, St. Hallvard, Upper Ten, Dry Anis and Star Gin

NOTE 16 LEASES

Operational leasing agreements

As at 31 December 2018, the Group had the following leasing agreements which are defined and recognised as operational leasing agreements. There were no significant terms and conditions concerning sub-lease, purchase, escalation or restrictions to the operational leasing agreements as at 31 December 2018.

Figures in nominal NOK 1,000	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Leased premises	90,613	88,087	348,641	1,169,099	1,605,827
Machinery and equipment	4,237	3,706	2,867	0	6,573
Fixtures and fittings and office equipment	900	896	1,252	0	2,148
Total	**95,750**	**92,689**	**352,760**	**1,169,099**	**1,614,548**

This overview includes the agreement concluded with Gjelleråsen Eiendom AS on the lease of production, distribution and administration buildings at Gjelleråsen for a term of 25 years starting on 1 January 2012. The annual rent under this agreement is TNOK 82,627 as from 2019.

Financial leasing agreements

As at 31 December 2018, the Group had entered into seven contracts to lease machinery and equipment used at Gjelleråsen. This equipment was recognised in the Arcus Group's statement of financial position as at 31 December 2018.

Figures in nominal NOK 1,000	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Machinery and equipment	18,063	18,063	150,101	1,293	169,457
Total	**18,063**	**18,063**	**150,101**	**1,293**	**169,457**

Agreements with Nordea

Four of the agreements were entered into as of 1 June 2012 and are mainly related to machinery and equipment in the production and distribution activities at Gjelleråsen. The contract partner for the four agreements is Nordea, and the agreements are subject to variable interest rates. Even though, in principle, the leasing agreements have been entered into with a 15-year repayment and interest profile (annuity), the actual terms of the agreements are for a shorter period of time, with the option of renewal. Remaining capitalised lease liabilities will fall due in the course of the last 12 months of the agreement period. The Group and Nordea are in continuous dialogue concerning an extension of the agreements to a total maturity profile of 15 years. All changes to the agreements must be formally handled by the landlord.

The present value of future lease payments is NOK 167,5 million as at 31 December 2018, based on a discount rate equivalent to the effective interest rate on the financing in 2018.

Arcus-Gruppen AS has pledged a 100 per cent surety guarantee for all liabilities that the subsidiaries have undertaken or may undertake in connection with the signed leasing agreements.

Agreements with Volvo Finans

The other three financial leasing agreements are new agreements in 2018 and are related to the lease of trucks in the distribution activity. The contract partner for these agreements is Volvo Finans, and they have a term of seven years, at variable interest rates.

The present value of future lease payments is NOK 3,0 million as at 31 December 2018, based on a discount rate equivalent to the effective interest rate on the financing in 2018.

Implementation of IFRS 16 Leases from 1 January 2019

As from 1 January 2019, the existing lease standard (IAS 17) is replaced by a new, updated standard for accounting treatment of leases (IFRS 16). The Group will implement this as from the same date.

The new standard concerning leases will entail a significant change in the accounting policy related to leasing costs. As from financial years commencing in 2019, all significant leasing agreements must be capitalised. This will give an intangible right on the asset side and an equivalent liability on the liability side.

On the implementation of IFRS 16, the Group has two implementation options: the full retrospective method or the modified retrospective method. The Group has chosen to implement IFRS 16 using the modified retrospective method, which means that the effects calculated on the implementation date will be based on the remaining period of the lease as from the implementation date, and there will be no adjustment to equity on the implementation date.

On the implementation date, the Group, as lessee, also has a number of options concerning the use of simplifications. The Group has chosen to use these simplification options, so that:

- Software licences will not be included in the calculation basis.
- Short-term lease agreements expected to be for shorter terms than 12 months will not be included in the calculation basis.
- Insignificant lease agreements (annual charge under TEUR 5) will not be included in the calculation basis.
- Any service elements in the lease charge will not be separated from the annual lease charge in the calculation basis.

The Group has some lease agreements that are classified as financial leasing. These are already recognized as an asset and liability in the statement of financial position as at 31 December 2018, and this will not be changed as a consequence of IFRS 16.

The Group also has significant leasing agreements classified as operational leasing agreements, and for these a present value will be calculated that is classified in the statement of financial position as an tangible leasing right on the asset side, and a lease obligation on the liability side. The Group has mapped all significant leasing agreements, and the calculated book values are stated in the table below.

For most of the leasing agreements, the underlying internal interest rate for the Group as lessee is unknown. For the leasing agreements for which the Group does not know the underlying internal interest rate, the discount rate is set to be equivalent to the Group's calculated average interest rate related to other financing. In cases where the Group knows the underlying internal interest rate which is the basis for the annual lease charge related to the leasing agreement, the present value is calculated on the basis of the actual internal interest rate.

The period of the lease is set as the period specified in the leasing agreement. If the leasing agreement includes options for renewal, the probability of the Group using the option is assessed. In cases where the probability is estimated to be higher than 50 per cent, the fixed period of the lease also includes the renewal period based on the option.

In connection with the introduction of IFRS 16 concerning leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to the current model, regardless of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

Overview of calculated recognised leasing rights and obligations as from 1 January 2019

Figures in NOK 1,000	**Land, buildings and other real estate**	**Machinery and equipment**	**Fixtures and fittings, tools, office equipment etc.**	**Total**
Calculated leasing rights 01.01.2019	913,071	6,302	2,012	**921,385**
Calculated leasing obligations 01.01.2019				**-921,385**

Reconciliation of leasing obligations on transition from IAS 17 to IFRS 16

Figures in NOK 1,000	**Total leasing obligations**
Leasing obligation for operational leasing agreements, cf. IAS 17 (nominal values)	1,614,548
Present value of interest payments	-693,163
Leasing obligation, cf. IFRS 16 (present value)	**921,385**

NOTE 17 OTHER RECEIVABLES

Figures in NOK 1,000	**Note**	**2018**	**2017**
Non-current receivables			
Non-current loan to associated company		506	
Other non-current receivables		1,075	1,205
Total other non-current receivables		**1,581**	**1,205**

The Group has no receivables with a term of more than five years.

Figures in NOK 1,000	**Note**	**2018**	**2017**
Current receivables			
Prepaid costs*	2.3	15,001	14,920
Prepaid tax	12	4,400	0
Fair value of forward contracts	2	624	993
Other current receivables*	2.3	6,958	6,412
Total other current receivables		**26,983**	**22,325**

Figures in NOK 1,000	**2018**	**2017**
Prepayments to suppliers		
Nominal prepayments to suppliers	58,899	70,755
Provision for losses	-5,900	-6,185
Total prepayments to suppliers*	**52,999**	**64,570**

Through its distribution business, Vectura purchases goods on behalf of agents and importers. Depending on the type of agreement entered into by the agent or importer, there will be instances where Vectura buys in goods on behalf of the agent or importer and where the agent or importer bears most of the risk associated with this inventory. This type of financing of inventory for individual partners is stated at nominal value less provision for expected losses, and is presented as prepayments to suppliers.

* Items included in changes in working capital in Note 3.

NOTE 18 INVENTORIES

Figures in NOK 1,000	2018	2017
Raw materials	25,951	22,709
Goods in progress	97,521	99,629
Finished goods/goods for resale	332,902	310,111
Obsolescence provision	(15,257)	(21,690)
Total inventories	**441,117**	**410,759**

Cost of inventories in the statement of income comprises input costs for finished goods/goods for resale and production value at cost price for goods produced in-house. The total cost of inventories was NOK 1,577 million in 2018 (2017: NOK 1,409 million).

See also Note 25 for details of pledges and guarantees.

NOTE 19 CASH AND CASH EQUIVALENTS

Figures in NOK 1,000	2018	2017
Cash and cash equivalents in the Group's cash pool system	149,213	0
Other bank deposits	133,210	184,402
Cash holdings	171	13
Total cash and cash equivalents	**282,594**	**184,415**
Available drawing rights	605,850	604,982
Utilised drawing rights	0	-72,700
Available liquidity	**888,444**	**716,697**

Figures in NOK 1,000	2018	2017
Restricted bank deposits		
Restricted bank deposits	0	531
Total restricted bank deposits	**0**	**531**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes all subsidiaries, with the exception of the companies included in the wine activities in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by the parent company, Arcus ASA.

The joint overdraft limit in the Group cash pool system is TNOK 600,000. At the end of 2018, the Group has a deposit of TNOK 149,213, while at the end of 2017 it had drawn TNOK 72,700. The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement in Sweden, with a maximum credit facility of TSEK 5,000 (TNOK 4,856); and in Finland with a maximum credit facility of TEUR 100 (TNOK 994) at the end of 2018. There was no drawing on these entitlements at the end of 2018.

The Group's exposure to interest-rate risk is stated in Note 2.

Summary of bank guarantees as at 31 December:

Figures in NOK 1,000	2018	2017
Bank guarantees for tax deduction funds	30,500	30,549
Bank guarantees for customs and duty credit facilities	29,431	22,246
Other bank guarantees	76	369
Total bank guarantees	**60,007**	**53,164**

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.2016	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.2018		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2018:		Number of shares	Ownership and voting rights
Canica AS		28,607,626	42.1%
Geveran Trading Co Ltd		6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)		3,589,022	5.3%
Hoff SA		3,297,000	4.8%
Sundt AS		2,710,000	4.0%
Centra Invest AS		1,803,818	2.7%
Folketrygdfondet		1,750,000	2.6%
Danske Invest Norske Instit. II		1,685,398	2.5%
KLP Aksjenorge		1,326,494	2.0%
Goldman Sachs International	Nom	1,092,651	1.6%
Landkreditt utbytte		1,000,000	1.5%
RBC Investor Services Bank S.A.	Nom	949,458	1.4%
Verdipapirfondet DNB Norge Selektiv		926,616	1.4%
Danske Invest Norske Aksjer Inst		892,400	1.3%
Kommunal Landspensjonskasse		849,707	1.2%
Mustad Industrier AS		400,000	0.6%
Danske Invest Norge II		363,834	0.5%
The Bank of New York Mellon SA/NV	Nom	317,243	0.5%
Avanza Bank AB	Nom	301,551	0.4%
Janska Invest AS		260,861	0.4%
Other shareholders		9,149,576	13.5%
Total		**68,023,255**	**100.0%**

Shareholdings of the Group Management as at 31.12.2018:	Number of shares	Ownership and voting rights
Kenneth Hamnes[1]	126,499	0.2%
Sigmund Toth	19,767	0.0%
Erik Bern	20,233	0.0%
Bjørn Delbæk[2]	27,564	0.0%
Per Bjørkum	16,511	0.0%
Erlend Stefansson	54,483	0.1%
Eirik Andersen	15,180	0.0%
Svante Selling	13,562	0.0%
Christian Granlund	3,181	0.0%
Total shareholdings of the Group executive management	**296,980**	**0.4%**

1. The shareholding is held via Ekelyveien AS
2. Of the holdings, 7,500 shares are held via Oso Consulting AS

Portfolio of own shares

The Group from time to time purchases own shares on settlement of the share saving programme for the Group's employees. In 2018, the Group also purchased shares on the settlement of matching shares in Q1 2019. See further details of this in Note 9.

The portfolio of own shares is deducted from equity at the acquisition price for the Group.

The table below presents the development in the holding of own shares.

Shares owned by the Group as at 31.12.2018	Total nominal value (TNOK)	Number of shares	Book value (TNOK)	Fair value (TNOK)
Shares owned by Arcus ASA	4	193,965	8,303	7,953
Total shares owned by the Group	**4**	**193,965**	**8,303**	**7,953**

At the end of 2017, the Group had no holding of own shares.

Development in holding of own shares:

Number of shares	2018	2017
Holding of own shares, 1.1.2018	0	0
External purchase of own shares during the period	220,709	31,250
External sale of own shares during the period	0	-16
Settlement of share saving programme for employees during the period	-26,744	-31,234
Holding of own shares, 31.12.2018	**193,965**	**0**

Dividend and Group contributions

The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2018 (2017: NOK 1.66 per share).

Earnings per share

Earnings per share is calculated on the basis of the profit for the year attributable to the shareholders in the parent company divided by a weighted average of the number of outstanding ordinary shares for the year, reduced for ordinary shares bought by the company and held as own shares.

The Arcus Group has an "interim retention plan" for senior executives under which externally owned shares can be diluted by issuing matching shares. To take account of this future increase in the number of shares, diluted earnings per share are also calculated, which takes account of a weighted average for the year of the estimated number of matching shares and options.

Earnings per share:	2018	2017
Profit for the year	164,417	188,222
Profit for the year attributable to non-controlling interests	5,954	6,944
Profit for the year to the owners of the parent company	**158,463**	**181,278**
Comprehensive income	179,007	264,803
Comprehensive income attributable to non-controlling interests	5,214	8,127
Comprehensive income to the owners of the parent company	**173,793**	**256,676**
Weighted average of the number of outstanding shares	68,023,255	68,023,255
Weighted dilution effect from option scheme	2,060,574	893,730
Weighted dilution effect from matching shares	291,653	368,274
Weighted average holding of own shares	-35,432	0
Weighted average of the number of outstanding shares - diluted	**70,340,050**	**69,285,259**
Earnings per share in NOK	2.33	2.66
Diluted earnings per share in NOK	2.25	2.62
Comprehensive income per share in NOK	2.55	3.77
Diluted comprehensive income per share in NOK	2.47	3.70

NOTE 21 DEBT TO FINANCIAL INSTITUTIONS

Figures in NOK 1,000	Type of financing	Currency	Interest-rate profile	Loan amount in foreign currency 31.12.2018	Loan amount in NOK 31.12.2018	Loan amount in NOK 31.12.2017
SEB	Mortgage loan	SEK	Variable	750,000	728,325	749,400
SEB	Overdraft facility	NOK	Variable	0	0	72,700
Nordea Finans	Financial leasing	NOK	Variable	166,493	166,493	183,766
Volvo Finans	Financial leasing	NOK	Variable	2,964	2,964	0
Total debt to financial institutions					**897,782**	**1,005,866**
Capitalised front-end fees					-4,824	-6,577
Book value of debt to financial institutions					**892,958**	**999,289**

Term structure	Type of financing	Currency	Maturity 2019	Maturity 2020	Maturity 2021	Maturity 2022 or later	Total
SEB	Mortgage loan	SEK	0	0	728,325	0	728,325
Nordea Finans	Financial leasing	NOK	17,667	101,915	46,911	0	166,493
Volvo Finans	Financial leasing	NOK	396	410	425	1,733	2,964
Total debt to financial institutions*			**18,063**	**102,325**	**775,661**	**1,733**	**897,782**

Reconciliation of interest-bearing debt, 31.12.2018

		Cash flow 2018		Without cash flow 2018				
Figures in NOK 1,000	Book value 31.12.2017	Raised	Redemption	Raised financial leasing	Amortization of front-end fee	Reclassification	Translation differences	Book value 31.12.2018
Non-current debt								
Mortgage loan	742,823	0	0	0	1,623	0	-20,945	723,501
Financial leasing	166,395	0	0	0	0	-15,001	0	151,394
Total non-current interest-bearing debt	**909,218**	**0**	**0**	**0**	**1,623**	**-15,001**	**-20,945**	**874,895**
Current liabilities								
Financial leasing	17,371	0	-17,370	3,061	0	15,001	0	18,063
Overdraft facility	72,700	0	-72,700	0	0	0	0	0
Total current interest-bearing debt	**90,071**	**0**	**-90,070**	**3,061**	**0**	**15,001**	**0**	**18,063**
Total interest-bearing debt	**999,289**	**0**	**-90,070**	**3,061**	**1,623**	**0**	**-20,945**	**892,958**

Reconciliation of interest-bearing debt on 31.12.2017

		Cash flow 2017		Without cash flow 2017				
Figures in NOK 1,000	Book value 31.12.2016	Raised	Redemption	Raised financial leasing	Amortization of front-end fee	Reclassification	Translation differences	Book value 31.12.2017
Non-current debt								
Mortgage loan	703,268	0	0	0	1,652	0	37,903	742,823
Financial leasing	182,987	0	0	0	0	-16,592	0	166,395
Total non-current interest-bearing debt	**886,255**	**0**	**0**	**0**	**1,652**	**-16,592**	**37,903**	**909,218**
Current liabilities								
Financial leasing	16,498	0	-15,719	0	0	16,592	0	17,371
Overdraft facility	0	72,700	0	0	0	0	0	72,700
Total current interest-bearing debt	**16,498**	**72,700**	**-15,719**	**0**	**0**	**16,592**	**0**	**90,071**
Total interest-bearing debt	**902,753**	**72,700**	**-15,719**	**0**	**1,652**	**0**	**37,903**	**999,289**

The Group has a non-current mortgage loan denominated in SEK. The non-current mortgage loan is legally placed in the subsidiary VinGruppen Sweden Holding AB in Stockholm, and falls due in its entirety at the end of 2021.

The Group has not hedged the interest rate.

On the establishment of the new loan, a front-end fee was paid, which is capitalised in the statement of financial position and written off over the duration of the loan.

* Maturity in 2019 is presented as current liabilities in the statement of financial position.
** See Note 16 concerning leasing agreements for information on the term structure of annual leasing amounts.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio.

NOTE 22 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At the beginning of 2018, the Group had no booked liabilities measured at fair value through profit or loss. The Group had such liabilities at the end of the year, concerning options for the purchase of non-controlling interests in conjunction with renegotiated shareholder agreements in 2018.

Options for the purchase of non-controlling interests:
The liabilities related to options for the purchase of non-controlling interests are estimated on the basis of pricing mechanisms applied in the shareholder agreements, discounted to the close of the financial year. The most important parameters in the pricing mechanisms were the development of the share values, measured as EBIT (operating profit) up until the estimated due date, multiplied by a fixed, market-based multiple. As the basis for EBIT, the underlying companies' budgets and long-term plans up until the expected due date are used. The discount rate used is NIBOR or STIBOR, with duration matched to the expected due date.

Reconciliation of earmarked liabilities, measured at fair value via profit or loss:

Figures in 1,000 (stated currency)	**Minority share options**	**Share programme**	**Liability at fair value through profit or loss**
Book value of liability 31.12.2016	**10,314**	**13,821**	**24,135**
Fair value on initial recognition 2017	0	0	0
Paid during the period 2017	-10,483	0	-10,483
Changes in value during the period 2017	148	-13,821	-13,673
Interest during the period 2017	21	0	21
Book value of liability 31.12.2017	**0**	**0**	**0**
Fair value on initial recognition 2018	67,874	0	67,874
Paid during the period 2018	0	0	0
Changes in value during the period 2018	2,560	0	2,560
Interest during the period 2018	104	0	104
Translation differences 2018	3,680	0	3,680
Book value of liability 31.12.2018	**74,218**	**0**	**74,218**
Of which due within 12 months, presented as current liabilities	0	0	0
Of which due after 12 months or later, presented as non-current liabilities	74,218	0	74,218

NOTE 23 OTHER PROVISIONS FOR LIABILITIES

Severance pay (long-term)
Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other non-current provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at a discount rate which depends on the length of the obligation. As at 31/12/2018, the provision was associated with four remaining individuals.

Severance pay (short-term)
It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31/12/2018, the liability associated with this was recognised at NOK 8.9 million.

All of the current liabilities are recognised in the statement of financial position under other current liabilities.

Non-current liabilities

2018 *Figures in NOK 1000*	**Book value as at 31.12.2017**	**Reversed provision 2018**	**Recognised provision 2018**	**Translation difference 2018**	**Book value as at 31.12.2018**
Severance pay	320	-228	0	0	92
Non-current provisions	**320**	**-228**	**0**	**0**	**92**

2017 *Figures in NOK 1000*	**Book value as at 31.12.2016**	**Reversed provision 2017**	**Recognised provision 2017**	**Translation difference 2017**	**Book value as at 31.12.2017**
Severance pay	627	-307	0	0	320
Non-current provisions	**627**	**-307**	**0**	**0**	**320**

Current liabilities

2018 *Figures in NOK 1000*	Book value as at 31.12.2017	Reversed provision 2018	Recognised provision 2018	Translation difference 2018	Book value as at 31.12.2018
Severance pay	2,158	-4,054	10,793	19	8,916
Other provisions	10,000	0	-10,000	0	0
Other current liabilities	**12,158**	**-4,054**	**793**	**19**	**8,916**

2017 *Figures in NOK 1000*	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation difference 2017	Book value as at 31.12.2017
Severance pay	2,276	-1,900	1,762	20	2,158
Other provisions	10,000	0	0	0	10,000
Other current liabilities	**12,276**	**-1,900**	**1,762**	**20**	**12,158**

NOTE 24 CURRENT LIABILITIES

Figures in NOK 1000	2018	2017
Unpaid public duties		
Excise duties, alcohol	564,611	569,034
Value added tax	344,692	339,151
Other public duties	21,149	19,820
Total unpaid public duties*	**930,452**	**928,005**

Figures in NOK 1000	2018	2017
Other current liabilities		
Current non-interest-bearing debt*	22,894	25,329
Provision for social security costs related to share-based remuneration	1,923	1,642
Provision for liabilities*, see Note 23	8,398	12,158
Other accrued costs*	152,041	158,615
Total other current liabilities	**185,256**	**197,744**

All current liabilities fall due within 12 months.

* Items included in changes in working capital in Note 3.

NOTE 25 PLEDGES AND GUARANTEES

Long-term credit financing in SEB
The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries, with the exception of the companies in the wine business in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which at any time is linked to outstanding drawing on this scheme.

The Group's long-term credit financing in SEB has no established pledger of security. For further information about long-term financing, see Note 21.

Surety guarantee related to financial leasing
One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2018, the surety guarantee amounted to TNOK 166,493 for the Group's own leased operating equipment. See also Note 16 concerning leasing agreements and Note 21 concerning debt to financial institutions'.

NOTE 26 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

At the end of February 2019, four wineries announced their cancellation of the agreements with Vinunic AB, a subsidiary of Vingruppen i Norden AB. The expected annual loss of turnover is approximately SEK 108 million, with effect from the first quarter of 2019. The incident has no impact on the consolidated accounts for 2018.

Further, no significant events have occurred between the balance sheet date and the date when Arcus's consolidated accounts and company accounts were approved for publication. This applies to events that would have provided knowledge of factors that existed on the balance sheet date, and events that concern matters that have arisen after the balance sheet date. The consolidated financial statements were approved for publication by a board decision on 20 March 2019.

Alternative performance measurements

In the discussion of the reported operational results, statement of financial position and cash flows, the Group refers to a number of parameters for alternative measurement of results. These are not defined in the general accounting policies, as for IFRS.

The executive management of the Arcus Group frequently uses these parameters for alternative measurement of results and believes that, in combination with comparable parameters defined in ordinary accounting policies, these are of great benefit to investors wishing to understand the Group's business, ability to fulfil its commitments, and the ability to monitor the development of new business opportunities. These alternative measurements of results should not be seen in isolation, but, as the name indicates, are an alternative to more well-known result measurement parameters as defined in international accounting standards.

Below, the Group's parameters for alternative measurement of results are defined.

Gross profit
The Arcus Group defines gross profit as total operating revenue less cost of sales.

Figures in NOK 1000	2018	2017
Group		
Sales revenue	2,672,615	2,530,126
Other operating revenues	50,586	44,934
Total operating revenue	**2,723,201**	**2,575,060**
Cost of sales	-1,577,306	-1,408,524
Gross profit	**1,145,895**	**1,166,536**

Figures in NOK 1000	2018	2017
Spirits		
Sales revenue	762,447	763,421
Other operating revenues	157,151	149,862
Total operating revenue	**919,598**	**913,283**
Cost of sales	-447,962	-404,928
Gross profit	**471,636**	**508,355**

Figures in NOK 1000	2018	2017
Wine		
Sales revenue	1,604,715	1,522,689
Other operating revenues	20,031	18,190
Total operating revenue	**1,624,746**	**1,540,879**
Cost of sales	-1,244,346	-1,154,411
Gross profit	**380,400**	**386,469**

Figures in NOK 1000	2018	2017
Distribution		
Sales revenue	272,378	251,332
Other operating revenues	35,361	33,071
Total operating revenue	**307,739**	**284,403**
Cost of sales	0	0
Gross profit	**307,739**	**284,403**

Other income and expenses
To improve the information value of the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. Other income and expenses are presented in Note 7.

Below, the income statement is presented up to and including EBIT, with and without adjustment for other income and expenses:

	2018		2017	
Figures in NOK 1000	Adjusted	Non-adjusted	Adjusted	Non-adjusted
Sales revenue	2,672,615	2,672,615	2,530,126	2,530,126
Other operating revenues	50,586	50,586	44,934	44,934
Total operating revenue	**2,723,201**	**2,723,201**	**2,575,060**	**2,575,060**
Net profit on sale of fixed assets	365	365	30	30
Cost of sales	-1,577,306	-1,577,306	-1,408,524	-1,408,524
Salaries and other personnel costs	-426,644	-441,158	-417,412	-422,334
Other operating expenses	-409,330	-400,112	-391,699	-399,944
Share of profit from associated companies and jointly controlled entities	2,311	2,311	3,286	3,286
EBITDA	**312,597**	**307,301**	**360,741**	**347,574**
Depreciation and amortization	-50,005	-50,005	-51,581	-51,581
Impairment	0	0	0	-22,700
Operating profit (EBIT)	**262,592**	**257,296**	**309,160**	**273,293**
Other income and expenses	-5,296	0	-13,167	0
Impairment	0	0	-22,700	0
Reported operating profit (EBIT)	**257,296**	**257,296**	**273,293**	**273,293**

EBITDA and adjusted EBITDA
EBITDA is defined as operating profit before depreciation, impairment and amortization.
Adjusted EBITDA is defined as operating profit before depreciation, impairment, amortization and other income and expenses.
EBITDA margin = EBITDA/Total operating revenue
Adjusted EBITDA margin = adjusted EBITDA/Total operating revenue

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1000	2018	2017
Group		
Operating profit	257,296	273,293
Depreciation, impairment and amortization	50,005	74,281
EBITDA	307,301	347,574
Other income and expenses	5,296	13,167
Adjusted EBITDA	**312,597**	**360,741**

Figures in NOK 1000	2018	2017
Spirits		
Operating profit	118,061	151,494
Depreciation, impairment and amortization	24,744	24,117
EBITDA	142,805	175,611
Other income and expenses	1,768	7,142
Adjusted EBITDA	**144,573**	**182,753**

Figures in NOK 1000	2018	2017
Wine		
Operating profit	167,083	184,709
Depreciation, impairment and amortization	2,586	1,794
EBITDA	169,669	186,502
Other income and expenses	11,838	5,166
Adjusted EBITDA	**181,507**	**191,668**

Figures in NOK 1000	2018	2017
Distribution		
Operating profit	1,095	660
Depreciation, impairment and amortization	11,261	12,825
EBITDA	12,356	13,485
Other income and expenses	381	647
Adjusted EBITDA	**12,737**	**14,132**

Figures in NOK 1000	2018	2017
Other		
Operating profit	-23,764	-35,690
Depreciation, impairment and amortization	6,235	7,666
EBITDA	-17,529	-28,024
Other income and expenses	-8,691	212
Adjusted EBITDA	**-26,220**	**-27,812**

Other definitions of alternative result measurement, shown in key figures

Equity ratio

Equity ratio = equity/total equity and debt

Net interest-bearing debt

Net interest-bearing debt = Debt to financial institutions + book value of capitalised front-end fee + fair value, interest-rate swap - bank deposits and other cash and cash equivalents.

Figures in NOK 1000	2018	2017
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	874,895	909,218
Current interest-bearing debt to credit institutions	18,063	90,071
Book value of capitalised front-end fee	4,824	6,577
Bank deposits and other cash and cash equivalents	-282,594	-184,415
Net interest-bearing debt	**615,188**	**821,451**

Organic growth

Organic growth in income is the Group or segment's total operating revenue, adjusted for translation effects and structural changes.

Figures in NOK 1000	2018	2017
Group		
Sales revenue	2,672,615	2,530,126
Other operating revenues	50,586	44,934
Total operating revenue	**2,723,201**	**2,575,060**
Currency effects[1]	0	-20,748
Structural changes[2]	-67,991	0
Calculation basis, organic growth	**2,655,210**	**2,554,312**

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.
2. The structural changes in 2018 primarily comprise adjustment for income from the acquired brands, Hot n'Sweet and Vanlig, and the acquisition of BevCo. They also include adjustment for effects related to the reclassification of freight costs from the reduction of sales revenue in 2017 to cost of sales in 2018, as a consequence of the introduction of IFRS 15 (see also Note 4).

Figures in NOK 1000	2018	2017
Spirits		
Sales revenue	762,447	763,421
Other operating revenue	157,151	149,862
Total operating revenue	**919,598**	**913,283**
Currency effects[1]	0	2,871
Structural changes[2]	-29,891	0
Calculation basis, organic growth	**889,707**	**916,154**

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.
2. The structural changes in 2018 primarily comprise adjustment for income from the acquired brands, Hot n'Sweet and Vanlig, and the acquisition of BevCo.

Figures in NOK 1000	2018	2017
Wine		
Sales revenue	1,604,715	1,522,689
Other operating revenue	20,031	18,190
Total operating revenue	**1,624,746**	**1,540,879**
Currency effects[1]	0	-23,904
Structural changes	3,399	0
Calculation basis, organic growth	**1,628,145**	**1,516,975**

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.

Figures in NOK 1000	2018	2017
Distribution		
Sales revenue	272,378	251,332
Other operating revenues	35,361	33,071
Total operating revenue	**307,739**	**284,403**
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	**307,739**	**284,403**

PARENT COMPANY ACCOUNTS

Statement of income 01.01. - 31.12.

Figures in NOK 1,000	Note	2018	2017
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	12,003	10,244
Other operating expenses		3,998	4,540
Total operating expenses		**16,001**	**14,784**
Operating profit		**-16,001**	**-14,784**
FINANCIAL INCOME AND EXPENSES			
Income from investment in subsidiary	8	106,362	65,312
Other interest income		8,377	3,755
Other financial income		6,699	15,836
Other interest costs		-13,241	-10,107
Other financial costs		-13,009	-11,882
Net financial profit/loss		**95,188**	**62,914**
PROFIT BEFORE TAX		**79,187**	**48,130**
Tax	2	23,738	17,111
RESULT FOR THE YEAR		**55,449**	**31,019**
Transferred from/to other equity		55,449	31,019
Total transfers		**55,449**	**31,019**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	102,381	124,137
Total intangible assets		**102,381**	**124,137**
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Loans to Group companies		0	0
Total financial assets		**1,438,317**	**1,438,317**
Total fixed assets		**1,540,698**	**1,562,454**
Current assets			
Receivables			
Trade receivables from companies in the same Group	8	1,114	22
Group contributions from Group companies	8	106,362	65,312
Current receivables from Group companies	8	13,558	8,326
Other receivables		193	274
Total receivables		**121,227**	**73,934**
Cash and cash equivalents	9	149,213	0
Total current assets		**270,440**	**73,934**
TOTAL ASSETS		**1,811,138**	**1,636,388**

Figures in NOK 1,000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4,5	1,356	1,360
Share premium	5	719,280	719,280
Total paid-in equity		**720,636**	**720,640**
Retained earnings			
Other equity	5	-58,956	0
Total retained earnings		**-58,956**	**0**
Total equity		**661,680**	**720,640**
Liabilities			
Provisions			
Pension obligations	6	1,029	757
Total provisions		**1,029**	**757**
Other non-current liabilities			
Debt to financial institutions	7	-2,275	-3,055
Total other non-current liabilities		**-2,275**	**-3,055**
Current liabilities			
Debt to financial institutions	7	0	72,700
Trade payables		121	106
Trade payables to Group companies	8	155	3
Tax payable	2	839	0
Other current liabilities		6,204	6,423
Other current liabilities payable to Group companies	8	686	0
Allocated dividend	5	112,919	112,920
Intragroup balance in Group cash pool system	8,9	1,029,780	725,894
Total current liabilities		**1,150,704**	**918,046**
Total liabilities		**1,149,458**	**915,748**
TOTAL EQUITY AND LIABILITIES		**1,811,138**	**1,636,388**

Gjelleråsen, 20 March 2019

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Maria Saarinen

Erik Hagen

Konstanse M. Kjøle

Ann Therese Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. – 31.12.

Figures in NOK 1,000	2018	2017
CASH FLOWS FROM OPERATIONS		
Pre-tax profit	79,187	48,130
Tax payable	-1,146	0
Pension costs without cash effect	362	284
Costs related to share-based remuneration without cash effect	7,603	7,898
Value changes without cash effect	0	-13,821
Financial expenses without cash effect	780	780
Change in trade receivables	-1,092	-22
Change in trade payables	167	-38,948
Change in other current assets and other liabilities	-46,612	-114,965
Net cash flows from operational activities	**39,249**	**-110,664**
CASH FLOWS FROM FINANCING ACTIVITIES		
Pension obligation taken over from subsidiary	0	348
Purchase of own shares	-8,303	0
Proceeds from debt to financial institutions	0	72,700
Redemption of debt to financial institutions	-72,700	0
Change in intragroup balance in Group cash pool system	303,886	36,879
Payments of dividends contributions	-112,919	-99,994
Net cash flow from financing activities	**109,964**	**9,933**
Net change in cash and cash equivalents	**149,213**	**-100,731**
Holdings of cash and cash equivalents as at 01.01.	0	100,731
Holdings of cash and cash equivalents as at 31.12.	**149,213**	**0**

Accounting policies

The annual accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting policies.

The company was founded on 5 November 2004, and listed on the Oslo Stock Exchange on 1 December 2016.

The purpose of the company is to operate the import, export, production, storage and distribution of alcoholic beverages and other goods, and other activities related to this business, as well as the ownership of participations in other companies that conduct such business.

CONSOLIDATED FINANCIAL STATEMENTS

Arcus ASA owns 100 per cent of the shares in Arcus-Gruppen AS and Vectura AS.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for continuing ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due for payment within one year are classified as current assets. The classification of current and non-current liabilities is based on similar criteria.

Fixed assets are valued at acquisition cost, but written down to fair value if the impairment is not expected to be temporary. Fixed assets with a limited economic life are depreciated according to a reasonable depreciation plan.

Current assets are valued at the lower of cost or fair value. Current and non-current liabilities are capitalised at the nominal amounts received at the time of establishment. Borrowing costs are capitalised together with the loan and amortised over the term of the loan. The first year's instalment is reclassified as a current liability.

Certain items are valued according to different principles, as explained below.

SHARES IN SUBSIDIARIES

Shares in subsidiaries are valued using the cost method. The transaction costs are added to the purchase price of shares in subsidiaries. Shares are written down to fair value if this is lower than the recognised value.

Group contributions are recognised in the same year as they are allocated in the subsidiary. If dividends/other distributions exceed the share of retained profit after the acquisition, the surplus represents repayment of invested capital and the distributions are deducted from the value of the investment in the statement of financial position.

RECEIVABLES

Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Provisions for losses are made on the basis of an individual assessment of each receivable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other means of payment with a due date less than three months from the acquisition date.

BORROWING

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Transaction costs (front-end fees) are capitalised in the statement of financial position and depreciated over the term of the loan.

Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year.

PENSION

Pension costs comprise the change in actuarially calculated pension obligations and costs related to defined contribution pension plans. For actuarially calculated pension obligations the costs comprise the period's pension-accrual based assumptions concerning future salary increases and interest costs for the calculated obligation. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations) are recognised against equity.

TAXES

Tax expenses are matched with profit/loss before tax. Tax costs comprise tax payable (tax on the year's directly taxable income) and changes in net deferred tax. Tax costs are allocated to ordinary profit/loss and profit/loss from extraordinary items in accordance with the taxation basis. Deferred tax and deferred tax assets are presented net in the statement of financial position.

Tax assets are only capitalised if it can be shown to be probable that they can be utilised via future taxable income.

STATEMENT OF CASH FLOWS

The indirect method is used in the preparation of the statement of cash flows. Cash and cash equivalents in the statement of financial position are defined as holdings of cash and cash equivalents in the statement of cash flows.

All figures in the financial statements are presented in NOK 1,000 unless otherwise indicated.

Notes

NOTE 1 PAYROLL COSTS

	2018	2017
Salaries including holiday pay	7,229	7,408
Social security costs	1,078	1,097
Pension costs including social security costs	553	464
Other personnel costs	3,143	1,275
Total salaries and other personnel costs	**12,003**	**10,244**
Average number of employees	2	2

	2018		2017	
Benefits to executive personnel	Group CEO	Board of Directors	Group CEO	Board of Directors
Salary	3,118	2,546	3,031	2,444
Bonus earned from the current year	0	0	324	0
Pension costs	332	0	386	0
Other remuneration	234	0	227	0

The company had two employees during the year.

The Group CEO also has an ordinary bonus agreement which, on specific terms, will release payment of up to five monthly salaries. He is also included in a temporary share programme (matching shares) which was established in conjunction with the IPO in 2016, and an option programme under which he was allocated share options in both 2017 and 2018. His holdings in these incentive schemes are specified in the Group's Note 9.

The Group CEO has an ordinary occupational pension plan with Storebrand, which entails 5 per cent pension contributions for salaries of 0 to 7.1G and 11 per cent for salaries from 7.1 to 12G. He also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. These pension earnings are capitalised annually in the company's statement of financial position, where the return is based on the return from the Storebrand Balansert pension fund.

If the CEO gives notice of termination, he is subject to six months' notice of termination. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

No loans or surety are granted for either the Group CEO or members of the Board of Directors.

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 20 for the Group.

Share-based incentive schemes

Matching shares:

In connection with the IPO for the parent company, Arcus ASA, in 2016, some key persons were offered matching shares, whereby they are entitled to receive one matching share for each share acquired under the IPO. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time.

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed twice the value on the allocation date.

I Arcus ASA, two persons received this offer, including the general manager. Together they are entitled to allocation of 61,867 shares in Arcus ASA if the employment criterion is fulfilled at the time of allocation (of which 42,100 for the general manager).

This programme entailed costs of TNOK 1,318 in 2018.

Options:

In 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options. Two persons at Arcus ASA are included in this programme, including the general manager.

The options' vesting period will be three years from the allocation data, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

This programme entailed costs of TNOK 1,087 in 2018. Below, the number of outstanding options at the end of the year is presented:

Number of options	2018	2017
Outstanding options at the beginning of the year	290,199	0
Allocated options during the year	368,560	290,199
Outstanding options at the end of the year*	**658,759**	**290,199**

* Of which 442,883 options outstanding to the Group CEO.

Auditors' fees	2018	2017
Statutory audit	285	328
Other financial audit	91	88
Other non-audit services	36	0
Total auditors' fees	**412**	**416**

The amounts are stated in TNOK and exclude VAT.

NOTE 2 TAX

Tax for the year is calculated as follows:	2018	2017
Tax payable	839	0
Change in deferred tax	22,852	17,111
Tax effect related to previous years	47	0
Tax	**23,738**	**17,111**
Reconciliation from nominal to actual tax rates:		
Profit before tax	79,187	48,130
Expected income tax at a nominal tax rate of 23 per cent (24 per cent in 2017)	18,213	11,551
Tax effect of the following items:		
Non-deductible costs	803	276
Change due to a change in tax rate	4,654	5,397
Tax on costs booked directly to equity	21	-113
Insufficient/surplus provision in previous years	47	0
Tax	**23,738**	**17,111**
Effective tax rate	30.0%	35.6%

Specification of temporary differences and deficit carried forward:

	2018		2017	
	Asset	Liability	Asset	Liability
Non-current debt	0	2,275	0	3,055
Pension obligations	1,029	0	757	0
Other liabilities	0	932	1,271	0
Deficit carried forward	467,548	0	540,754	0
Total	**468,577**	**3,207**	**542,782**	**3,055**
Basis for deferred tax asset/liability	465,370		539,727	
Net deferred tax asset in the statement of financial position*	**102,381**		**124,137**	

At the end of the year, the company had NOK 102.9 million in capitalised deferred tax assets associated with the deficit to be carried forward. Based on the Group's strategic plans and current long-term plans for companies in the tax group, the Board of Directors and executive management expect that the deferred tax assets can be utilised.

At the end of 2018, deferred tax was calculated at 22 per cent as a result of government tax changes as from 2019. At the end of 2017, deferred tax was calculated at 23 per cent.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

Company	Acquisition date	Registered office	Voting and ownership	Currency	Nominal share capital
Arcus-Gruppen AS	10.10.2005	Nittedal	100%	NOK	276,000
Vectura AS	30/09/2013	Nittedal	100%	NOK	14,000

Company	Cost price (NOK)	Book value as at 31.12	Equity according to last annual financial statements (NOK)	Profit for the year 2018 (NOK)
Arcus-Gruppen AS	1,886,607	1,362,217	1,992,549	115,933
Vectura AS	76,100	76,100	23,043	-3,130
Total subsidiaries	**1,962,707**	**1,438,317**	**2,015,592**	**112,803**

NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.2016	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.2018		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2018:	Number of shares	Ownership and voting rights
Canica AS	28,607,626	42.1%
Geveran Trading Co Ltd	6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)	3,589,022	5.3%
Hoff SA	3,297,000	4.8%
Sundt AS	2,710,000	4.0%
Centra Invest AS	1,803,818	2.7%
Folketrygdfondet	1,750,000	2.6%
Danske Invest Norske Instit. II	1,685,398	2.5%
KLP Aksjenorge	1,326,494	2.0%
Goldman Sachs International	1,092,651	1.6%
Landkreditt utbytte	1,000,000	1.5%
RBC Investor Services Bank S.A.	949,458	1.4%
Verdipapirfondet DNB Norge Selektiv	926,616	1.4%
Danske Invest Norske Aksjer Inst	892,400	1.3%
Kommunal Landspensjonskasse	849,707	1.2%
Mustad Industrier AS	400,000	0.6%
Danske Invest Norge II	363,834	0.5%
The Bank of New York Mellon SA/NV	317,243	0.5%
Avanza Bank AB	301,551	0.4%
Janska Invest AS	260,861	0.4%
Other shareholders	9,149,576	13.5%
Total	68,023,255	100.0%

Dividend
The Board of Directors proposed dividend distribution of NOK 1.66 per share for 2018 (2017: NOK 1.66 per share).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	1,360	719,280	0	720,640
Profit for the year	0	0	55,449	55,449
Purchase of own shares	-4	0	-8,299	-8,303
Share-based payment	0	0	6,723	6,723
Estimate deviations, pensions	0	0	90	90
Allocated dividend	0	0	-112,919	-112,919
Equity as at 31.12	**1,356**	**719,280**	**-58,956**	**661,680**

NOTE 6 PENSION OBLIGATIONS AND COSTS

The company is obliged to have an occupational pension scheme under the Norwegian Act on mandatory occupational pension schemes, and has a pension scheme which fulfils the requirements under this Act.

Defined contribution pension
Arcus-Gruppen's ordinary pension plan for all other employees is a defined contribution pension plan with Storebrand. The contribution rate is 5 per cent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 per cent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 per cent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

The costs associated with the defined contribution pension plan are related to the current premium invoices from the insurance company with which Arcus-Gruppen has signed a defined contribution pension agreement. The current defined contribution pensions and disability pensions for employees in the defined contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 0.1 million at the end of 2018.

Unfunded pension arrangement
The Group CEO also has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. Ongoing provision is made for this obligation in the company's statement of financial position and the annual interest accrual is the same as for the Storebrand Balansert Pension. At the end of 2018, this obligation was recognised at NOK 1.0 million.

General assumptions
The Company applies a discount rate equivalent to the covered bond interest rate to its pension commitments. This is in line with the recommendations of the Norwegian Accounting Standards Board. The pension assumptions made by the company are consistent with the recommendations of the Accounting Standards Board from September 2018.

Figures in NOK 1,000

Pension costs	2018	2017
Present value of pension earnings for the year	277	213
Interest cost of pension obligations	40	36
Accrued social security contributions	45	35
Net pension costs after social security contributions	**362**	**284**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	191	180
Net pension obligations:		
Estimated accrued obligations, funded pension plans	0	0
Estimated value of pension assets	0	0
Net estimated funded pension obligations (+)/assets (-)	0	0
Estimated accrued obligations, non-funded pension plans	1,029	757
Net pension assets/liabilities recognised in the statement of financial position	**1,029**	**757**
Changes in obligations:		
Net pension obligations 01.01	757	0
Pension costs, continued operations	362	284
Paid in via operations after taking over a liability from a subsidiary	0	348
Estimate deviations recognised directly in equity (IAS19R)	-90	125
Net pension obligations 31.12.	**1,029**	**757**
Financial assumptions:		
Discount rate	2.60%	2.30%
Expected salary adjustment	2.75%	2.50%
Expected pension increase	1.75%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.50%	2.25%
Expected return on pension assets	2.60%	2.30%
Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

NOTE 7 LOANS, PLEDGES AND GUARANTEES ETC.

Debt to financial institutions				2018	2017
Figures in NOK 1,000	Currency	Interest rate profile	Loan amount in foreign currency	Loan amount in NOK	Loan amount in NOK
Overdraft facility, SEB	NOK	Variable	0	0	72,700
Total debt to financial institutions				**0**	**72,700**
Capitalised loan costs				-2,275	-3,055
Book value as at 31.12				**-2,275**	**69,645**

Term structure	Maturity 2019	Maturity 2020-2022	Maturity after 2022	Total
SEB	0	0	0	0
Total debt to financial institutions	**0**	**0**	**0**	**0**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

The capitalised front-end fee with a book value of TNOK 2,275 relates to the front-end fee for the cash pool scheme. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

The Group has a long-term financing agreement with SEB, whereby the loan is formally for TSEK 750 and is booked in one of the subsidiaries in Sweden, VinGruppen Sweden Holding AB. The financing agreement does not include a pledger of security.

The company has no non-current debt with terms exceeding five years.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio.

NOTE 8 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2018	2017
Claims on Group contributions from Arcus-Gruppen AS	106,362	65,312
Trade receivables from companies in the same Group	1,114	22
Other current receivables from Group companies	13,558	8,326
Total	**121,034**	**73,660**

Liabilities	2018	2017
Trade payables to Group companies	155	3
Other current liabilities payable to Group companies	686	0
Intragroup balance in Group cash pool system	1,029,780	725,894
Total	**1,030,621**	**725,897**

The company has no consolidated assets or liabilities that will fall due more than five years after the close of the financial year.

NOTE 9 CASH AND CASH EQUIVALENTS

The company has no restricted bank deposits, but has a bank guarantee for a tax payment of TNOK 2,500.

The company administrates the Group cash pool scheme for the Group and the scheme includes most of the Group's subsidiaries. The Swedish and Finnish wine activities, and the new subsidiary, Det Danske Spiritus Kompagni A/S, are not included in the scheme.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000.

At year-end, the Group had a total deposit of TNOK 149,213 from the scheme, which is presented as a bank deposit for Arcus ASA, compared to TNOK 72,700 at the end of 2017, presented as debt to financial institutions.

As at 31 December 2018, Arcus ASA has drawings of TNOK 1,029,780 in the Group cash pool system, compared to drawings of TNOK 725,894 at the end of 2017.

NOTE 10 FINANCIAL MARKET RISK

Financial risk
The company has individual financial derivatives for hedging purposes. The company does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes.

The risk management procedures are adopted by the Board of Directors and undertaken by the administration in cooperation with the individual business areas. The most important financial risks to which the company is exposed are associated with interest-rate risk, liquidity risk and foreign currency risk. The company's management continuously assesses how these are to be handled.

Interest-rate risk
The company is exposed to interest-rate risk by placing liquid assets and drawing in the Group cash pool system. As at 31 December 2018, the company had variable interest rates for all of its interest-bearing deposits and liabilities.

Liquidity risk
Liquidity risk is the risk that the company will not be in a position to service its financial liabilities as they fall due. The company must at all times have sufficient liquidity to fulfil its obligations. It is also a goal to minimise the company's excess liquidity. The company will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

As far as possible, the company wishes to have flexibility for its liquid assets related to day-to-day operations. This is achieved through a Group cash pool system with a drawing facility that as of 31 December 2018 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used.

Currency risk
Since the company operates international activities, there is some exposure to currency risk. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions. The accounting treatment of financial derivatives is described under "Accounting Policies".

The company makes substantial purchases in foreign currency (mainly EUR), while the functional currency is NOK.

Receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate. Currency exposure is hedged mainly by using forward contracts.

During the year, to a certain degree purchase and sale of goods in foreign currency are hedged, and the forward exchange rate achieved in the market is used as the transaction rate. As a general rule, the currency exposure is hedged three times a year, for four-month terms.

As at 31 December 2018, the company had no forward contracts (asset hedging) to hedge items in the statement of financial position and orders already placed.

NOTE 11 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

At the end of February 2019, four wineries announced their cancellation of the agreements with Vinunic AB, a subsidiary of Vingruppen i Norden AB. The expected annual loss of turnover is approximately SEK 108 million, with effect from the first quarter of 2019. The incident has no impact on the consolidated accounts or the accounts for the mother company for 2018.

Further, no significant events have occurred between the balance sheet date and the date when Arcus's consolidated accounts and company accounts were approved for publication. This applies to events that would have provided knowledge of factors that existed on the balance sheet date, and events that concern matters that have arisen after the balance sheet date. The consolidated financial statements were approved for publication by a board decision on 20 March 2019.

DECLARATION

The Board of Directors and the General Manager confirm that, to the best of their knowledge, the annual financial statements have been prepared in accordance with current accounting standards and that the information presented in the financial statements provides a true and fair view of the assets, debt, financial position and overall results of the company and the Group. The Board of Directors and the General Manager also confirm that, to the best of their knowledge, the Annual Report presents a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risk and uncertainty factors faced by the company.

Gjelleråsen, 20 March 2019

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Maria Saarinen

Erik Hagen

Konstanse M. Kjøle

Ann Therese Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

AUDITOR'S REPORT

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Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Arcus ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arcus ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2018, statement of income, statements of total comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

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Impairment assessments – trade marks and goodwill

As at 31 December 2018, the Arcus Group had trademarks and goodwill recognized in the balance sheet, representing approx. 42% of the total capital, mainly related to the spirit segment. Uncertainty related to earnings and profitability increases the risk of loss due to impairment. Due to the extent of judgmental assessments applied in management's models for impairment considerations, together with the significant value in the balance sheet, the impairment assessments of trade marks and goodwill are considered a key audit matter.

Our audit of the Group's impairment assessments has included review and testing of the impairment models, assessment of cash-generating units, control of mathematical accuracy of models together with testing and evaluating the assumptions management used as a basis in the calculations. We also reviewed the design of management's internal controls related to the impairment assessments. In addition, we considered management's assumption on future cashflow forecasts by looking at the historical accuracy in management's budgets and prognoses to the Company's actual results. We compared key assumptions to market information where available. We also assessed discount rates by comparing the assumptions for the calculation with external data like expected inflation, debt ratio, loan interest, risk premium and beta values for comparable companies. In addition, we have reviewed and carried out sensitivity analyses to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to note 15 in the financial statements and to information about intangible assets and significant accounting estimates and judgmental considerations in the Group's accounting principles.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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, 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 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

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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 in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 20 March 2019

ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Independent auditor's report - Arcus ASA
A member firm of Ernst & Young Global Limited

Directors' Report

ARCUS ASA

Arcus ASA is a holding company whose purpose is the import, export, production, storage and distribution of alcoholic beverages and other goods, as well as other activities related to this business, and the ownership of interests in other companies that conduct such business. With its head office at Gjelleråsen in Nittedal Municipality, the Group is a leading wine and spirits company in the Nordic region. The Group is a global market leader in the aquavit category, a market leader in spirits in Norway and number two in Denmark. The Group is also the market leader for wine in Norway, number two in Sweden, and number three in Finland.

STRATEGY

Within **spirits**, Arcus' key objective is to achieve growth in the core categories of aquavit and bitters. Sales in the Nordic region must be further developed, while the German market must be revitalised. Innovation is key, in terms of categories, consumer groups and occasions.

For **wine**, there is strong focus on winning tenders and attracting complementing agencies. Further development of own brands, primarily through Arcus Wine Brands, is also important. The opportunity for minority ownership interests must be used actively to attract skilled individuals for starting up wine companies.

Concerning **distribution**, there is sustained focus on cost optimisation and on increasing revenue primarily by attracting new customers.

The Group's financial objectives, adopted in conjunction with the Group's IPO on 1 December 2016, are firm. This requires organic growth of 3-5 per cent per annum (including minor bolt-on acquisitions) and EBITDA growth of 6-9 per cent per annum during the next three to five years. The Group's ambition is to pay annual dividend of around 50-70 per cent of the year's net profit.

The consolidated financial statements of Arcus ASA are presented in accordance with IFRS (International Financial Reporting Standards).

FINANCIAL DEVELOPMENT

Statement of income

In 2017, the Group's total operating revenue was NOK 2,575 million (NOK 2,582 million in 2016). New customers for Vectura, as well as acquisitions, contributed positively to revenue, while sales of wine and spirits were more subdued compared to the previous year, as a consequence of low market growth and somewhat lower market shares in a few markets.

Consolidated operating costs totalled NOK 2,292 million (NOK 2,305 million). The cost decrease is mainly related to a lower cost of sales.

In 2017, the Group's operating profit before depreciation (EBITDA) was NOK 348 million, compared with NOK 290 million in 2016. Operating EBITDA (adjusted for non-recurring items) was NOK 361 million, compared with NOK 335 million in 2016. Reported operating profit of NOK 273 million includes impairment of goodwill in Excellars, acquired in 2011, at NOK 22.7 million.

The Group's net financial items amounted to NOK -15 million (NOK -237 million). The reduction in net financial items is primarily related to the lapse of the previous year's IPO costs and the buy-out of previous and current employees' synthetic shares and options. In addition, the company's interest costs were significantly lower, due to a lower debt ratio after the IPO.

The Group's pre-tax profit was NOK 259 million (NOK 2 million).

The Group's profit for the year after tax was NOK 188 million (NOK -24 million).

The parent company has no operating revenues. The pre-tax profit of the parent company, Arcus ASA, was NOK 48 million, compared with NOK -233 million for the previous year. The increase is mainly related to how 2016 was burdened with high costs for the IPO which do not affect 2017, while for 2017 a Group contribution from the subsidiary Arcus-Gruppen AS of NOK 65 million was recognised, compared to 0 in 2016.

Financial position, investments and liquidity

At the end of the year, the Group had brands and goodwill of NOK 1,862 million (NOK 1,679 million). The increase is mainly related to the acquisition of the Hot n'Sweet and Vanlig brands, as well as currency adjustments concerning brands and goodwill in foreign currency.

At the close of the year, the Group had investments in fixed assets and software for NOK 359 million (NOK 381 million). In 2017, the Group invested NOK 22 million in fixed assets and software, while depreciation of NOK 44 million resulted in a lower book value at the end of 2017 compared to the end of 2016. No significant investments are expected in the coming years.

At the end of 2017, financial assets totalled NOK 60 million (NOK 58 million).

Total current assets were NOK 2,114 million, compared with NOK 2,004 million at the same time last year. Of this amount, receivables at year-end totalled NOK 1,519 million (NOK 1,426 million).

At the end of 2017, cash and bank deposits were NOK 184 million (NOK 199 million).

Group equity was NOK 1,669 million as at 31 December (NOK 1,503 million). Changes in equity are affected positively by the profit for the year, but reduced by the divided paid to minority shareholders in the Group and share-holders in the parent company. At year-end, the equity ratio was 37 per cent, compared with 35 per cent at the end of 2016.

The Group is financed through a non-current loan of NOK 749 million. In addition, the Group has debt of NOK 183 million related to financial leasing, of which NOK 17 million falls due during 2018. At year-end, the Group had drawn NOK 73 million on the facility under the Group cash pool system. As of 31 December 2017, the Group's total liabilities amounted to NOK 2,863 million (NOK 2,792 million), of which the interest-bearing debt amounted to 35 per cent.

Consolidated net cash flow from operating activities was NOK 200 million (NOK -2 million). The increase is affected significantly by the termination of the factoring agreement with SEB in 2016 (NOK -225 million effect on the previous year's cash flow).

Net cash flow from investment activities was NOK -144 million (NOK -47 million). Net cash flow from investment activities is affected by the acquisition of the Vanlig and Hot n'Sweet brands.

Net cash flow from financing activities was NOK -164 million (NOK 75 million). Net cash flow from financing activities is affected by dividend payment, as well as increased ownership interests in subsidiaries with non-controlling interests.

Holdings of cash and cash equivalents were NOK 112 million (NOK 199 million). Deviations between the company's operating profit and operating cash flow are the Group's financial expenses, changes in working capital and tax paid during the period.

Financial risk and risk management

The Board has adopted a financial policy, defining the framework and guidelines for financial risk management within the Group.

Arcus' principal source of income is the core business. The main risk management strategy for the Group is to limit the financial risk created by the core business.

The most important financial risks to which the Group is exposed are associated with credit risk, interest rate risk, liquidity risk and foreign currency risk.

To a small extent, Arcus uses financial instruments to hedge interest rate and currency risks. The Group does not meet the accounting requirements for hedge accounting, and such instruments are therefore, on initial recognition, accounted for as financial instruments at fair value, while changes in value are recognised through profit or loss.

Credit risk

The finance policy stipulates that credit risk must be assessed before establishing credit purchase agreements with new customers. The assessment includes a review of accounting information, as well as other relevant and accessible data, to determine the credit limit and credit terms. Once a relationship has been established with a customer, credit risk and credit limits are continuously assessed in relation to the client's financial performance and payment history. Receivables outstanding are continuously monitored by the finance department in cooperation with the marketing departments of the individual businesses.
A large proportion of the Group's accounts receivable arise from the sale of wines and spirits to the state-owned monopoly outlets in the Nordic region. Credit risk associated with these customers is considered to be non-existent. The Group's credit risk is otherwise spread over a large number of small customers within the hotel, restaurant

and café market, as well as a small number of distributors outside the Nordic region.

Interest rate risk

The Group is exposed to interest rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2017, the Group's non-current liabilities consisted of credit facilities at SEB and financial leasing at Nordea Finans. The interest rate hedging policy entails that up to 50 per cent of the base rate on non-current loans can be hedged. At the end of 2017, none of the Group's interest-bearing debt was hedged. The interest rate margin on credit facilities at SEB is related to the size of the Group's net interest-bearing debt relative to EBITDA, while the agreement with Nordea Finans involves a fixed interest rate margin.

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. Arcus must at all times have sufficient liquidity to meet its obligations. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

Arcus aims for the highest possible degree of flexibility in terms of utilising liquid assets as effectively as possible in day-to-day operations. This is achieved through a Group cash pool system with a drawing facility managed by Arcus AS.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. During 2017, the Arcus Group acquired the remaining 50 per cent of the shares in the DDSK A/S Group, 100 per cent of the shares in BevCo AS, the Vanlig brand and the Hot n'Sweet brand, and also acquired further non-controlling interests in existing subsidiaries for NOK 13 million. All of these acquisitions were financed with own liquidity and existing drawing facilities.

The Group did not raise new non-current loans in 2017, but renewed the existing financial leasing with Nordea.

Currency risk

The Group is exposed to currency risk as it operates in several countries and makes significant purchases in foreign currencies. The most significant currencies are euro, Danish krone, Swedish krona and US dollar.

The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in Norwegian kroner. Changes in purchase costs from suppliers in functional currency, due to exchange rate fluctuations, are continuously sought to be offset by changes in customer prices and through renegotiation of purchase prices from suppliers.

The risk horizon, i.e. the time it takes to compensate for negative currency movements, is generally controlled by the price-adjustment opportunities in relation to the Nordic state monopolies. In Norway, this takes place every fourth month and in Sweden, every sixth month. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

Some of the Group's non-current borrowing is undertaken in Swedish kronor, as a natural hedging of cash flows in the form of dividends in Swedish kronor.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rates in the companies' functional currencies. The Group's presentation currency is Norwegian kroner. The Group is therefore further exposed to currency risk on translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged.

ABOUT THE COMPANY

Arcus ASA owns all of the shares in Arcus-Gruppen AS and Vectura AS. The purpose of the company is to manage shares and other company holdings and the Group operates in the business areas of spirits, wine and distribution.

The Spirits business area imports, produces, bottles, markets and sells wine and spirits primarily in the Nordic region and Germany, but also in other selected export markets. The company also provides bottling services for associated companies.

The Wine business area imports, bottles, markets and sells wine in Norway, Sweden and Finland.

The Distribution business area distributes alcoholic beverages in the Norwegian market.

The company's registered office is in Nittedal Municipality, Norway.

Employees, working environment and sick leave

At year-end, the Group had 420.9 FTEs (Full Time Equivalents) distributed as 427 permanent employees, of whom 339 are employed in Norway. The parent company Arcus ASA has two employees

The Board considers the working environment and cooperation with employee representatives to be good and constructive. The co-involvement of employees is ensured at several levels of the Group. Permanent cooperation committees, consisting of employee representatives and representatives from management, have been set up in the operating companies in Norway. At these meetings, the management provides information, and engages in discussions when needed. A corporate

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2017 DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	96	28	4	11	1	140
Men	243	26	11	7		287
Total	**339**	**54**	**15**	**18**	**1**	**427**

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2017 DISTRIBUTED BY BUSINESS AREA

	Men	Women	Total
Spirits	97	50	147
Wine	32	49	81
Arcus-Gruppen AS	23	14	37
Vectura AS	133	27	160
Arcus ASA	2	-	2
Total	**287**	**140**	**427**

committee has also been established where the employees' Board members and key representatives meet before each Board meeting to discuss relevant, Group-wide issues.

The Group's operating companies work systematically with health, safety and the environment. Individual action plans are established and followed up centrally, in the business areas and in the working environment committees.

The Norwegian companies in Arcus ASA are IA (inclusive working life) companies in Norway, and work closely with the occupational health service and NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. In 2017, sick leave for Arcus-Gruppen AS with subsidiary in Norway was 4.2 per cent. The objective for 2018 is for sick leave not to exceed 4.2 per cent. In 2017, sick leave amounted to 8.9 per cent in Vectura AS. The objective for 2018 is for sick leave not to exceed 7.5 per cent. Sick leave varies between departments and business areas.

Sick leave statistics and HSE incidents are presented each month at departmental meetings and on bulletin boards, and are considered by the working environment committees.

To avoid serious injuries and incidents, it is important to have an organisation and culture that identifies hazardous conditions, registers adverse incidents and introduces corrective measures on an ongoing basis. In this respect, the operating companies in the Group have been successful Adverse incidents are reported regularly. These incidents are reported on a monthly basis to management, employees, working environment committees and safety representatives.

All injuries are investigated to discover the underlying cause, and measures are then implemented to avoid similar incidents.

In 2017, there were seven injuries resulting in absence due to illness (five in Vectura AS and two in Arcus Norway AS). The injuries were not serious and the persons returned to work after brief periods of absence. The Group's goal for 2018 is zero absence due to injuries.

Equal opportunities

Of the Group's 427 employees at year-end, 32.4 per cent were women and 67.6 per cent were men, compared with 30.0 per cent women and 70.0 per cent men in the previous year. The management groups of the operating companies all have female members. The Group Management of Arcus ASA consists of nine men.

At the end of 2017, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom four were women. Three members of the Board of Directors are elected by the employees, and one of these members is a woman. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representatives on an ASA's board of directors.

In connection with the local salary settlement in 2017 in Norway, the parties reviewed the situation concerning equal opportunities and equal pay. The parties agreed that satisfactory consideration is made of equal pay and equal opportunities.

The Group's goal for the operating companies is for them to be workplaces with no discrimination or harassment in any form. Both the working regulations and the ethical rules have guidelines in this respect. In addition, good reporting routines have been established.

At the end of 2017, the employees represented around 35 different languages. The Group has a stated policy, included through ethical rules, not to discriminate on the basis of gender, disability, ethnicity, religion, etc. The Board of Directors and the management groups

of the operating companies' consider this in relation to recruitment, appointments, salaries and working conditions, as well as through awareness-raising activities.

Data protection

On 25 May 2018, the new EU General Data Protection Regulation (GDPR) will enter into force. The key aspects of the existing legislation are continued, with additions comprising extensive new requirements of companies which process personal data. For Arcus this entails extensive investigation and documentation work.

In 2017, Arcus commenced the work of mapping current personal data, as well as procedures, systems and documentation related to the processing of all personal data, and gap analyses, production and documentation, as well as implementation and operation. In early 2018, procedures for compliance, control and auditing will also be reviewed, so that Arcus will handle personal data protection in accordance with the new Regulation when it enters into force.

Environment

Consideration for the external environment is an important part of corporate social responsibility at Arcus. The Group's operations affect the external environment via the production and distribution of its products. Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of its activities on the external environment. As an element of Arcus' CSR work, concrete KPIs have been set for carbon dioxide reduction and increased recirculation of waste.

Alcohol

Arcus takes a clear stance on responsible alcohol consumption. Our aim is to raise awareness and understanding among all of the target groups which are relevant for Arcus about our corporate approach to alcohol and responsible consumption. This is the background to the important "Think before you drink" campaign, which has been further developed since it was first launched in 2015. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus. In 2017, Arcus ran a campaign which targeted high school graduates. The "Think before you drink" message was shared on the high school graduates' own digital channels. At the four big parties at Tryvann in Oslo, 6,000 bottles of water were distributed to high school graduates, and it was easy for the young people to refill the bottles with water. Arcus was not identified as the originator of the initiative.

AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies. This is an integrated element of the Annual Report.

The Annual Report includes a separate report on Arcus' corporate social responsibility and organisation.

Ownership

On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and at year-end 2017/18 had 2,622 shareholders. At the close of the year, three shareholders each held more than 5 per cent of the company's shares: Canica AS (33.3 per cent), Geveran Trading Co Ltd (9.9 per cent) and Verdipapirfondet DNB Norge (IV) (5.3 per cent). Each quarterly result has been presented to investors in Oslo and London. In addition, the result for Q1 was presented to investors in Helsinki, and the result for Q2 in Stockholm.

The Annual Report includes a separate report on Arcus' corporate governance compliance. This is an integrated element of the Annual Report.

Continued operations

In accordance with Section 3-3a of the Norwegian Accounting Act, it is confirmed that the company is a going concern. The basis for this lies in the long-term plans and strategic choices that have been made.

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events have occurred after the close of the financial year, between the date of the statement of financial position and the Board of Directors' consideration of the financial statements for 2017.

APPROPRIATION OF PROFITS

The parent company Arcus ASA reported a result for the year of NOK 31.0 million in 2017, compared with NOK -199.7 million in 2016. The Board proposes the allocation of dividend of NOK 1.66 per share, in total NOK 112.9 million, and that the profit of NOK 31.0 million be transferred to other equity.

FUTURE PROSPECTS

In conjunction with the IPO, the company published its long-term growth targets, including organic revenue growth of 3-5 per cent including minor bolt-on acquisitions, and EBITDA growth of 6-9 per cent in the next three to five years. The Board continues to set these targets as the basis for the Group's continued development.

DECLARATION

The Board of Directors and the General Manager confirm that, to the best of their knowledge, the annual financial statements have been prepared in accordance with current accounting standards and that the information presented in the financial statements provides a true and fair view of the assets, debt, financial position and overall results of the Group. The Board of Directors and the General Manager also confirm that, to the best of their knowledge, the annual financial statements present a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risk and uncertainty factors faced by the company.

Gjelleråsen 15 March 2018

Michael Holm Johansen Chairman of the Board	Stein Erik Hagen	Hanne Refsholt	Eilif Due
Trond Berger	Leena Saarinen	Erik Hagen	Kjell Arne Greni
Ingrid E. Skistad	Ann-Beth Freuchen	Kenneth Hamnes Group CEO	

BOARD OF DIRECTORS

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen
Board member

Hanne Refsholt
Board member

Eilif Due
Board member

Trond Berger
Board member

Leena Saarinen
Board member

Ann-Beth Freuchen
Board member

Erik Hagen
Board member

Kjell Arne Greni
Board member

Ingrid E. Skistad
Board member

Financial Statements and Notes

CONSOLIDATED FINANCIAL STATEMENTS

PARENT COMPANY ACCOUNTS

CONSOLIDATED FINANCIAL STATEMENTS

Statement of income 01.01.-31.12.

Figures in NOK 1,000	Note	2017	2016
OPERATING REVENUE AND EXPENSES			
Sales revenues	4,5	2,530,126	2,521,826
Other operating revenues	4,5	44,934	60,571
Total operating revenues	**4,5**	**2,575,060**	**2,582,397**
Net gain on sale of fixed assets	3,14,15	30	144
Cost of sales	6,18	-1,408,524	-1,467,920
Salaries and other personnel costs	8,9,10	-417,412	-392,545
Depreciation and amortisation	14,15	-51,581	-51,625
Write-downs	14,15	-22,700	0
Other operating expenses	6,7,16	-391,699	-392,516
Share of profit from associated companies and jointly controlled entities	13	3,286	5,789
Operating profit before other income and expenses		**286,460**	**283,724**
Other income and expenses	7, APM	-13,167	-44,874
Operating profit		**273,293**	**238,850**

Figures in NOK 1,000	Note	2017	2016
FINANCIAL INCOME AND EXPENSES			
Interest income	11	6,654	7,944
Other financial income	11,22	19,243	10,419
Interest costs	11	-31,475	-70,414
Other financial costs	11,22	-8,965	-184,677
Net financial profit/loss		**-14,543**	**-236,728**
PRE-TAX PROFIT		**258,750**	**2,122**
Tax	12	-70,528	-26,211
Profit for the year		**188,222**	**-24,089**
The profit for the year is allocated to			
Non-controlling interests	1	6,944	10,480
Parent company shareholders		181,278	-34,569
		188,222	**-24,089**
Earnings per share (NOK)			
Earnings per share	20	2.66	-0.67
Diluted earnings per share	20	2.62	-0.67

Statement of other comprehensive income 01.01.-31.12.

Figures in NOK 1,000	Note	2017	2016
Profit for the year		188,222	-24,089
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	10	4,439	-1,278
Total items that will not be reclassified against the statement of income, before tax		**4,439**	**-1,278**
Tax on items that will not be reclassified against the statement of income	12	-1,065	320
Total items that will not be reclassified against the statement of income, after tax		**3,374**	**-959**
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		73,207	-39,242
Total items that may be reclassified against the statement of income, before tax		**73,207**	**-39,242**
Tax on items that may be reclassified against the statement of income		0	0
Total items that may be reclassified against the statement of income, after tax		**73,207**	**-39,242**
TOTAL OTHER COMPREHENSIVE INCOME		76,581	-40,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		264,803	-64,290
The total comprehensive income for the year is allocated as follow			
Non-controlling interests		8,127	7,703
Parent company shareholders		256,676	-71,993
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		264,803	-64,290
Total comprehensive income per share (NOK)			
Earnings per share	20	3.77	-1.40
Diluted earnings per share	20	3.70	-1.40

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	15	1,042,596	1,010,176
Brands	15	819,702	669,237
Software	15	29,151	30,651
Total intangible assets		**1,891,449**	**1,710,064**
Tangible assets			
Machinery and equipment	14	304,534	326,049
Fixtures and fittings, tools, office equipment etc.	14	19,614	21,454
Assets under construction	14	5,678	2,732
Total tangible assets		**329,826**	**350,235**
Deferred tax assets	12	136,786	172,120
Financial assets			
Investments in associated companies and jointly controlled entities	13	58,670	56,811
Other investments in shares		200	200
Other non-current receivables	17	1,205	1,235
Total financial assets		**60,075**	**58,246**
Total fixed assets		2,418,136	2,290,665

Figures in NOK 1,000	Note	2017	2016
Current assets			
Inventories	18	410,759	378,777
Receivables			
Trade receivables	2	1,432,164	1,344,067
Prepayments to suppliers	17	64,570	62,810
Other receivables	12,17	22,325	19,112
Total receivables		**1,519,059**	**1,425,989**
Bank deposits	2,19	184,415	199,385
Cash and cash equivalents		**184,415**	**199,385**
Total current assets		**2,114,233**	**2,004,151**
TOTAL ASSETS		4,532,369	4,294,816

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	20	1,360	1,360
Share premium		770,743	770,743
Total paid-in equity		**772,103**	**772,103**
Retained earnings			
Other equity		878,489	716,582
Total retained earnings		**878,489**	**716,582**
Non-controlling interests	1	18,823	13,905
Total equity		**1,669,415**	**1,502,590**
Liabilities			
Provisions			
Deferred tax liability	12	101,032	92,628
Pension obligations	10	30,552	34,092
Other provisions	23	320	627
Total provisions		**131,904**	**127,347**

Figures in NOK 1,000	Note	2017	2016
Other non-current liabilities			
Debt to financial institutions	2,21	909,218	886,255
Total other non-current liabilities		**909,218**	**886,255**
Current liabilities			
Debt to financial institutions	2,21	90,071	16,498
Liabilities at fair value through profit or loss	2,22	0	24,135
Trade payables		603,884	628,347
Tax payable	12	2,128	0
Unpaid public duties	24	928,005	912,310
Other current liabilities	23,24	197,744	197,334
Total current liabilities		**1,821,832**	**1,778,624**
Total liabilities		**2,862,954**	**2,792,226**
TOTAL EQUITY AND LIABILITIES		**4,532,369**	**4,294,816**

Gjelleråsen, 15 March 2018

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Kjell Arne Greni

Ingrid E. Skistad

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. -31.12.

Figures in NOK 1,000	Note	2017	2016
CASH FLOWS FROM OPERATIONS			
Pre-tax profit		258,750	2,122
Depreciation and amortisation	14,15	74,281	51,625
Share of profit from associated companies and jointly controlled entities	13	-3,286	-5,789
Dividends received from associated companies and jointly controlled entities	13	0	2,947
Taxes paid	12	-33,221	-46,711
Interest costs during the period		31,475	70,414
Pension costs and other provisions without cash effect	3	591	-3,601
Value changes and other costs without cash effect	3	-4,444	164,974
Profit/loss on sale of fixed assets and intangible fixed assets	3	-30	-1,051
Unrealised agio	3	19,195	-15,964
Change in inventories	3,18	-31,781	9,440
Change in trade receivables	3	-43,939	-340,739
Change in trade payables	3	-45,437	76,890
Change in other current assets and other liabilities	3	-22,256	33,491
Net cash flows from operational activities		**199,898**	**-1,952**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	15	-124,820	-36,429
Payments on purchase of tangible fixed assets	14	-15,894	-11,379
Proceeds from sale of tangible fixed assets	3,14	30	1,060
Payments on acquisition of business	26	-2,752	0
Payment of loans to minority interests		0	-810
Payments on acquisition of other financial investments	3	-454	0
Net cash flow from investment activities		**-143,890**	**-47,558**

Figures in NOK 1,000	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds - incentive programme	22	0	1,000
Payments - incentive programme	22	0	-158,316
Capital increase		0	768,883
Proceeds from non-current interest-bearing debt to financial institutions	2,21	0	802,632
Repayment of non-current interest-bearing debt to financial institutions	2,21	-15,719	-1,081,048
Change in other non-current loans		0	-246
Change in overdraft facility		72,700	0
Interest cost paid during the period	3	-31,454	-83,031
Payments for acquisition of non-controlling interests		-12,913	-146,325
Payments of dividends/Group contributions	1,3	-103,515	-28,260
Net cash flow from financing activities		**-90,901**	**75,289**
Effect of exchange rate fluctuations on cash and cash equivalents		19,923	-16,813
Effect of exchange rate fluctuations on cash and cash equivalents		**19,923**	**-16,813**
Net change in cash and cash equivalents		**-14,970**	**8,966**
Holdings of cash and cash equivalents as at 01.01		199,385	190,419
Holdings of cash and cash equivalents as at 31.12.	19	**184,415**	**199,385**

Statement of changes in equity

Figures in NOK 1,000	Share capital	Share premium	Translation differences	Share-based payment fund	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity as at 31.12.2015	1,000	794	265,253	0	577,757	844,804	31,603	876,407
Profit for the year 2016	0	0	0	0	-34,569	-34,569	10,480	-24,089
Total other comprehensive income 2016	0	0	-36,465	0	-959	-37,424	-2,777	-40,201
Total profit for the year 2016	**0**	**0**	**-36,465**	**0**	**-35,528**	**-71,993**	**7,703**	**-64,290**
Transactions with owners 2016								
Share issue	360	769,949	0	0	0	770,309	0	770,309
Share-based payment	0	0	0	606	0	606	0	606
Payment of dividend	0	0	0	0	0	0	-21,896	-21,896
Changes in non-controlling interests	0	0	0	0	-49,877	-49,877	-8,670	-58,547
Transfer of profit for the year from minority to majority*	0	0	0	0	-5,163	-5,163	5,163	0
Total transactions with owners 2016	**360**	**769,949**	**0**	**606**	**-55,040**	**715,875**	**-25,403**	**690,472**
Equity as at 31.12.2016	**1,360**	**770,743**	**228,788**	**606**	**487,190**	**1,488,687**	**13,903**	**1,502,590**
Profit for the year 2017	0	0	0	0	181,278	181,278	6,944	188,222
Total other comprehensive income 2017	0	0	72,024	0	3,374	75,398	1,183	76,581
Total profit for the year 2017	**0**	**0**	**72,024**	**0**	**184,652**	**256,676**	**8,127**	**264,803**
Transactions with owners 2017								
Share-based payment	0	0	0	7,898	0	7,898	0	7,898
Payment of dividend	0	0	0	0	-99,994	-99,994	-3,521	-103,515
Changes in non-controlling interests	0	0	0	0	-2,675	-2,675	314	-2,361
Total transactions with owners 2017	**0**	**0**	**0**	**7,898**	**-102,669**	**-94,771**	**-3,207**	**-97,978**
Equity as at 31.12.2017	**1,360**	**770,743**	**300,812**	**8,504**	**569,173**	**1,650,592**	**18,823**	**1,669,415**

* At the end of 2016 the Group owned 90.1 per cent of the subsidiary Excellars AS. In addition, put and call options existed which were associated with the non-controlling interests, although the Group was not considered to have control of the shares as of the close of the financial year. These companies were recognised as though they were wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income for 2016, but not in the equity statement as at 31.12.2016. The transfer in 2016 related to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

Brief history of the Group

Arcus ASA is registered and domiciled in Norway, and located at Destilleriveien 11 in Gjelleråsen in Nittedal Municipality, just north of Oslo. The consolidated financial statements include the parent company and subsidiaries (together referred to as "Arcus" or the "Group", and individually as a "Group company"), as well as the Group's holdings in associated companies. The Group's principal activity is the import, production, marketing, sale and distribution of wine and spirits.

Historical development
The Group has carried out the following important transactions in recent years:

2017
- In January, the Group acquired the remaining 50 per cent interest in Det Danske Spiritus Kompagni A/S. Det Danske Spiritus Kompagni A/S thereby became a wholly-owned subsidiary in the Group's spirits activities.
- In January, the Group established Vingruppen Finland Oy, as a wholly-owned subsidiary of Vingruppen i Norden AB.
- In February, the Group acquired the remaining 9.9 per cent interest in Excellars AS. Excellars AS thereby became a wholly-owned subsidiary in the Group's wine activities.
- In June, the Group increased its ownership of Valid Wines Sweden AB from 97.0 per cent to 100.0 per cent by the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares. At the same time, the Group sold 16.9 per cent of the shares to the company's general manager, so that after the transaction the Group has an ownership interest of 83.1 per cent in Valid Wines Sweden AB.
- In September, the Group acquired 100 per cent of the shares in the Norwegian company BevCo AS, which as from the same date is part of the Group's spirits activities. Among other things, the company has the distribution rights for Dooley's Toffee in Norway.
- In October, the Group acquired the Vanlig brand, which comprises a vodka and a gin product. The Group took over sales of this product as from the same date, while production was taken over during Q1 2018.
- In December, the Group acquired the Hot n'Sweet brand, which is a vodka shot. The Group took over sales of this product as from 1 January 2018, while production was taken over during Q1 2018.

2016
- In February, the Group increased its ownership of Excellars AS from 51.0 per cent to 90.1 per cent by the subsidiary Vingruppen AS' acquisition of minority shares.
- In February, the Group increased its ownership of Wineagency Sweden AB from 80.0 per cent to 90.0 per cent by the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In July, the Group increased its ownership of Wineworld Sweden AB from 80.0 per cent to 90.0 per cent by the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares.
- In August, the Group acquired the Dworek vodka brand.
- In December, the Group increased its ownership of Vingruppen i Norden AB from 99.37 per cent to 100.0 per cent by the subsidiary VinGruppen Sweden Holding AB's acquisition of the remaining minority shares.
- Arcus-Gruppen Holding AS was restructured as a public limited liability company and changed its name to Arcus ASA, before the company's listing on the Oslo Stock Exchange on 1 December.

2015
- In February, acquired the aquavit brand Snälleröds in Sweden.
- In April, acquired the wine activity from Fondberg in Finland. Changed the name of the company to Social Wines Oy.
- In September, acquired 70 per cent of the shares in a recently-founded Norwegian wine company, Heyday Wines AS.
- In Q4, reorganised the ownership of Vingruppen i Norden AB, by selling the shares to a newly-established wholly-owned holding company in Sweden called VinGruppen Sweden Holding AB.
- Discontinued production in Aalborg and moved the production and bottling of the Danish brands (Aalborg Aquavit, Malteserkreutz and Gammel Dansk) to customised facilities at Gjelleråsen.

2014
- Established Vingruppen AS as the new holding structure for the wine business in Norway.

2013
- In January, acquired all the shares in Arcus Denmark A/S from Pernod Ricard, which included the Aalborg Aquavit and Gammel Dansk brands, and all the shares in Arcus Deutschland GmbH, which owns the Malteserkreutz brand.

2012
- Completed the new production and distribution facility and head office at Gjelleråsen, and moved the business there.

2011
- Acquired 28.2 per cent of the shares in Vingruppen i Norden AB, increasing the holding from 62.5 per cent to 90.7 per cent. At the same time, entered into an option agreement for the remaining 9.3 per cent.
- Acquired 51 per cent of the shares in Excellars AS, with an option for the remaining 49 per cent.
- Swapped 34 per cent of the shares in SAS de L'île Madame for 32.6 per cent of the shares in Tiffon SA. Acquired a further 106 shares and increased the holding in Tiffon SA to 34 per cent.

2010
- Implemented an agreement on sale of Gjelleråsen Prosjekt 1 AS.
- Started construction of a new production and distribution facility and head office at Gjelleråsen.

2009
- Acquired the brands Star Gin, Red Port and Dry Anise from Pernod Ricard.
- Acquired 80 per cent of the company Symposium Wines AS.

2008
- Acquired Gjelleråsen Prosjekt 1 AS, which included the site of the new operating location at Gjelleråsen in Nittedal Municipality north of Oslo.

Accounting policies

The consolidated financial statements for 2017, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2017, and as described in the note on the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board of Directors on 15 March 2018. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core activities are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA is listed on the Oslo Stock Exchange. The price on 31.12.2017 was NOK 46.50 per share, compared to NOK 44.50 per share at the end of 2016.

NEW ACCOUNTING STANDARDS

No changes which have significantly affected the Group's financial statements have been made to the framework conditions from IFRS in the current year. The most important changes to the accounting standards that will affect the Group in the future are presented below.

Adopted IFRS and IFRIC with future effective dates:

The standards and interpretations adopted up to the date of presentation of the consolidated financial statements, but where the effective date is in the future, are shown below. The Group's intention is to implement the relevant changes on the effective date, on the assumption that the EU approves the changes before the presentation of the consolidated financial statements.

CHANGES RELEVANT TO THE ARCUS GROUP:

IFRS 9 Financial instruments

In July 2014, the IASB published the final subproject of IFRS 9 and the standard has now been finalised. IFRS 9 includes changes related to classification and measurement, hedge accounting and impairment IFRS 9 will replace IAS 39 Financial Instruments – Recognition and Measurement. The parts of IAS 39 that were not changed as part of this project were transferred and included in IFRS 9.

The standard will be implemented retrospectively, with the exception of hedge accounting, although the preparation of comparative figures is not a requirement. The rules for hedge accounting will mainly be implemented prospectively, with a few exceptions. The Group has no plans for the early implementation of the standard. The new standard will apply with effect from reporting years beginning on 1 January 2018 or later.

The new standard is not expected to have any material impact on the Group's financial reporting, but may affect the Group's classification and measurement of financial assets and liabilities.

IFRS 15 Revenue recognition

IASB has released a new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognised in order to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the consideration the company expects to be entitled to in exchange for these goods or services

The standard applies, with a few exceptions, to all revenue-generating contracts with customers and includes a model for recognition and measurement of the sale of individual non-financial assets. IFRS 15 will be implemented using either a fully retrospective or a modified method. The new standard will apply with effect from reporting years beginning on 1 January 2018 or later.

In 2017, the Group undertook an analysis of its income recognition principles and assessed the changes that are necessary due to the implementation of IFRS 15 as from 1 January 2018. The key aspects of these assessments were the time of revenue recognition of our products, classification of discounts, annual bonuses, market support and outbound shipping, and an agent/principal assessment concerning net or gross recognition of revenue.

The analysis did not reveal significant changes from existing principles, apart from the book entry of outbound shipping. Up to and including 2017, the Group has booked outbound shipping as a reduction of revenue. Based on an assessment of the agent/principal principle, the Group assesses that as from 1 January 2018, the costs of outbound shipping must be presented on a gross basis, as a cost under other indirect costs. The Group plans to include all effects of the new standard at the time of its first application in 2018, and this will entail changes to the statement of income, and to some extent also to the Revenue note and Segment note. This will increase the Group's reported revenue by an amount of around NOK 30-50 million. The change will not affect the Group's reported EBITDA.

IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of leasing agreements for both parties to a leasing agreement, i.e., the customer (lessee) and provider (lessor). The new standard requires the lessee to recognise the assets and liabilities of most leasing agreements, which is a significant change from current principles. The standard comes into force on 1 January 2019, but has not yet been approved by the EU. The new standard will apply with effect from reporting years beginning on 1 January 2019 or later.

New IFRS 16 concerning leases will entail a significant change to the accounting policy related to leasing costs. As from financial years commencing in 2019, all significant leasing agreements must be capitalised. This will give an intangible right on the asset side and an equivalent liability on the debt side.

On the implementation of IFRS 16, the Group has two options: the full retrospective method or the modified retrospective method. The difference between the two methods is that the full retrospective method calculates the effects of the new standard related to the share of the lease contracts which has already accrued as of the date of implementation. This means that if the lease contract was signed on 1.1.2016 and the standard was implemented on 1.1.2019, the effects from the first three years must be booked to equity as from 1 January in the comparison year. If the Group chooses the modified retrospective method, the effects are only calculated as from the implementation date, and there is no adjustment in relation to equity. The full retrospective method has a lower effect on the statement of financial position and equivalently lower future depreciation than the modified retrospective method, but has a negative equity effect as of the implementation date.

At the end of 2017, the Group made a calculation based on the Group's existing leasing agreements. The estimate shows that if IFRS 16 had been implemented as of 31.12.2017, the Group would have had an effect on the statement of financial position of between NOK 1,050 and 1,150 million, depending on the method chosen. The negative equity effect on choosing the full retrospective method would have been NOK 108 million. Based on the estimate, the future effect on the result would have shown lower operating costs of NOK 91 million, which would give equivalently higher EBITDA. Depreciation and amortisation would have been NOK 58-65 million higher, which would have given net EBIT that was NOK 25-32 million higher in the first financial year after implementation than without IFRS 16 implementation. Calculated interest costs of NOK 44 million would have led to a pre-tax profit NOK 12-19 million lower than without IFRS 16 implementation, in the first year after implementation.

On the introduction of IFRS 16 Leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to today's model, independently of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

Other changes

Other changes resulting from new standards that have yet to come into effect will not influence or have any significant effect on the consolidated financial statements.

ACCOUNTING POLICIES

Consolidation principles

The consolidated financial statements comprise Arcus ASA and subsidiaries in which Arcus ASA has control, and present the overall financial results, the overall financial position, and the overall cash flows, as one financial entity. Control takes place when the Group is entitled to variable returns from an investment object, and can also influence relevant activities which affect the returns on the investment object. Normally this will be the company in which Arcus ASA, either directly, or indirectly via subsidiaries, owns more than 50 per cent of the shares with voting rights. In the consolidated financial statements, this Group is referred to as Arcus or the Arcus Group.

See Note 1 for an overview of all the companies included in the consolidation.

In the consolidated financial statements all intra-Group receivables and internal transactions between companies within the Group have been eliminated. The cost price of shares in subsidiaries is eliminated against equity at the time of acquisition. Accounting values including goodwill and excess values associated with foreign subsidiaries are translated from the functional currency to NOK according to the exchange rate at the close of the financial year.

Goodwill is included in the consolidated financial statements as an intangible asset.

Any changes in the Group's ownership of a subsidiary, without any loss of control, is recognised as an equity transaction. If the Group loses control of a subsidiary, underlying assets (including goodwill), debt, minority interests and other equity components are deducted, while gains and losses are recognised in the income statement. Any remaining investment is recognised at fair value.

Non-controlling interests

Non-controlling interests' share of profit after tax is shown on a separate line after the Group's profit for the year. Non-controlling interests' share of equity is shown on a separate line as part of the Group's equity.

In instances where there are put and/or call options associated with the non-controlling interests, and where the Group has determined that it does not have an existing interest in the shares to which the options apply, the subsidiary is presented as if it were wholly owned, but with partial presentation of non-controlling interests. Partial presentation of non-controlling interests means that for each reporting period the non-controlling interests will receive their part of the profit for the year, which is shown under the profit allocation in the consolidated statement of income and in the statement of changes in equity. At the end of each period, the non-controlling minority interests' share of profit, adjusted for the distribution of dividend for the period to the non-controlling interests, will be transferred as an equity transaction from the non-controlling interests' share of equity to the majority's equity. The option liabilities will be recognised at the present value of the redemption amount and presented in the statement of financial position as an obligation at fair value via profit or loss.

Currency

All transactions in foreign currency are translated to functional currency as of the date of the transaction. Monetary items in foreign currency are translated as of the close of the financial year to functional currency using the exchange rate as of the close of the financial year.

The Group's presentation currency is NOK, which is also the parent company's functional currency.

The functional currency of subsidiaries is the currency in which the subsidiary reports its financial statements. On consolidation of subsidiaries that have a functional currency other than NOK, items of income and expenses are converted to the Group's presentation currency in accordance with average conversion rates. This means that at the end of each period, items of income and expenses are translated at the average exchange rate to date in the year. For the statement of financial position, including excess value and goodwill, the closing exchange rate as of the close of the financial year is

As of 31.12.2017, the following exchange rates have been used when translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2017	2016
EUR average rate	Income statement items	9.3326	9.2980
EUR closing rate	Financial position items	9.8510	9.0865
SEK average rate	Income statement items	0.9684	0.9830
SEK closing rate	Financial position items	0.9992	0.9484
DKK average rate	Income statement items	1.2546	1.2488
DKK closing rate	Financial position items	1.3231	1.2223

used. Currency differences arising on consolidation of entities with another functional currency are attributed to equity and presented as other comprehensive income in the consolidated statement of other comprehensive income. On disposal of subsidiaries, accumulated translation differences associated with the subsidiary are charged to the statement of income.

Investments in associated companies and jointly controlled entities
Associated companies are companies in which the Group has significant influence, normally between a 20 and a 50 per cent holding. The equity method is used for associated companies in the consolidated financial statements. Excess value analysis has been carried out with regard to associated companies. The share of profit is based on profit after tax in the company in which investment has been made, with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired holding of capitalised equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

Jointly controlled companies are investments in which the Group has an agreement on joint control over an entity together with one or more other parties, when none has decisive influence and all strategic, financial and operational decisions concerning the entity require unanimity between the parties. The share of profit is based on profit after tax in the company in which investment has been made with deduction for depreciation of excess value resulting from the cost price of the shares being higher than the acquired holding of capitalised equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

Business mergers
Business mergers in the Group are treated according to the acquisition method and present the Group as a single entity. On acquisition, the cost price of the acquired business is allocated so that the consolidated opening statement of financial position reflects the estimated fair value of the acquired assets and liabilities. To determine fair value on acquisition, alternative methods of determining fair value must be used for assets for which there is no active market. Added value in excess of what is attributable to identifiable assets and liabilities is reported as goodwill. If the fair value of the equity in the acquired company exceeds the consideration, a reassessment is made of the valuation of observable assets and liabilities. If the reassessment reveals no discrepancies, the difference is recognised as income as at the acquisition date. The allocation of the cost price of the business merger must be changed if new information is revealed about the fair value applicable at the time of acquisition and up until the final excess value analysis. This must take place within 12 months of the acquisition date.

With each business acquisition, the minority interest will be measured at fair value, and minorities' share of goodwill is capitalised in the consolidated statement of financial position.

On stepwise acquisition of subsidiaries, the basis is the value of assets and liabilities on the date of the establishment of the Group. Subsequent acquisition of ownership of existing subsidiaries in addition to the majority interest will not affect the assessment of assets or liabilities.

Revenue recognition principles
Revenues associated with the sale of goods and services is recognised when the Group has transferred risk and rights to the purchaser. This is normally on delivery of the goods and services. Other revenues is recognised when it is probable that transactions will involve future financial gains that will accrue to the company and the size of the sum can be estimated reliably. Variable discounts and bonuses are allocated and accrued in the period in which they are expected to occur.

Sales revenues are presented net after deduction of discounts, VAT, outbound shipping costs, alcohol and packaging tax.

Information on revenue recognition in the Distribution segment
All sales that are distributed and sold through Vectura AS are invoiced by the company, including special duties, cost of goods, handling charges, etc. Sales revenues for the services are presented net after deductions for special duties and associated goods and handling charges, etc. Vectura AS' sales revenues are presented net based on an assessment of the fact that the company's revenues are related to the delivery of services, etc., and that the product flow risk is the suppliers' responsibility.

Other income and expenses
To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also the detailed specification of what these items include in the notes relating to the individual line items. For more information on other income and expenses, see the Alternative Performance Measurement (APM) appendix.

Inventories
Inventories are valued at the lower of acquisition cost/production cost and net selling value, where net selling value is calculated as the selling price in a transaction with market participants on the measurement date less selling expenses. Purchased inventories are valued at acquisition cost according to the principle of weighted average with deduction for obsolescence, while inventories produced in-house are valued at production cost according to the principle of full costing with deduction for obsolescence.

Receivables
Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Provision for losses is made on the basis of an individual assessment of each receivable based on identified indicators of impairment.

Sold accounts receivable that are included in the factoring agreement are presented as reduced accounts receivable in the statement of financial position.

Prepayments to suppliers
Prepayments to suppliers apply to financing the purchase of inventory for individual partners. Prepayments are shown at nominal value after deduction for provisions for expected losses. Provisions for losses are made on the basis of identified indicators of impairment.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits, balances in the Group cash pool system and other means of payment with a due date less than three months from the acquisition date.

The Group's cash pool system is connected with cash and bank overdrafts within the same cash pool system and is presented net.

The Group cash pool system is managed by the parent company, Arcus ASA.

Tangible assets
Tangible fixed assets are capitalised at cost price less accumulated depreciation and accumulated loss on non-transitory impairment. Depreciation is

calculated and taken to expenses from the date the fixed asset is taken into use, and is calculated on the basis of expected useful life, taking account of estimated residual value.

Different rates of depreciation are used for a fixed asset's components if these have different economic lives. Assets under construction are not depreciated. Depreciation is taken to expenses only when the asset is ready for use. Profit and loss on sales of fixed assets are set as the difference between the selling price and the book value at the time of sale. Profits on sales of fixed assets are recognised as operating income and losses as operating expenses. If there are indications of impairment, the amount recoverable is estimated in order to assess any loss through the impairment. If the book value exceeds the amount recoverable, the asset is written down to recoverable value, while the remaining depreciation period is maintained (breakpoint solution). Depreciation methods, residual values and estimated life are continuously assessed.

Intangible assets
Intangible assets comprise brands, software and goodwill. Intangible assets are capitalised at cost price with deduction for accumulated depreciation and accumulated write-downs in the event of non-transitory impairment.

Intangible assets with limited useful lives are depreciated by the straight-line method over the expected useful life.

The capitalised value of goodwill, brands and other intangible assets with indeterminate lifetime is tested for impairment at least once a year, or more often if there are indications that the value of the asset has decreased. This requires estimates of the amount recoverable by cash-generating units to which goodwill and other intangible assets are attributed

To determine the recoverable amount, the Group estimates expected future pre-tax cash flows from the cash-generating unit and applies suitable discount rates in order to calculate the present value of future cash flows. Cash flows for brands are calculated based on a market-based "relief from royalty" method before tax. See Note 15 for a more detailed description of this model.

Expectations regarding future cash flows will vary over time. Changes in the market conditions and expected cash flows may cause losses in the event of impairment in the future. The most important assumptions with significance for the present value of the cash flows associated with the investments are future profits and growth, as well as the discount rate used.

Pensions
Net pension costs for defined benefit plans comprise the period's service cost, including future growth in salaries and interest rates on the estimated obligation, less expected returns on the pension assets. Prepaid pension is shown as a non-current asset in the statement of financial position where it is probable that the over-financing can be used or repaid. Correspondingly, a non-current liability is shown in the accounts when the pension obligation is greater than the pension assets. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations), are recognised against equity and are presented in the statement of other comprehensive income.

The Group also has defined contribution pension plans,which are schemes whereby the company pays contributions on an ongoing basis to the employees' individual pension plans. Ongoing premium invoices of this kind are expensed as salaries and other personnel costs.

Restructuring
Provisions for restructuring are recognised as expenses when the programme has been adopted and announced and the costs are identifiable and quantifiable. Provisions linked to restructuring are included as other provisions for liabilities calculated at present value. Agreements securing future work input are recognised as expenses over the period in which the work input is delivered.

Taxes
The tax expense comprises both tax payable and the change in deferred tax. Tax payable is based on taxable income for the year. Taxable income is different from the pre-tax profit as presented in the statement of income because of income and expenditure items that are not taxable/deductible (permanent differences) and the change in differences in taxable and accounting accruals (temporary differences). Tax payable is calculated based on tax rates that are adopted at the end of the period.

Deferred tax is capitalised on the basis of the temporary differences and any deficit to be carried forward existing at the end of the financial year and that involves increased or reduced future tax payable, when these differences are reversed in future periods. Temporary differences are differences between accounting and taxable results arising during a period and are reversed during a later period. Deferred tax is calculated on the basis of nominal tax rates (rates adopted as of the close of the financial year in the individual country) multiplied by temporary differences and the deficit to be carried forward. Deferred tax assets are capitalised when the probability exists that future taxable income will enable utilisation of the asset.

Share-based payment
The Group has two share-based incentive schemes for senior executives, and a general share savings programme for all employees.

The costs related to the two share-based incentive schemes for senior executives are accrued during the vesting period, which is the period between the allocation date and the date of receipt. The costs which are accrued are the calculated value of the matching shares or options as of the allocation date, and this value is not adjusted during the vesting period. These costs are booked as personnel costs, set off to Group equity.

The related employer tax is in principle accrued during the same period. The costs of the employer tax in each period are calculated on the basis of the fair value of the matching shares or options. The costs for the period comprise the change in provisions, and are booked as personnel costs, set off as debt in the statement of financial position.

The costs related to this programme are recognised in accordance with IFRS 2.

The general share savings programme for all employees is based on the Group selling shares to the employees below market value. The costs related to this programme are recognised by booking the difference between the market value of the shares and the purchase price for the employees as personnel costs.

Classification principles
Other assets included in the operating cycle or falling due within 12 months are classified as current assets. Remaining assets are classified as fixed assets.

Liabilities included in the operating cycle or falling due within 12 months, where there is no unconditional right to defer settlement, are classified as current liabilities. Remaining liabilities are classified as non-current.

Proposed dividend/Group contributions are capitalised in the statement of financial position as a liability when the Group has an irrevocable obligation to make dividend payments/Group contributions, normally after adoption by the Annual General Meeting.

Measurement and classification of financial instruments
The Group classifies financial instruments in the following categories: financial instruments at fair value through profit or loss, loans and receivables, financial assets available for sale and financial liabilities. The classification depends on the purpose of the asset or liability. Management classifies financial assets and liabilities on acquisition.

Financial instruments at fair value through profit or loss
Financial instruments are recognised in the statement of financial position when the Group has become party to the instrument's contractual provisions, and deducted when the contractual rights or obligations are fulfilled or cancelled, or have expired or been transferred. Financial instruments are classified as current assets if the expected settlement date is within 12 months of the close of the financial year, and as fixed assets if the settlement date is later than 12 months after the close of the financial year

Financial instruments at fair value through profit or loss are either financial instruments held for trading purposes or financial instruments earmarked at fair value. A financial instrument is classified in the category "held for trading" if it is primarily acquired with a view to producing profit from short-term price fluctuations. Derivatives are classified as held for trading unless they form part of a hedge. Assets and liabilities in this category are classified as current assets or current debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or determinable payments and that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the close of the financial year. Loans and receivables comprise accounts receivable and other receivables, as well as cash and cash equivalents in the statement of financial position.

Loans and receivables are measured at amortised cost, and value changes resulting from interest rate changes are not recognised.

Financial assets available for sale
Financial assets available for sale are financial assets that are not derivatives and that have been placed in this category, or that do not belong to any other category. They are classified as fixed assets provided that the investment does not fall due or the management does not intend to sell the investment within 12 months from the close of the financial year.

Other financial liabilities
Financial liabilities not falling into the category of "financial instruments at fair value through profit or loss" are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities are recognised at amortised cost based on an effective interest rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and depreciated over the period of the loan (amortised cost).

Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year.

Categorisation of financial assets and debt
The Group's measurement of financial assets, debt and other financial instruments at fair value can be divided into three categories:
Level 1: Listed (unadjusted) prices in active markets.
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

Leases
Leases where a significant part of the risk and return associated with ownership continues to lie with the lessor are classified as operational leases. Lease payments from operational leases (with deduction for any financial incentives from the lessor) are charged as expenses using the straight-line method over the period of the lease.

Leases with regard to property, plant and equipment in which the Group principally holds all risks and rewards are classified as financial leasing. Financial leasing is capitalised at the start of the lease period at the lower of fair value of the leased fixed assets and the present value of the total minimum lease amount. Each lease payment is allocated between a repayment element and an interest element. The lease cost is charged to profit or loss as financial expenses. The lease liability, less the cost of interest, is classified as other current liabilities and other non-current liabilities. Property, plant and equipment acquired through a financial lease agreement is depreciated over the expected life or the period of the lease if this is shorter.

Statement of cash flows
The indirect method is used in the preparation of the statement of cash flows. Cash and cash equivalents in the statement of financial position are defined as holdings of cash and cash equivalents in the statement of cash flows.

Segment information
Operating segments are reported in the same way as for internal reporting to Group management. The Group's business areas comprise Spirits, Wine and Distribution and decisions within each business area are taken by the Group CEO.

The Group's activities consist of sales and marketing of Spirits, sales and marketing of Wine, and distribution of spirits and wine.

The Spirits business area comprises the following companies: Arcus Norway AS with subsidiaries, Det Danske Spiritus Kompagni A/S, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy and Arcus Deutschland GmbH. Supply Chain is also included as a production facility in the Spirits business area.

The Wine business area comprises the following companies: Vingruppen Sweden Holding AB and subsidiaries, and Vingruppen AS and subsidiaries.

The Distribution business area comprises the Vectura AS company.

In addition, there are the remaining Group income and expenses, as well as financing costs, that comprise Arcus-Gruppen AS and Arcus ASA.

The Group presents no segment assets or liabilities, as this is not done in the Group's internal reporting

For further information about the Group's operating segments, see Note 5.

Related parties
The Group's related parties, in addition to subsidiaries, associated companies and jointly

Areas in which estimates have major significance will be:
Figures in NOK 1,000

Accounting item	Note	Assumptions	Book value 2017	Book value 2016
Goodwill	15	Present value of future cash flows	1,042,596	1,010,176
Brands	15	Present value of future cash flows	819,702	669,237
Other intangible assets	15	Recoverable amounts and correct useful life	29,151	30,651
Tangible assets	14	Recoverable amounts and correct useful life	329,826	350,235
Deferred tax assets	12	Assessment of the ability to exploit tax assets in the future	136,790	172,120
Pension obligations	10	Economic and demographic assumptions	30,552	34,092
Liabilities at fair value through profit or loss	22	Present value of future cash flows	0	24,135
Provisions	23	Correct basis for estimate calculations	12,478	12,903

controlled companies, are defined as the owners, all members of the Board of Directors and Group Management, and companies in which any of these parties either have controlling interests, Board appointments, or are senior employees.

All transactions between Group companies and related parties are made on market terms.

Important accounting estimates and discretionary assessments
Preparation of the annual financial statements requires management to make estimates and assumptions that affect the value of assets, liabilities and conditional liabilities in the statement of financial position, and income and expenses for the financial year.

Future events and changes in the regulatory framework may mean that estimates and assumptions must be changed, while new opinions and interpretations of standards may mean that the choice of principles and presentation will be changed. Estimates and underlying assumptions are examined and evaluated continuously, and changes in accounting estimates are recognised in the period in which the estimates are changed.

Present value estimates of future cash flows are affected by correct assumptions and estimates of future cash flows and estimates of return requirements. Return requirements are determined using the capital asset pricing model (CAPM) and assumptions in using the CAPM are: risk-free interest; market risk premium; and beta.

The areas with greatest risk of substantial changes are capitalised goodwill, brands, tax assets and liabilities at fair value through profit/loss, on the basis that the capitalised sums are substantial, and that there may be considerable discretion. The estimates are based on assumptions concerning future cash flows that are discounted at a selected discount rate.

Estimates and assumptions are described in the various notes.

CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

Notes

NOTE 1 COMPANIES IN THE GROUP

The consolidated financial statements for 2017 cover the following subsidiaries and associated companies:

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Company name				
Arcus ASA (parent company)	Nittedal	NOK	1,360	
Subsidiaries				
Arcus-Gruppen AS	Nittedal	NOK	276,552	100%
Vectura AS	Nittedal	NOK	14,014	100%
Shares owned by Arcus-Gruppen AS				
Arcus Norway AS	Nittedal	NOK	62,100	100%
Arcus Denmark AS	Copenhagen	DKK	10,324	100%
Det Danske Spiritus Kompagni A/S*	Copenhagen	DKK	6,500	100%
Vingruppen AS	Nittedal	NOK	60	100%
VinGruppen Sweden Holding AB	Stockholm	SEK	50	100%
Arcus Deutschland GmbH**	Bremen	EUR	500	100%
Shares owned by Arcus Norway AS				
Arcus Sweden AB	Stockholm	SEK	100	100%
Arcus Finland OY	Helsinki	EUR	311	100%
BevCo AS	Nittedal	NOK	600	100%
De Lysholmske Brenneri- og Destillasjonsfabrikker ANS	Nittedal	NOK	0	100%
Siemers & Cos Destillasjon ANS	Nittedal	NOK	0	100%
Løiten Brænderis Destillation ANS	Nittedal	NOK	0	100%
Oplandske Spritfabrik ANS	Nittedal	NOK	0	100%
Shares owned by VinGruppen Sweden Holding AB				
Vingruppen i Norden AB	Stockholm	SEK	4,192	100%
Shares owned by Vingruppen AS				
Arcus Wine Brands AS	Nittedal	NOK	100	100%
Vinordia AS	Nittedal	NOK	968	100%
Symposium Wines AS	Nittedal	NOK	500	80%
Vinuniq AS	Nittedal	NOK	100	100%
Excellars AS	Nittedal	NOK	181	100%
Heyday Wines AS	Nittedal	NOK	100	70%
Shares owned by Symposium Wines AS				
Hedoni Wines AS	Nittedal	NOK	30	80%
Shares owned by Vingruppen i Norden AB				
Vinunic AB	Stockholm	SEK	145	100%
Wineworld Sweden AB	Stockholm	SEK	500	90%
The WineAgency Sweden AB	Stockholm	SEK	100	90%
Valid Wines Sweden AB	Stockholm	SEK	1,100	83%
Social Wines OY	Helsinki	EUR	8	94%
Vinum Import Oy	Åbo	EUR	3	88%
Vingruppen Oy	Helsinki	EUR	3	100%
Shares owned by Wineworld Sweden AB				
Wineworld Finland Oy	Helsinki	EUR	220	76%
Quaffable Wines Sweden AB	Stockholm	SEK	100	72%
Shares owned by Vinunic AB				
Vingaraget AB	Stockholm	SEK	50	100%
Shares owned by The WineAgency Sweden AB and WineWorld Sweden AB				
Your Wineclub Sweden AB	Stockholm	SEK	50	90%
Shares owned by Social Wines OY				
Vinunic Oy	Helsinki	EUR	3	94%

* Det Danske Spiritus Kompagni A/S was booked as a jointly-controlled company up to 1.1.2017, and consolidated as a wholly-owned subsidiary as from the same date.

** Arcus Deutschland GmbH has had a financial year from 1 July to 30 June. As from 1.1.2018, the company's financial year follows the calendar year. Impacts on earnings from the company in the consolidated financial statements are based on an estimated annual result for the calendar year, which is the Group's financial year.

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Associated company				
Tiffon SA	Jarnac	EUR	1,131	34.75%

Profit, dividends and equity attributable to non-controlling interests

Figures in NOK 1,000	Profits attributable to non-controlling interests in 2017	Accumulated non-controlling interests 31.12.2017*	Dividend distributed to non-controlling interests in 2017
Symposium Wines AS	1,089	2,290	-1,337
Heyday Wines AS	213	459	0
Wineworld Sweden AB	3,161	7,583	-693
The WineAgency Sweden AB	1,454	4,777	-1,098
Social Wines OY	150	1,357	0
Vinum Import Oy	501	1,280	-335
Other companies with minority interests	376	1,077	-58
Total	**6,944**	**18,823**	**-3,521**

Figures in NOK 1,000	Profits attributable to non-controlling Interests in 2016	Accumulated non-controlling interests 31.12.2016*	Dividend distributed to non-controlling interests in 2016
Symposium Wines AS	1,382	1,975	-1,560
Excellars AS*	772	0	-4,900
Vingruppen i Norden AB	0	0	-375
Wineworld Sweden AB	6,148	4,766	-12,919
The WineAgency Sweden AB	1,342	4,169	-1,607
Social Wines OY	140	1,111	0
Vinum Import Oy	396	933	-359
Other companies with minority interests	300	951	-176
Total	**10,480**	**13,905**	**-21,896**

* At the end of 2016 the Group owned 90.1 per cent of the subsidiary Excellars AS. In addition, put and call options existed which were associated with the non-controlling interests, although the Group was not considered to have control of the shares as of the date of the statement of financial position. These companies were booked as though they were wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for 2016 is shown in the statement of income, but not in the equity statement.

Key figures for companies with significant non-controlling interests in the Group

2017

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenues	103,301	17,799	231,364	196,074	124,805	53,147
Other operating revenues	0	0	-4,994	-3,130	190	-143
Operating expenses excluding depreciation	-96,413	-16,735	-185,768	-174,269	-120,314	-47,731
Depreciation	0	0	-9	-19	-1,483	0
Operating profit	**6,888**	**1,064**	**40,592**	**18,656**	**3,198**	**5,273**
Net financial profit	319	-118	0	91	-53	-12
Tax	-1,760	-237	-8,981	-4,203	-694	-1,054
Profit for the year	**5,447**	**709**	**31,611**	**14,544**	**2,451**	**4,207**
Fixed assets	158	7	2,950	475	1,079	440
Current assets	36,139	8,100	129,095	97,556	58,472	32,636
Total assets	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**
Equity	3,722	1,530	75,838	47,763	20,701	10,206
Liabilities	32,575	6,577	56,207	50,269	38,850	22,870
Equity and liabilities	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**

2016

Figures in NOK 1,000	Symposium Wines AS	Excellars AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenues	95,568	87,612	277,856	191,997	129,352	46,075
Other operating revenues	0	0	2,901	4,582	6,298	1,054
Operating expenses excluding depreciation	-86,981	-77,028	-230,422	-179,430	-130,932	-42,974
Depreciation	0	-440	-29	-13	-1,497	0
Operating profit	**8,587**	**10,144**	**50,306**	**17,136**	**3,221**	**4,155**
Net financial profit	-266	332	-6	157	-73	-1
Tax	-2,120	-2,679	-11,743	-3,870	-818	-828
Profit for the year	**6,201**	**7,797**	**38,557**	**13,424**	**2,330**	**3,326**
Fixed assets	107	2,973	2,905	386	2,628	418
Current assets	35,608	45,098	122,956	84,281	65,546	26,933
Total assets	**35,715**	**48,071**	**125,861**	**84,667**	**68,174**	**27,351**
Equity	2,863	3,614	50,256	41,522	17,792	7,834
Liabilities	32,852	44,457	75,605	43,145	50,382	19,517
Equity and liabilities	**35,715**	**48,071**	**125,861**	**84,667**	**68,174**	**27,351**

NOTE 2 MANAGEMENT OF FINANCIAL RISK

Financial risk
The Group has a Board-adopted financial policy in which strategy and guidelines for financial risk management are defined. Responsibility for the execution of the adopted financial policy lies with Arcus ASA, but it is implemented in cooperation with the individual business areas. The Arcus Group's principal source of income is the core business, and the Group's main strategy with regard to risk is not to speculate, but to limit the financial risk that the core business creates.

The most important financial risks to which the Group is exposed are associated with credit risk, interest rate risk, liquidity risk and foreign currency risk.

For hedging purposes associated with interest rate and currency risk, the Group to a certain degree uses financial derivatives. The Group does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes. The accounting treatment of financial derivatives is described under Accounting Policies.

Credit risk
Credit risk must be assessed before establishing a customer relationship by examining financial statements and other relevant and available information. Credit periods and credit limits must then be determined. Once a customer relationship is established, credit risk and credit limits are continuously assessed in relation to the client's financial performance and payment history.

Outstanding amounts are continuously monitored in cooperation between the finance department and the marketing departments of the individual businesses.

A significant share of the Group's revenues is associated with the state monopolies in the Nordic region, where there is not considered to be any credit risk. The Group's credit risk is otherwise spread over a large number of small customers within the HORECA market, as well as a small number of distributors outside the home markets.

At the end of 2017 the Group had no significant factoring agreements.

The Group's maximum credit risk is equivalent to the book value of financial assets. See also the table to this Note which categorises financial assets.

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	**31.12.17**	**31.12.16**
Nominal accounts receivable	1,432,873	1,345,198

The provision for bad debt on accounts receivable as at 31.12.2017 was TNOK 709 (2016: 1,131). Losses on accounts receivable are classified as other operating expenses in the statement of income.

The change in provision for losses is as follows:

Figures in NOK 1,000	**2017**	**2016**
Opening Balance	-1,131	-1,672
Provision for losses for the year	-212	-334
Confirmed losses for the year	424	181
Received on previously written-off receivables during the period	0	-13
Reversal of previous provisions	238	677
Translation differences	-28	30
Closing Balance	-709	-1,131

As at 31 December, the Group had the following accounts receivable fallen due but not paid

Figures in NOK 1,000	Total	Not due	Due 0-60 days	Due 61-365 days	Due date after more than 1 year
31.12.2017[1]	1,432,873	1,274,624	158,242	7	0
31.12.2016[1]	1,345,198	1,245,438	99,760	0	0

1. As at 31.12.2017, the Group had significant accounts receivable that had fallen due. Of this amount, NOK 127 million is related to accounts receivable from Vinmonopolet related to receivables which fell due during the Christmas period on 30 and 31 December 2017, and these were paid on the first banking day in 2018, i.e. 2 January 2018. In the same way, NOK 76 million was items receivable from Vinmonopolet at the end of 2016.

Interest rate risk
The Group is exposed to interest rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2017, the Group's non-current liabilities were associated with credit facilities at SEB and financial leasing at Nordea Finans. Group policy is to hedge up to 50 per cent of the base interest rate on non-current loans. The Group assesses the policy on an ongoing basis, and as at 31.12.2017 all interest rates were variable. The margin on credit facilities at SEB is related to the ratio of net interest-bearing debt in relation to EBITDA, while the margin at Nordea Finance is fixed.

Figures in NOK 1,000	Curr-ency	Interest-rate profile	Due date	2017	2016
Current interest-bearing debt					
Drawing on the Group's overdraft facility	NOK	Variable	2018	72,700	0
Liabilities related to financial leasing	NOK	Variable	2018	17,371	16,498
Non-current interest-bearing debt					
Mortgage loans to financial institutions	SEK	Variable	2021	749,400	711,300
Liabilities related to financial leasing	NOK	Variable	2018	166,395	182,987

Sensitivity analysis, interest 2017

Figures in NOK 1,000	Increase/reduction in basis points	Effect on pre-tax profit
Loans in NOK	50	-4,666
Loans in NOK	-50	4,666

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities as they fall due. The Arcus Group's capital management is described in a separate section of this note.

The Group's activities are subject to seasonal fluctuations, and alcohol sales normally increase in periods with national celebrations and public holidays, especially at Easter and Christmas. The fourth quarter is normally the best quarter for the Group, which is also reflected in cash flows.

Cash flows from operations, which are, for example, affected by changes in working capital, are managed operationally by the business areas. Via reporting, the finance department monitors liquidity flows in the short and long term. Interest-bearing debt is followed up and managed together with interest-bearing receivables at Group level.

The following table presents an overview of the maturity structure for the Group's financial liabilities, based on non-discounted contractual payments. In instances where the counterparty can demand earlier redemption, the sum is recorded in the earliest period in which the payment can be demanded by the counterparty.

2017	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	749,400	0
Debt to financial institutions – leasing*	17,371	166,395	0
Other provisions	0	320	0
Trade payables	603,884	0	0
Current liabilities**	1,125,747	0	0
Interest related to mortgage loans	11,241	33,723	0
Interest related to financial leasing debt	4,316	6,809	0
Total	**1,762,559**	**956,647**	**0**

2016	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	711,300	0
Debt to financial institutions – leasing*	16,498	182,987	0
Liabilities at fair value	24,135	0	0
Other provisions	0	627	0
Trade payables	628,347	0	0
Current liabilities**	1,109,643	0	0
Interest related to mortgage loans	12,803	51,214	0
Interest related to financial leasing debt	5,713	2,528	0
Total	**1,797,139**	**948,656**	**0**

* Read more about the maturity profile of financial leases in Note 16 concerning Leasing agreements.
** Current liabilities include collected alcohol taxes.

Currency risk

The Group is exposed to currency risk as it has operations in several different countries. The Group's currency exposure can mainly be divided into two areas: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in NOK. Changes in costs from suppliers in functional currency due to currency changes are continuously offset by changes in sales prices to customers and through renegotiation of purchase prices from suppliers. The most significant currencies are EUR, USD, SEK and DKK. The risk horizon, i.e., the time it takes to compensate for negative exchange rate fluctuations, is to a great extent controlled by price-adjustment opportunities in the state monopolies in the Nordic region. In Norway this takes place every four months and in Sweden every six months. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

All of the Group's non-current borrowing is undertaken in SEK, as a natural hedging of cash flow in the form of dividends in SEK.

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate in the companies' functional currencies.

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk when translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31.12.2017, the net translation difference associated with the majority's equity was positive at NOK 300.8 million, corresponding to a positive change in 2017 of NOK 72.0 million (positive by NOK 228.8 million at the end of 2016).

The table below shows the Group's purchase of non-functional foreign exchange during 2017.

Figures in 1,000 (in the currency concerned)	Purchase of currency 2017 Spot	Forward	Total	Proportion hedged via forward contracts
EUR	85,554	15,885	101,439	15.7%
USD	10,092	390	10,482	3.7%
AUD	1,048	230	1,278	18.0%
GBP	2,215	80	2,295	3.5%
DKK	70,000	0	70,000	0.0%
SEK	40	0	40	0.0%

Figures in 1,000 (in the currency concerned)	Purchase of currency 2016 Spot	Forward	Total	Proportion hedged via forward contracts
EUR	89,114	23,450	112,564	20.8%
USD	9,116	780	9,896	7.9%
AUD	1,043	0	1,043	0.0%
GBP	830	195	1,025	19.0%
SEK	70	0	70	0.0%

At the end of the year, the Group had the following forward contracts related to the distribution activities, which were booked at fair value with value changes through the profit or loss. The represents financial hedging and the Group does not use hedge accounting.

31.12.17

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - at end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	2,000	19,702	18,783	919	2018
Purchase contracts	USD	110	907	856	51	2018
Purchase contracts	AUD	60	385	373	12	2018
Purchase contracts	GBP	20	222	211	11	2018
Total					**993**	

31.12.16

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - at end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	3,600	32,711	33,579	-868	2017
Purchase contracts	GBP	25	265	270	-5	2017
Purchase contracts	USD	80	692	664	28	2017
Total					**-844**	

All forward contracts are recognised at fair value as of the close of the financial year.

Sensitivity to exchange rate fluctuation:
The following table shows the Group's sensitivity to changes in the most important exchange rates, if all other variables remain constant.

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31.12.2017 in foreign currency (non-functional currency). This includes hedging derivatives recognised at fair value with value changes via profit or loss.

The effect on other comprehensive income (OCI) is calculated as the effect of the translation differences associated with subsidiaries in foreign currency as at 31.12.2017.

Figures in NOK 1,000	Change in exchange rate	Effect on pre-tax profit	Total effect on OCI before tax
EUR	5%	1,416	1,461
EUR	-5%	-1,416	-1,461
SEK	5%	-2,187	-168
SEK	-5%	2,187	168
DKK	5%	4,378	41,317
DKK	-5%	-4,378	-41,317

The Group's exposure to other currencies is insignificant as at 31.12.2017.

Categorisation of financial assets and liabilities:

Assets

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Loans and receivables	Assets available for sale	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	0	200	**200**	0	**200**
Other non-current receivables	0	1,205	0	**1,205**	0	**1,205**
Trade receivables	0	1,432,164	0	**1,432,164**	0	**1,432,164**
Other receivables	993	70,981	0	**71,974**	14,921	**86,895**
Bank deposits	0	184,415	0	**184,415**	0	**184,415**
Total financial assets 31.12.2017	**993**	**1,688,765**	**200**	**1,689,958**	**14,921**	**1,704,879**
Other investments in shares	0	0	200	**200**	0	**200**
Other non-current receivables	0	1235	0	**1,235**	0	**1,235**
Trade receivables	0	1,344,067	0	**1,344,067**	0	**1,344,067**
Other receivables	0	67,914	0	**67,914**	14,008	**81,922**
Bank deposits	0	199,385	0	**199,385**	0	**199,385**
Total financial assets 31.12.2016	**0**	**1,612,601**	**200**	**1,612,801**	**14,008**	**1,626,809**

Liabilities

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial liability	Total book value of financial liabilities 31.12.	Provision for accrued expenses and statutory liabilities	Total in the statement of financial position 31.12.
Debt to financial institutions	0	999,289	**999,289**	0	**999,289**
Liabilities at fair value	0	0	**0**	0	**0**
Other non-current liabilities	0	0	**0**	0	**0**
Trade payables	0	603,884	**603,884**	0	**603,884**
Other current liabilities	0	14,916	**14,916**	182,826	**197,742**
Total financial liabilities 31.12.2017	**0**	**1,618,089**	**1,618,089**	**182,826**	**1,800,915**
Debt to financial institutions	0	902,753	**902,753**	0	**902,753**
Liabilities at fair value	24,135	0	**24,135**	0	**24,135**
Other non-current liabilities	0	0	**0**	0	**0**
Trade payables	0	628,347	**628,347**	0	**628,347**
Other current liabilities	844	7,793	**8,637**	188,697	**197,334**
Total financial liabilities 31.12.2016	**24,979**	**1,538,893**	**1,563,872**	**188,697**	**1,752,569**

Fair value hierarchy
The Group uses the following hierarchy to determine and report the fair value of financial instruments:

Level 1: Listed (unadjusted) prices in active markets
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

As at 31 December 2017, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.17	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	993	0	**993**
Total assets	**0**	**993**	**0**	**993**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value	0	0	0	**0**
Currency derivatives	0	0	0	**0**
Total liabilities	**0**	**0**	**0**	**0**

31.12.16	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	0	0	**0**
Total assets	**0**	**0**	**0**	**0**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value	0	0	24,135	**24,135**
Currency derivatives	0	844	0	**844**
Total liabilities	**0**	**844**	**24,135**	**24,979**

There have been no reclassifications between Level 1 and Level 2 during the period. Nor have there been any transfers out of Level 3 during the period.

Reconciliation of liabilities (Level 3):
Commitments classified at Level 3 are historically related to options for the purchase of non-controlling interests and a previous co-investment programme for senior executives. Further information on these commitments is presented in Note 22.

	Book value 31.12.2016	Used/ exercised 2017	Provision made/issued 2017	Value changes 2017	Recognised interest 2017	Book value 31.12.2017
Liabilities at fair value	24,135	-10,483	0	-13,673	21	**0**
Total	**24,135**	**-10,483**	**0**	**-13,673**	**21**	**0**

	Book value 31.12.2015	Used/ exercised 2016	Provision made/issued 2016	Value changes 2016	Recognised interest 2016	Book value 31.12.2016
Liabilities at fair value	118,999	-244,275	1,000	148,155	256	**24,135**
Total	**118,999**	**-244,275**	**1,000**	**148,155**	**256**	**24,135**

Capital management

The Group's overall objective is that the Group at all times has sufficient liquidity to fulfil its obligations in both the short and long term. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance. Unutilised credit opportunities are described in Note 19.

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2017 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Group works according to the objective that the net interest-bearing debt may not exceed 2.5 times EBITDA.

There were no changes in the Group's non-current debt financing during 2017. At the end of 2017, the agreement on a mortgage loan facility contains a loan term (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

On the introduction of IFRS 16 Leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to today's model, independently of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

The Group also has financial leasing agreements for major investments in production equipment.

NOK million	2017	2016
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	909,218	886,255
Current interest-bearing debt to credit institutions	90,071	16,498
Capitalised front-end fees	6,577	8,032
Bank deposits and other cash and cash equivalents	-184,415	-199,385
Net interest-bearing debt	**821,451**	**711,400**

NOTE 3 INFORMATION ON CASH FLOWS

The Group prepares the statement of cash flows according to an indirect method. Below is a specification of cash flow effects which are not presented elsewhere in the Notes.

EFFECTS OF CASH FLOWS FROM OPERATIONS:

Pension costs and other provisions without cash effect

Pension costs without cash effect are the change in pension obligations in the statement of financial position adjusted for obligations from acquisition or sale, and the effects of booked estimate deviations booked to the total comprehensive income (OCI).

Figures in NOK 1000	Note	2017	2016
Book pension obligations at the beginning of the year	10	-34,092	-35,902
Estimate deviations booked to the total comprehensive income	10	4,438	-1,278
Book pension obligations at the end of the year	10	30,552	34,092
Pension costs without cash effect		**898**	**-3,088**
Book other provisions for obligations at the beginning of the year	23	-627	-1,140
Book other provisions for obligations at the end of the year	23	320	627
Costs from other provisions without cash effect		**-307**	**-513**
Total pension costs and other provisions without cash effect		**591**	**-3,601**

Value changes without cash effect

Below is a specification of value changes included in the statement of income, but without cash effect.

Figures in NOK 1000	Note	2017	2016
Value change in options for the purchase of non-controlling interests	11,22	147	28,180
Value change in previous co-investment programme for senior executives	11,22	-13,821	119,979
Costs related to share-based remuneration without cash effect	9	9,415	731
Amortisation of front-end fees for interest-bearing debt	21	1,652	20,636
Value change, interest rate swaps	11	0	-4,552
Value change, forward exchange contracts	11	-1,837	0
Total value changes without cash effect		**-4,444**	**164,974**

Loss on sale of fixed assets and intangible fixed assets

The accounting loss or profit on the sale of fixed assets and intangible fixed assets has no cash flow effect, which is thereby reversed from the operational activities in the indirect method. The sales proceeds related to these divestments is the Group's cash flow effect under investment activities.

Figures in NOK 1000	Note	2017	2016
Book value of sold fixed assets and intangible fixed assets	14,15	0	9
Sales proceeds from sold fixed assets and intangible fixed assets		30	1,060
Profit (-) / loss (+) on sale of fixed assets and intangible fixed assets		**-30**	**-1,051**

Unrealised agio

Urealised agio is related to translation differences for working capital items in foreign subsidiaries with a functional currency in other than the functional currency, and statement of income items linked to the currency translation of loans booked in other currencies than the functional currency.

Figures in NOK 1000	Note	2017	2016
Translation differences for working capital items		19,195	-13,454
The effects on the result of the translation of loans booked in another currency than the functional currency		0	-2,510
Total unrealised agio		**19,195**	**-15,964**

Changes in working capital

Changes in working capital are the change in working capital items in the statement of financial position, adjusted for working capital items from the acquisition or sale of companies during the period.

Figures in NOK 1000	Note	2017	2016
Book value of inventories at the beginning of the year		378,777	388,217
Addition of inventories on acquisition of companies during the year		201	0
Book value of inventories at the end of the year		-410,759	-378,777
Change in inventories		**-31,781**	**9,440**

Figures in NOK 1000	Note	2017	2016
Book value of trade receivables at the beginning of the year		1,344,067	1,003,328
Addition of trade receivables on acquisition of companies during the year		44,158	0
Book value of trade receivables at the end of the year		-1,432,164	-1,344,067
Change in trade receivables		**-43,939**	**-340,739**

Figures in NOK 1000	Note	2017	2016
Book value of trade payables at the beginning of the year		-628,347	-551,457
Addition of trade payables on acquisition of companies during the year		-20,974	0
Book value of trade payables at the end of the year		603,884	628,347
Change in trade payables		**-45,437**	**76,890**

Figures in NOK 1000	Note	2017	2016
Book value of other current receivables at the beginning of the year	17	78,996	90,520
Addition of other current receivables on acquisition of companies during the year	26	845	0
Book value of other current receivables at the end of the year	17	-85,902	-78,966
Change in other current receivables		**-6,061**	**11,554**
Book value of other current liabilities at the beginning of the year	24	-1,108,674	-1,086,737
Addition of other current liabilities on acquisition of companies during the year	26	-31,626	0
Book value of other current liabilities at the end of the year	24	1,124,105	1,108,674
Change in other current liabilities		**-16,195**	**21,937**
Change in other current assets and other liabilities		**-22,256**	**33,491**

EFFECTS OF CASH FLOWS FROM INVESTMENT ACTIVITIES

Payments on acquisition of other financial investments

In 2017 the entire amount concerns a payment related to an increased ownership interest in an associated company. The Group had no equivalent payments in 2016.

Figures in NOK 1000	Note	2017	2016
Increased ownership interest in an associated company (Tiffon SA)	13	-454	0
Payments on acquisition of other financial investments		**-454**	**0**

EFFECTS IN CASH FLOWS FROM FINANCING ACTIVITIES

Interest cost paid during the period

The Group has quarterly interest payment dates, so that the Group's recognised interest payable coincides with the interest paid during the year. The difference between recognised interest payable and interest paid is related to calculated interest costs relating to liabilities at fair value through profit and loss. In 2016 this also concerns the settlement of an interest rate swap, which entailed a difference in relation to recognised interest costs.

Figures in NOK 1000	Note	2017	2016
Interest paid to credit institutions	11	-31,454	-70,158
Paid on settlement of interest rate swap		0	-12,873
Interest cost paid during the period		**-31,454**	**-83,031**

Payment of dividend

The difference in divided paid in 2016 and divided carried to equity in 2016 is related to how dividend to a minority for 2015 was not paid before January 2016.

NOTE 4 REVENUES

Sales revenue is the primary income source for the Group and related segments.

Spirits
The primary revenue source in Spirits is the sale of spirits products, of which most of the sales revenue is from our proprietary products, of which the Group is also the owner of the brand. In addition, this segment also has sales revenue from a good number of agencies, of which the products may be proprietary or imported items that are ready for sale, but where the brand is owned by other external operators. The most important spirits categories are Aquavit, Bitters, Vodka and Cognac.

In geographical terms, Norway, Denmark and Sweden are the most important markets, but the Group also has sales to Germany, the USA, Finland and DFTR (Duty Free Travel Retail), as well as other sales to other markets.

Wine
The primary income source for Wine is sales of wine products, where most of the sales revenue is from agency activities, whereby the Group imports items that are ready for sale. The Group also has considerable sales revenue from sales of own Wine brands, with wine being mixed and bottled in the Group's own production facility.

In geographical terms, the Group has sales revenue from Wine in Norway, Sweden and Finland, and to small extent from DFTR.

Distribution
The Group's Distribution activities comprise its subsidiary, Vectura, whose primary revenue source is comprehensive logistics services for both internal and external suppliers. Comprehensive logistics services comprise everything from placing orders on behalf of a supplier, goods receipt, stock accounting, receiving orders from end-customers, order picking, goods distribution and invoicing of end-customers. At the same time as Vectura invoices the end-customer, Vectura buys the goods from the supplier. Vectura also invoices special taxes (alcohol duties) to the end-customer, on behalf of the Norwegian tax authorities.

Vectura recognises all of its income on a net basis after deduction of special taxes, cost of sales and stock handling costs, based on an overall assessment that Vectura's income source is related to the delivery of comprehensive logistics services and that the risk on the flow of goods is the supplier's responsibility.

Below is a specification of Vectura's net sales income:

Figures in NOK 1000	2017	2016
Invoiced revenues	6,401,693	6,169,328
Invoiced special taxes	-3,802,820	-3,682,014
Cost of sales	-2,357,867	-2,227,097
Net external sales revenues, Distribution	**241,006**	**260,217**

Other operating revenues
Other operating revenues primarily comprise revenues other than the primary source of income. For the Spirits segment this consists mainly of contract bottling, and for the Wine segment glass sales, while for the Distribution segment this consists mainly of other activity-based income, including pallet location hire, export handling, destruction of dead stock and quarter pallet production.

The following tables present the Group's total external revenues:

	2017			2016		
Sales revenue by market - Group:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	996,050	24,568	1,020,618	993,760	20,990	1,014,750
Sweden	1,006,576	12,944	1,019,520	1,028,103	11,682	1,039,785
Finland	221,385	4,610	225,995	207,728	0	207,728
Denmark	146,109	0	146,109	133,108	0	133,108
Germany	59,940	1,504	61,444	58,940	0	58,940
USA	3,238	580	3,818	5,727	0	5,727
DFTR	94,870	0	95,537	92,954	0	92,954
Other international	1,958	728	2,019	1,506	27,899	29,405
Total operating revenues	**2,530,126**	**44,934**	**2,575,060**	**2,521,826**	**60,571**	**2,582,397**

The following tables present the segments' total external and internal revenues:

	2017			2016		
Revenue by market - Spirits:	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	301,579	141,306	442,885	308,463	122,955	431,418
Sweden	126,469	5,455	131,924	116,543	1,942	118,485
Finland	32,711	289	33,000	35,267	0	35,267
Denmark	146,109	0	146,109	133,108	0	133,108
Germany	59,940	1,504	61,444	58,940	0	58,940
USA	3,238	580	3,818	5,727	0	5,727
DFTR	91,417	0	92,084	91,554	0	91,554
Other international	1,958	728	2,019	1,505	27,879	29,384
Total operating revenues	**763,421**	**149,862**	**913,283**	**751,107**	**152,776**	**903,883**

	2017			2016		
Revenue by market - Wine:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	448,477	360	448,837	453,255	0	453,255
Sweden	882,085	13,509	895,594	911,560	13,697	925,257
Finland	188,674	4,321	192,995	172,461	0	172,461
DFTR	3,453	0	3,453	1,400	0	1,400
Total operating revenues	**1,522,689**	**18,190**	**1,540,879**	**1,538,676**	**13,697**	**1,552,373**

	2017			2016		
Revenue by market - Distribution:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	251,332	33,071	284,403	232,043	30,881	262,924
Total operating revenues	**251,332**	**33,071**	**284,403**	**232,043**	**30,881**	**262,924**

Significant customer relationships

The Group has significant customer relationships with Vinmonopolet in Norway and Systembolaget in Sweden, which each represent more than 10 per cent of the Group's total operating revenues.

Total operating revenue from Vinmonopolet was approximately NOK 689 million in 2017, of which NOK 286 million in Spirits and NOK 403 million in Wine. In 2016 the corresponding total was approximately NOK 693 million, of which NOK 288 million in Spirits and NOK 405 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 905 million in 2017, of which NOK 116 million in Spirits and NOK 789 million in Wine. In 2016 the corresponding total was approximately NOK 947 million, of which NOK 108 million in Spirits and NOK 839 million in Wine.

NOTE 5 SEGMENT INFORMATION

2017 *Figures in NOK 1,000*	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenues – external	767,591	1,521,529	241,006	0	0	**2,530,126**
Sales revenues between the segments	-4,170	1,160	10,326	0	-7,316	**0**
Other operating revenues – external	6,669	15,072	22,741	452	0	**44,934**
Other operating revenues between the segments	143,193	3,118	10,330	173,730	-330,371	**0**
Total operating revenues	**913,283**	**1,540,879**	**284,403**	**174,182**	**-337,687**	**2,575,060**
Net profit on sale of fixed assets	30	0	0	0	0	**30**
Cost of sales	-404,928	-1,154,411	0	0	150,814	**-1,408,524**
Salaries and other personnel costs	-122,269	-100,122	-134,419	-60,602	0	**-417,412**
Other operating expenses	-206,650	-94,678	-135,852	-141,392	186,873	**-391,699**
Share of profit from TS and FKV	3,286	0	0	0	0	**3,286**
EBITDA, adjusted	**182,753**	**191,668**	**14,132**	**-27,812**	**0**	**360,741**
Other income and expenses	-7,142	-5,166	-647	-212	0	**-13,167**
Depreciation and amortisation	-24,117	-1,794	-12,825	-7,666	-5,180	**-51,581**
Write-downs[1]	0	0	0	0	-22,700	**-22,700**
Operating profit	**151,494**	**184,709**	**660**	**-35,690**	**-27,880**	**273,293**
Net financial profit/loss	**2,988**	**-18,103**	**480**	**-1,577**	**1,669**	**-14,543**
PRE-TAX PROFIT	**154,482**	**166,606**	**1,140**	**-37,267**	**-26,211**	**258,750**

1 Impairment of goodwill in 2017 relates to added value on the acquisition of Excellars AS. This added value is booked at Group level, see also Note 15.

2016 *Figures in NOK 1,000*	**Spirits**	**Wine**	**Distribution**	**Other**	**Eliminations/ reclassification**	**Group**
Sales revenues – external	746,230	1,515,379	260,217	0	0	**2,521,826**
Sales revenues between the segments	4,877	23,297	-28,174	0	0	**0**
Other operating revenues – external	28,045	11,478	20,646	403	0	**60,571**
Other operating revenues between the segments	124,731	2,220	10,235	173,011	-310,196	**0**
Total operating revenues	**903,883**	**1,552,373**	**262,924**	**173,414**	**-310,196**	**2,582,397**
Net profit on sale of fixed assets	144	0	0	0	0	**144**
Cost of sales	-427,031	-1,165,620	0	0	124,731	**-1,467,920**
Salaries and other personnel costs	-117,244	-93,289	-124,008	-58,004	0	**-392,545**
Other operating expenses	-202,954	-99,302	-136,320	-139,405	185,465	**-392,516**
Share of profit from TS and FKV	5,789	0	0	0	0	**5,789**
EBITDA, adjusted	**162,587**	**194,162**	**2,596**	**-23,995**	**0**	**335,349**
Other income and expenses	-3,916	0	-399	-40,559	0	**-44,874**
Depreciation and amortisation	-23,906	-1,014	-13,632	-8,363	-4,710	**-51,625**
Write-downs	0	0	0	0	0	**0**
Operating profit	**134,765**	**193,148**	**-11,435**	**-72,917**	**-4,711**	**238,850**
Net financial profit/loss	**-9,086**	**-17,576**	**404**	**-183,385**	**-27,085**	**-236,728**
PRE-TAX PROFIT	**125,679**	**175,572**	**-11,031**	**-256,302**	**-31,796**	**2,122**

The Group does not present the segments' assets or liabilities as this is not part of the Group's internal reporting either.

For information regarding pricing associated with sales between the segments, see Note 6.

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group executive management, as well as companies in which any of these parties have either controlling interests, Board appointments or managerial positions.

The Group's transactions with related parties:

Purchase of goods and services:

Figures in NOK 1,000	Relationship	Delivery	2017	2016
Hoff SA	Shareholder	Raw materials	22,386	22,469
Tiffon SA	Associated company (34.75%)	Raw materials and consumables	52,746	56,051
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Leased offices, licences	0	3,314
Gjelleråsen Eiendom AS	Owned by shareholder (Canica AS)	Rent	79,150	77,605
Thomas Patay	General manager of Vingruppen AS	Minority shareholder in Vinordia AS, Symposium Wines AS and Vinuniq AS	2,741	0
Total purchase of goods and services			**157,023**	**159,439**

Sales of goods and services:

Figures in NOK 1,000	Relationship	Delivery	2017	2016
Tiffon SA	Associated company (34.75%)	Market support	3,714	3,393
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Sales of finished goods	0	132,184
Total sales of goods and services			**3,714**	**135,577**

Receivables from related parties as at 31.12.:

Figures in NOK 1,000	Relationship	Nature of receivable	2017	2016
Tiffon SA	Associated company (34.75%)	Current receivables	170	0
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Current receivables	0	21,061
Total receivables from related parties as at 31.12.:			**170**	**21,061**

Liabilities to related parties as at 31.12.:

Figures in NOK 1,000	Relationship	Nature of liability	2017	2016
Hoff SA	Shareholder	Current liabilities	1,147	549
Tiffon SA	Associated company (34.75%)	Current liabilities	10,821	11,082
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Current liabilities	0	113
Total liabilities to related parties as at 31.12.:			**11,968**	**11,744**

All transactions with related parties are on market terms.

1 Det Danske Spiritus Kompagni A/S was a jointly-controlled company up to January 2017, when the Group acquired the remaining 50 per cent ownership interest. For further information, see Note 26.

Transactions between Group companies:
Agreements have been made between the companies in the Group on the cost distribution for internal services and joint procurement. This applies mainly to rent, maintenance and property service functions, as well as shared functions such as finance, IT, payroll, etc. The services are recognised in the various companies' accounts as other operating revenues and other operating expenses, respectively.

All buying and selling of goods and services between the companies takes place on market terms and is eliminated in the consolidated financial statements.

NOTE 7 OTHER OPERATING EXPENSES

Figures in NOK 1,000	2017	2016
Sales and advertising costs	-122,678	-121,688
Logistics costs	-56,331	-56,071
Rent	-86,706	-82,851
Maintenance costs	-37,094	-34,251
Other costs associated with premises	-27,950	-22,904
Travel expenses	-16,991	-18,814
Consultants and external outsourcing of services	-39,543	-73,820
Other costs	-12,650	-20,938
Total other operating expenses	**-399,944**	**-431,337**
Of which effects which are included in Other income and expenses in the financial statements	8,245	38,821
Total other operating expenses as presented in the statement of income	**-391,699**	**-392,516**

Other income and expenses
Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the activities. See also the section concerning alternative performance measurement (APM).

Figures in NOK 1,000	2017	2016
Personnel policy and other organisational measures[1]	-4,922	-1,029
Expenses related to the IPO[2]	0	-41,474
Other transaction expenses	-502	0
Other non-recurring items[3]	-7,743	-2,371
Total other income and expenses	**-13,167**	**-44,874**

1 **Personnel policy and other organisational measures:** Costs related to organisational and staffing adjustments in order to meet the restructuring need with new work processes and improved profitability, as well as costs related to a temporary incentive programme with matching shares to selected key employees in conjunction with the IPO in 2016. This programme expires in Q1 2019, and further information about the programme is presented in Note 9.

2 **Expenses related to the IPO:** Expenses concerning the process prior to the listing of Arcus ASA on 1 December 2016. This is to a great extent related to fees for advisers and banks, but also a number of other expenses in direct relation to this process.

3 **Other non-recurring items:** Other non-recurring items consist of both positive and negative items.
In 2017, this mainly concerns costs related to a dispute with the Swedish customs authorities and a customer concerning a contract-bottling delivery. These costs primarily comprise Swedish customs and VAT charges levied on the Group in conjunction with the delivery, and related legal fees.
In 2016 this mainly consists of the profit on the sale of the last holiday cabin held by the Group, costs related to the completion of relocating the production of Danish brands from Aalborg to Gjelleråsen, and settlement related to a volume undertaking to a former logistics partner in Denmark on the replacement of the logistics partner in 2016.

Auditors' remuneration
The auditors' fees are specified below. The fees cover the Group auditor, EY, as well as other auditors of Group subsidiaries.

Figures in NOK 1,000	2017	2016
Statutory audit	3,100	2,336
Other financial auditing	171	215
Other certification services	69	774
Tax consultancy services	170	239
Other non-audit services	42	226
Total remuneration to the auditors	**3,552**	**3,790**

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to auditors other than the Group auditor of TNOK 1,243 for 2017 and TNOK 1,118 for 2016.

NOTE 8 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	2017	2016
Salaries including holiday pay	-280,838	-266,685
Social security costs	-58,434	-63,732
Pension costs including social security costs	-32,406	-28,397
Other personnel costs	-50,656	-40,691
Total salaries and other personnel costs	**-422,334**	**-399,505**
Of which non-recurring items and restructuring costs, which are included under Other income and expenses in the statement of income (see Note 7)	4,922	6,960
Total other operating costs, as presented in the statement of income line under salary costs	**-417,412**	**-392,545**
Average number of FTEs employed during the year	420	411

Remuneration to senior executives

The terms and conditions for the Group CEO are set by the Board of Directors, which also makes decisions in principle concerning the Group's terms and conditions policy and compensation schemes for other employees. The Board has a remuneration committee which prepares remuneration proposals for decision by the Board. The committee comprises two members of the Board elected by the shareholders. The administration handles cases for the remuneration committee and the Board.

In 2017, the Group Management was covered by the Group's annual bonus system, a temporary share programme (matching shares) that was established in conjunction with the IPO in 2016, as well as a newly-established option programme adopted at the Annual General Meeting in May 2017. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the Group Management can receive up to four months' salary.

The Group CEO and other members of the Norwegian Group Management have an ordinary occupational pension with Storebrand, which entails 5 per cent pension contributions for salaries of 0 to 7.1G and 11 per cent for salaries from 7.1 to 12G. The Swedish member of the Group Management has a defined contribution pension scheme for which the contribution rates vary with the salary by up to 34 per cent. The Group CEO also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. This pension entitlement is capitalised annually in the consolidated statement of financial position and the return is based on the return from the Storebrand Balansert pension fund.

Salaries and other remuneration to the Group Management in 2017:

Figures in 1000 Local currency	Currency	Salary	Bonus earned in 2017	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,031	286	227	386
Sigmund Toth	NOK	1,728	147	146	84
Erlend Stefansson	NOK	2,033	139	179	84
Erik Bern	NOK	1,780	132	190	84
Bjørn Delbæk	NOK	1,572	103	191	84
Per Bjørkum	NOK	1,523	107	137	84
Thomas Patay	NOK	2,288	144	195	84
Lorna Stangeland[1]	NOK	900	0	50	21
Christian Granlund[2]	NOK	870	290	90	45
Claes Lindquist[3]	SEK	2,193	1,031	102	862

1. Lorna Stangeland resigned on 31 March 2017 and the benefits stated represent three months' employment. Lorna joined the Board of Directors of Vectura AS after her resignation.
2. Christian Granlund was appointed on 12 June 2017 and the benefits stated represent 6.5 months' employment.
3. Claes Lindquist is reducing his activities and will leave his position on 31.03.2018. Claes will join the Board of Directors of the subsidiary Vingruppen I Norden AB after his resignation.

Salaries and other remuneration to the Group Management in 2016:

Figures in 1000 Local currency	Currency	Salary	Bonus earned in 2016	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	2,444	1,100	220	308
Rune Midtgaard[1]	NOK	1,820	446	150	69
Sigmund Toth[2]	NOK	550	614	2	28
Erlend Stefansson	NOK	1,981	669	147	83
Erik Bern	NOK	1,743	585	217	83
Bjørn Delbæk[3]	NOK	249	511	25	14
Per Bjørkum	NOK	1,437	485	135	83
Thomas Patay[4]	NOK	2,264	455	192	83
Lorna Stangeland	NOK	1,700	617	194	83
Claes Lindquist	SEK	2,141	956	69	983

1. Rune Midtgaard was CFO up to 1 September 2016, but was a member of the Group Management until he resigned on 31.10.2016. Benefits paid equivalent to ten months' employment.
2. Sigmund Toth took over as CFO as from 1 September 2016. The benefits paid represent the four months in which he was a member of the Group Management.
3. Bjørn Delbæk was employed on a permanent basis as from 1.11.2016, and the benefits paid represent two months' employment. During the period from 1.1.2016 to 31.10.2016, Bjørn was a contractor and invoiced his services from his own company.
4. TNOK 151 of the salary paid is related to payment of services earned in previous years.

If the CEO gives notice of termination, he is subject to six months' notice of termination. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

Concerning the other Group Management members, Sigmund Toth, Erlend Stefansson, Erik Bern, Thomas Patay and Christian Granlund are subject to six months' notice of termination, while Per Bjørkum and Bjørn Delbæk are subject to three months' notice of termination. Claes Lindquist had nine months' notice of termination on his own resignation, and will work until the end of Q1 2018.

Concerning the other Group Management members, Erik Bern, Thomas Patay and Claes Lindquist are subject to a 12-month non-competition clause, while Sigmund Toth, Bjørn Delbæk, Per Bjørkum and Erlend Stefansson are subject to a six-month non-competition clause. They all have an agreement concerning severance pay during the period to which the non-competition clause applies.

No loans or surety are provided for the Group CEO, other Group Management or members of the Board of Directors.

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 20.

Concerning the declaration of the Board of Directors regarding the fixing of salaries and other remuneration to executive personnel.
Pursuant to Section 6-16a of the Norwegian Public Limited Liability Companies Act, the Board of Directors will prepare a separate declaration on the fixing of salaries and other remuneration to executive personnel.

Furthermore, under section 5-6 (3) of the Norwegian Public Limited Liability Companies Act, an advisory vote must be held at the general meeting on the Board of Directors' guidelines for fixing remuneration to executive personnel for the coming financial year (see (ii) below). In so far as the guidelines concern share-based incentive arrangements, these shall also be approved by the general meeting (see (iii)).

(i) Salaries and other remuneration to executive personnel
Salaries and other remuneration to executive personnel for the preceding financial year are presented in Notes 8, 9 and 10 of the annual financial statements for Arcus ASA.

(ii) Guidelines for the fixing of salaries and other remuneration to executive personnel
With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2018 for an advisory vote:

The purpose of Arcus' terms and conditions policy is to attract personnel with the competence that the Group requires, to further develop and retain employees with key expertise, and to promote a long-term perspective and continuous improvement with a view to achieving Arcus' business goals. As an overall principle, Arcus' policy must be competitive but not market-leading in terms of the total compensation package. The total compensation may consist of the following elements:

(a) Fixed elements – Basic salary, pension, etc.
Arcus uses internationally recognised job assessment systems to find the "right" level for the job and the fixed salary. Jobs are assessed in relation to their local market (country) and a pay range in relation to the median. The employee's area of responsibility, results and performance determine where he or she is placed on the salary scale.

Arcus has a defined-contribution occupational pension plan in Norway. The contribution rate is 5 per cent for salaries up to 7.1G and 11 per cent for salaries between 7.1G and 12G (as from 1.5.2017 1G is NOK 93,634). The CEO is the only employee who currently has an occupational pension for salaries above 12G and the contribution rate is 15 per cent. There are no arrangements or agreements regarding early retirement age for Group Management other than the AFP arrangement and the national insurance scheme, which allow all employees a flexible retirement age starting at the age of 62. All employees in Norway are subject to a statutory age limit of 72, but the age limit in the Group is contractually set at 70, which also applies to the Group Management.

The CEO of Vectura AS has the same pension scheme as the Group Management. The CEO of Vingruppen i Norden AB adheres to the Swedish regulations. The pension scheme in Sweden has different rules and higher contribution rates than in Norway.

In addition to the above, the Group provides benefits such as a company car and company telephone and other limited benefits in kind.

(b) Variable elements – annual bonus
Arcus has an annual bonus system. The bonus system for the Group Management has consisted of a financial component (70 per cent) tied to a performance-related target for the Group, and an individual component (30 per cent) tied to concrete and defined KPIs for the individual. For all other executive positions, the financial element is 50 per cent related to the target for the Group or company, and the individual element is 50 per cent.

All bonuses are self-financed. The maximum possible bonus for Group Management members is 30 per cent of their annual salary (four monthly salaries), although the CEO may receive a maximum annual bonus of five monthly salaries. In addition to the Group Management, approximately 70 managers and key staff participate in a bonus programme, but the criteria vary. These staff members may receive a bonus of between one and three monthly salaries.

The bonus programme for 2018 will consist of the same components, and its primary target will be the Group's and/or the company's earnings (financial element of 70 per cent). Individual bonuses (personal targets) with a maximum percentage of 30 per cent for Group Management are also a key element of the programme.

Executives of Vectura AS adhere to the same guidelines as the Group Management, but based on the company's EBIT.

Executives of Vingruppen i Norden AB currently adhere to a staggered bonus model, based on the company's EBIT, with maximum five monthly salaries.

(iii) Share-based incentive programmes
In conjunction with the IPO in 2016, the Group Management and an additional 33 managers/key staff were offered investment in shares in exchange for "matching shares" on conditions specified in the prospectus. In total, 29 people in addition to the Group Management subscribed to the offer. The matching programme will be concluded after the presentation of the result for Q4/2018 in 2019.

The Annual General Meeting in 2017 approved an option-based long-term incentive scheme for the Group Management, as well as the CEO of Vectura and the CEO of Vingruppen i Norden, and for additional managers and key persons. The primary objective of the programme is to provide executive personnel with incentives to generate long-term and continuous success and value creation for shareholders. Reference is made to the report described in Annex 4 to the notice convening the Annual General Meeting.

Arcus ASA has key persons in several wine companies in which it has invested as a minority owner, and this mainly concerns the general manager. This model has been a success for Group and created profitable new business, with well-motivated managers. It is appropriate to continue to allow the general manager of a wine company, based on an individual assessment, to be a minority owner, with an ownership interest limited to 9.9 per cent.

Such a model is intended to encourage an entrepreneurship culture, sound business acumen and internal competition between companies which, in turn, can increase the profitability of the company and of the employee. Financing must primarily take place as the employee's contribution of equity.

On starting up a new company, greater flexibility (up to 30 per cent ownership interest) must be accepted in terms of how much the employee should/may invest, based on an individual and commercial assessment.

(iv) Executive salary policy in previous financial years
The guidelines for salaries and other remuneration to executive personnel described in item (ii) also served as guidelines for fixing executive salaries and other remuneration in 2017. Full individual bonus was paid for 2016, while for 2017, 26 per cent of the maximum bonus will be paid.

(v) Changes in contractual agreements
Managing Director of Vectura AS Lorna Stangeland stepped down on 30 March 2017 and was replaced by Christian Granlund, who took over on 12 June 2017. Lorna Stangeland became an external member of the Board of Directors of Vectura AS as from 1 April 2017.

CEO Claes Lindquist of Vingruppen i Norden AB resigned with effect from 1 April 2018 in order to retire, and was replaced by Svante Selling, who took up the position on 1 February 2018. Claes Lindquist continues as an external member of the Board of Directors of Vingruppen i Norden AB as from 1 April 2018, and after his resignation as of 31 March 2018 will work on a consultant basis, so far for the rest of the year.

The remuneration of the Board of Directors is as follows, as from 3.5.2017

Chairman of the Board of Directors	NOK 500,000 p.a.
Board members elected by the shareholders	NOK 225,000 p.a.
Board members elected by the employees	NOK 150,000 p.a.
Deputy member elected by the employees	NOK 7,500 per meeting
Audit Committee	
Chair of the committee	NOK 85,000 p.a.
Member	NOK 40,000 p.a.
Remuneration Committee	
Chair of the committee	NOK 40,000 p.a.
Member	NOK 25,000 p.a.

Remuneration to the members of the Board of Directors in 2017:

Figures in NOK 1000		Board fees including committee work	Number of shares 31.12.2017
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	480	150,000
Mikael Norlander	Resigning Board member in 2017	177	0
Hanne Refsholt		222	0
Leena Maria Saarinen		227	1,860
Trond Berger		301	17,441
Eilif Due[1]		275	3,299,325
Isabelle Ducellier	Resigning Board member in 2017	0	0
Stein Erik Hagen[2]	Newly-elected Board member in 2017	150	22,670,000
Ann-Beth Freuchen	Newly-elected Board member in 2017	150	0
Board members elected by the employees			
Erik Hagen		See the Table below	566
Ingrid E. Skistad[3]		See the Table below	1,368
Kjell Arne Greni		See the Table below	0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board.
3. Ingrid E. Skistad owns 322 shares personally. Other shareholding is owned through Ibrygging Invest AS, where she is Chairman of the Board.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	495	157	6	25
Ingrid E. Skistad	617	150	4	31
Kjell Arne Greni[1]	185	155	6	9

1. Kjell Arne Greni has a 40 per cent position

Remuneration to the members of the Board of Directors in 2016:

Figures in NOK 1000		Board fees including committee work	Number of shares, 31.12.2016
Board members elected by the shareholders			
Michael Holm Johansen	Newly-elected Board member in 2016	637	146,512
Mikael Norlander[1]		0	16,077,244
Hanne Refsholt	Newly-elected Board member in 2016	218	0
Leena Maria Saarinen	Newly-elected Board member in 2016	187	1,860
Trond Berger	Newly-elected Board member in 2016	34	17,441
Eilif Due[2]		140	3,299,325
Isabelle Ducellier	Newly-elected Board member in 2016	100	1,860
Leif Johansson	Resigning Board member in 2016	0	0
Daniel Repfennig	Resigning Board member in 2016	0	0
Marius Juul Møller	Resigning Board member in 2016	0	0
Board members elected by the employees			
Erik Hagen		See the Table below	244
Ingrid E. Skistad[3]	Newly-elected Board member in 2016	See the Table below	1,046
Kjell Arne Greni		See the Table below	0

1. Mikael Norlander represented the main shareholder, Ratos AB. The declared number of shares related to him also includes Ratos AB's shareholding.
2. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings related to the shareholder Hoff SA, of which he is Chairman of the Board.
3. Shareholding is owned through Ibrygging Invest AS, where Ingrid E. Skistad is Chariman of the Board.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	484	103	6	24
Ingrid E. Skistad[1]	97	25	0	5
Kjell Arne Greni[2]	174	83	7	9

1. Ingrid Skistad was elected to the Board as from 1.11.2016. The amounts paid represent two months as from her election to the Board.
2. Kjell Arne Greni has a 40 per cent position

NOTE 9 SHARE-BASED REMUNERATION

Share-based incentive schemes
The Group has two share-based incentive schemes for senior executives, which are related to the value growth of the Group. The Group also has a share savings programme in which all employees can participate.

Matching shares for senior executives and other key persons.
Before the Board of Directors in 2017 adopted a new long-term incentive scheme for senior executives, in conjunction with the IPO in 2016 a temporary two-year incentive scheme (interim retention plan) was adopted, in which 37 employees, including the Group Management, were awarded matching shares. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time.

For the Group Management, matching shares were granted whereby for each share they acquired in addition to their reinvestment obligations related to the settlement of the completed programme with synthetic shares and options, they also received one matching share. The members of the Group Management, who did not already hold synthetic shares or options were entitled to receive either one matching share for each share they purchased in total, or one matching share for every two shares they purchased in total.

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it. In 2017, two persons who were covered by this programme resigned, so at the end of 2017 there were 27 key persons in this programme.

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed two times the value on the allocation date.

Below, the number of matching shares as at 31.12.2017 is presented, of which the fair value is based on Arcus' share price as at 31.12.2017 (NOK 46.50).

Figures in NOK 1000	Allocation date	Number of matching shares at the time of allocation	Number of matching shares 31.12.2016	Number of matching shares 31.12.2017	Fair value 31.12.2017	Redemption date
Kenneth Hamnes	01.12.16	42,100	42,100	42,100	1,958	28.02.19
Sigmund Toth	01.12.16	19,767	19,767	19,767	919	28.02.19
Erlend Stefansson	01.12.16	27,062	27,062	27,062	1,258	28.02.19
Erik Bern	01.12.16	9,956	9,956	9,956	463	28.02.19
Bjørn Delbæk	01.12.16	8,692	8,692	8,692	404	28.02.19
Per Bjørkum	01.12.16	8,256	8,256	8,256	384	28.02.19
Thomas Patay	01.12.16	68,785	68,785	68,785	3,199	28.02.19
Claes Lindquist	01.12.16	46,726	46,726	27,670	1,287	28.02.19
Total, Group Management		**231,344**	**231,344**	**212,288**	**9,871**	
Other managerial employees	01.12.16	149,415	149,415	118,530	5,512	28.02.19
Total number of matching shares		**380,759**	**380,759**	**330,818**	**15,383**	

Overview of the development in the number of allocated matching shares:

Number of matching shares	2017	2016
Allocated matching shares at the beginning of the year	380,759	0
Allocated matching shares during the year	0	380,759
Terminated matching shares during the year	-49,941	0
Allocated matching shares at the end of the year	**330,818**	**380,759**

Effects of matching shares in the accounts:

Figures in NOK 1,000	2017	2016
Earning of matching shares	6,323	606
Termination of matching shares	-80	0
Change in provision for employer taxes	1,252	125
Total costs related to matching shares	**7,495**	**731**
Liabilities[1]	**1,378**	**125**

1. Solely include employer taxes

Option programme for senior executives
At the Annual General Meeting in May 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options.

The options' vesting period will be three years from the allocation date, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The number of options allocated annually will vary, and will correspond to the individual executive's potential maximum bonus that can be achieved in relation to the listed price on the allocation date. The options' strike price is calculated as the volume-adjusted listed price for the last ten days prior to the allocation date, with the addition of 10 per cent.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

Below the Group Management's options holdings are listed.

Allocation date	2017
Vesting period	**04.05.2017 - 04.05.2020**
Redemption period	**04.05.2020 - 04.05.2022**
Strike price	**NOK 51.53**

Number of options	2017	2016
Kenneth Hamnes	199,426	0
Sigmund Toth	90,773	0
Erlend Stefansson	110,628	0
Erik Bern	96,546	0
Bjørn Delbæk	84,508	0
Per Bjørkum	82,524	0
Thomas Patay	115,034	0
Christian Granlund	95,724	0
Claes Lindquist	40,584	0
Total, Group Management	**915,747**	**0**
Other managerial employees	313,557	0
Total number of options	**1,229,304**	**0**

Option calculation assumptions:		2017	2016
Share price on the allocation date	NOK	47.90	0
Share price on the balance sheet date	NOK	46.50	0
Redemption price – minimum	NOK	51.53	0
Redemption price – maximum	NOK	143.70	0
Risk-free interest %	%	1.1%	0.0%
Volatility* %	%	25.0%	0.0%
Expected dividend %	%	3.1%	0.0%

* As the company has no historical volatility figures that can be applied, the company has calculated average volatility for comparable companies on European stock exchanges within the same sector for the last five years.

Overview of development in the number of allocated options

Number of options	2017	2016
Allocated options during the year	1,407,369	0
Terminated options during the year	-178,065	0
Outstanding options at the end of the year	**1,229,304**	**0**

Effects of options in the accounts:

Figures in NOK 1,000	2017	2016
Earning of options	1,655	0
Change in provision for employer taxes	265	0
Total option costs	**1,920**	**0**
Liabilities[1]	**265**	**0**

1 Solely includes employer taxes

Share savings programme for all employees
In 2017, the Board of Directors adopted a general share savings scheme for all employees, under which all employees will annually have the opportunity to buy a limited number of shares in Arcus ASA, with a discount of 20 per cent. Sale of shares to employees below market value is recognised as a personnel cost comprising the difference between the market value of the shares and the purchase price.

This was first performed in November 2017, when 100 employees in total subscribed for a total of 31,234 shares. These shares were purchased at an average price of 46.56 and sold to the employees at a discount of 20 per cent, whereby each employee could purchase either 322 or 161 shares. For this, costs of TNOK 290 were charged to the consolidated accounts in 2017.

NOTE 10 PENSION COSTS, ASSETS AND OBLIGATIONS

Defined benefit pension plan

Up until 31 December 2008, Arcus ASA and its subsidiaries had a group defined benefit plan for their employees in Statens Pensjonskasse (the Norwegian Public Service Pension Fund – SPK) and Storebrand. The SPK pension plan also included a contractual early retirement plan (AFP) with financing from the commencement of employment. From 31 December 2008, the Board of Directors terminated the SPK group pension plan for the entire Group in order to switch to defined contribution plans.

With the transition to the new pension plan, all those who were ill or disabled remained in the respective defined benefit plans. Statens Pensjonskasse has confirmed that Arcus no longer has any legal obligations associated with the remaining pension recipients who are linked to the SPK defined benefit plan, but is only obliged to pay annual premium contributions specified by SPK, according to the same principle as for defined contribution plans. The Group therefore takes the current invoices from SPK to expenses in the same way as for the defined contribution plan. Within the pension obligation as at 31.12.2017, a provision of NOK 4.1 million is linked to five individuals in the Storebrand defined benefit plan. This is the only pension obligation secured with assets.

In addition, two individuals, who are no longer employed by the company, have a defined benefit plan for salaries above 12G (National Insurance base amount). This plan has been recognised with obligations totalling NOK 4.2 million at the end of 2017.

Gift pension and unfunded pension arrangement

On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31.12.2017, this gift pension is linked to 136 employees in the Norwegian operations, while the total obligation has been recognised at NOK 13.1 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. At the end of 2017, this obligation was recognised at NOK 0.7 million.

Contractual early retirement plan pension (AFP)

On 1 January 2011, a new contractual early retirement plan (AFP) pension scheme was introduced in Norway Unlike the old scheme, the new AFP plan is not an early retirement plan, but a scheme that provides a lifelong supplement to the ordinary pension. Employees can choose to take out the new AFP pension as from the age of 62, also while continuing to work, and add additional earnings by working up to the age of 67. This new AFP plan is a defined benefit multi-enterprise pension scheme, and is financed through premiums that are set as a percentage of salary. So far no reliable measurement and allocation of obligations and assets is available for the plan. In accounting terms, the plan is treated as a defined-contribution pension plan in which premium payments are charged as current costs and no provisions are made in the financial statements. In 2016 and 2017, the current premium payments were set at 2.50 per cent of total salary payments between 1 G and 7.1 G to the company's employees. It has been decided not to change the premium payments for 2018. There is no accumulation of funds in the plan and it is expected that the premium level will increase over the coming years.

There are some seniority requirements associated with the new AFP plan with regard to accumulated length of employment in the scheme. This means that on reaching the age of 62, the individual employee must have been employed for seven of the previous nine years in order to meet the seniority requirements to be able to draw an AFP pension under the new scheme. For the Arcus Group there were 17 individuals who did not fulfil this seniority requirement on the introduction of the new AFP plan. In 2011, Arcus applied for these individuals to have their accumulated period of employment in the old AFP plan in SPK included before transition to the LO/NHO (Norwegian Confederation of Trade Unions/ Confederation of Norwegian Enterprise) plan from 1 January 2009. Fellesordningen (Joint Pension Plan) gave its consent to this in return for Arcus paying the entire excess above and beyond the state supplement of 1/3 of the AFP pension. As at 31.12.2017, this relates to a residual obligation for seven people and the obligation is recognised at NOK 5.2 million.

Defined contribution pension

The Arcus Group's general pension scheme for all other employees concerns defined-contribution pension schemes which are adapted to the regulations in the individual countries in which the Group has employees.

Norway

The general defined-contribution pension scheme has contribution rates of 5 per cent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G); and 11 per cent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 per cent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

The costs associated with the defined contribution pension are related to the current premium invoices from the insurance company with which Arcus has signed a defined contribution pension agreement. The current defined contribution pensions and disability pensions for employees in the defined contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 3.2 million at the end of 2017.

Sweden

In Sweden, the contributions are, to a great extent, individually agreed contribution rates based on individual salaries, and these can vary considerably. In 2017, the contribution rates vary between 9 per cent and 34 per cent of the individual's salary. The contribution rates apply as from the first krone earned.

Denmark

The general defined-contribution pension scheme in Denmark has contribution rates varying from 8 to 10 per cent. The contribution rates apply as from the first krone earned.

Finland

The general defined-contribution pension scheme in Finland has contribution rates of 18.95 per cent for employees aged below 53, and 17.45 per cent for employees aged over 53.

Germany

The contribution rate in Germany is 9.35 per cent of the employee's salary, up to the maximum calculation basis of EUR 76,200.

Other matters

The Group applies a discount rate equivalent to the covered bond interest rate to its pension commitments. The pension assumptions made by the Group are consistent with the recommendations of the Accounting Standards Board from September 2017. Due to the lack of significance, the assumptions were not updated as of 31.12.2017.

The table below shows both defined benefit and other pension obligations based on actuarial assumptions.

Figures in NOK 1,000

Pension costs	2017	2016
Present value of pension earnings for the year	778	1,053
Interest cost of pension obligations	890	953
Return on pension assets	-215	-252
Administration costs	174	173
Recognised estimation loss/(profit)	0	-736
Accrued social security contributions	218	262
Net pension costs after social security contributions	**1,845**	**1,453**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	30,561	26,944
Net pension obligations		
Estimated accrued obligations, funded pension plans	14,436	13,707
Estimated value of pension assets	-10,328	-9,741
Net estimated pension obligations (-)/assets (+), funded pension plans	**4,108**	**3,966**
Estimated accrued obligations, non-funded pension plans	26,444	30,126
Net pension assets/(obligations) recognised in the statement of financial position	**30,552**	**34,092**
Changes in obligations		
Net pension obligations 01.01	34,092	35,902
Pension costs, continued operations	1,845	1,453
Paid out through operations	-743	-4,071
Premium payments including SSC	-204	-471
Estimate deviations recognised directly in equity (IAS19R)	-4,438	1,279
Net pension obligations 31.12.	**30,552**	**34,092**
Summary of pension assets:		
Shares and other equity instruments	10,328	9,741
Total pension assets 31.12.	**10,328**	**9,741**

Figures in NOK 1,000

Financial assumptions	2017	2016
Discount rate	2.30%	2.10%
Expected salary adjustment	2.50%	2.25%
Expected pension increase	1.50%	1.25%
Expected adjustment of the National Insurance basic amount (G)	2.25%	2.00%
Expected return on pension assets	2.30%	2.10%
Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

Sensitivity analysis of net pension obligations:

The table below shows the effects of changes in pension obligations, deferred tax assets and equity in the event of a change in the most important economic assumptions by one percentage point up or down. The calculations are otherwise carried out in the same way as the actuarial calculations and are based on all other economic and demographic assumptions remaining unchanged.

Sensitivity 2017	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,116	3,697	6,019	-4,980	-2,566	2,597
Change in deferred tax assets	717	-850	-1,384	1,145	590	-597
Change in equity	2,400	-2,847	-4,634	3,835	1,976	-2,000
Percentage change in obligations	**-10.2%**	**12.1%**	**19.7%**	**-16.3%**	**-8.4%**	**8.5%**

Sensitivity 2016	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,477	4,125	6,716	-5,557	-2,864	2,898
Change in deferred tax assets	835	-990	-1,612	1,334	687	-695
Change in equity	2,643	-3,135	-5,104	4,223	2,176	-2,202
Percentage change in obligations	**-10.2%**	**12.1%**	**19.7%**	**-16.3%**	**-8.4%**	**8.5%**

Summary of cash flows related to pension plans

Figures in NOK 1,000	2017	2016
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	204	425
Payments from operations, gift pension at 65-67 years of age	743	566
Payments under unfunded pension to former CEO recognised in the statement of financial position	0	3,316
Premium payments, AFP plan not recognised in the statement of financial position	4,069	4,165
Premium payments, remaining in SPK	72	66
Premium payments, defined contribution pension	29,240	25,404
Total	**34,328**	**33,942**

All figures include social security costs

Premium payments associated with ordinary defined-contribution pension schemes are the largest disbursement items associated with pensions. The basis for the premium payments to the defined contribution plan is calculated according to the actual salaries and will reflect the salary development within the company.

Premium payments to the new AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. The premium rate was 2.50 per cent in 2016 and 2017 and this will remain unchanged in 2018.

NOTE 11 FINANCIAL INCOME AND COSTS

Figures in NOK 1,000	2017	2016
Financial income		
External interest income	6,654	7,944
Total interest income	**6,654**	**7,944**
Value adjustment of interest rate swap agreements at fair value	0	4,552
Value adjustment of foreign exchange forward contracts at fair value	1,837	0
Value adjustment of co-investment programme (synthetic shares and options)	13,821	0
Net agio gains	2,854	5,848
Other financial income	731	19
Total other financial income	**19,243**	**10,419**
Total financial income	**25,897**	**18,363**
Financial costs		
Interest costs to financial institutions	-31,454	-70,158
Interest costs on liabilities at fair value	-21	-256
Total interest costs	**-31,475**	**-70,414**
Value adjustment of minority options at fair value	-147	-28,180
Value adjustment of foreign exchange forward contracts at fair value	0	-2,021
Value adjustment of co-investment programme (synthetic shares and options)	0	-119,979
Amortisation of front-end fee related to credit facilities at SEB	-1,652	-20,636
Other financial costs	-7,166	-13,861
Total other financial costs	**-8,965**	**-184,677**
Total financial costs	**-40,440**	**-255,091**
Net financial profit/loss	**-14,543**	**-236,728**

NOTE 12 TAX

Tax for the year is calculated as follows:

Figures in NOK 1,000	**2017**	**2016**
Tax payable	-37,463	-40,670
Change in deferred tax	-34,306	10,590
Insufficient provision in previous years	1,241	3,869
Total tax cost	**-70,528**	**-26,211**

Tax breakdown by country	**2017**	**2016**
Tax - Norway	-34,883	6,498
Tax - Sweden	-26,194	-25,545
Tax - Denmark	-7,343	-6,094
Tax - Finland	-2,220	-1,841
Tax - Germany	112	771
Total tax cost	**-70,528**	**-26,211**

Reconciliation from nominal to actual tax rates	**2017**	**2016**
Pre-tax profit	258,750	2,122
Expected income tax at the nominal tax rate in Norway	-62,100	-531
Tax effect of the following items:		
Non-deductible costs	-7,638	-26,831
Non-taxable income	33	0
Insufficient provision in previous years	1,241	2,171
Change in non-capitalised tax assets	213	0
Change in tax rate	-4,859	-5,789
Differences in tax rates	3,366	4,554
Profit share, associated companies	789	1,447
Other	-1,573	-1,232
Tax	**-70,528**	**-26,211**
Effective tax rate	**27%**	**1235%**

Tax on items in OCI
Tax on items in OCI are entirely due to changes in deferred tax associated with pension obligations in Norway.

Tax payable by country in the statement of financial position	**2017**	**2016**
Tax liability to Norway	1,907	1,704
Tax liability to Sweden	-5,336	-9,815
Tax liability to Denmark	5,451	4,862
Tax liability to Finland	382	-80
Tax liability to Germany	-276	373
Total tax liabilities payable, see also Note 17	**2,128**	**-2,956**

Tax paid during the period, per country	**2017**	**2016**
Tax paid to Norway	-896	-5,686
Tax paid to Sweden	-22,412	-26,200
Tax paid to Denmark	-7,510	-12,760
Tax paid to Finland	-1,851	-2,556
Tax paid to Germany	-552	491
Total tax paid	**-33,221**	**-46,711**

Specification of tax effect of temporary differences and deficit carried forward:

	2017		2016	
	Asset	Liability	Asset	Liability
Tangible assets	-3,093	532	37	667
Intangible fixed assets	-45,585	-101,588	-47,905	-93,848
Financial assets	-931	0	-717	0
Inventories	-10,271	0	-8,536	338
Trade receivables	1,545	0	1,539	215
Pension obligations	6,604	0	7,833	0
Provisions	5,781	0	10,437	0
Gain/loss tax fund from sale of fixed assets	-864	24	-1,127	0
Deficit carried forward	183,600	0	210,559	0
Total deferred tax, gross	**136,786**	**-101,032**	**172,120**	**-92,628**
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	**136,786**	**-101,032**	**172,120**	**-92,628**

At the end of the year, the Group had NOK 183.6 million in capitalised deferred tax assets associated with the deficit carried forward. Based on an assessment and analysis of the Group's earnings in Norway historically, and the future prognosis, it is assessed that the deficit carried forward can be utilised in full, and the related deferred tax asset has therefore been entered.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2017, the rates were 23 per cent in Norway, 22 per cent in Sweden, 22 per cent in Denmark and 20 per cent in Finland.

At the end of 2017, deferred tax assets were associated with net negative temporary differences for the tax regimes in Norway and Sweden, while deferred tax liabilities were linked to net positive temporary differences for the tax regime in Denmark. At the end of 2016, deferred tax assets were associated with net negative temporary differences for the tax regime in Norway, while deferred tax liabilities were linked to net positive temporary differences for the tax regimes in Denmark and Sweden.

NOTE 13 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

2017

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2017	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2017
Tiffon SA *	TS	34.8%	48,029	454	3,286	0	6,901	58,670
Det Danske Spiritus Kompagni A/S **	FKV		8,782	-8,782	0	0	0	0
Total investments in associated companies and jointly controlled entities			**56,811**	**-8,328**	**3,286**	**0**	**6,901**	**58,670**

2016

Figures in NOK 1,000	Company type	Ownership interest	Book value 1.1.2016	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2016
Tiffon SA *	TS	34.0%	46,280	0	1,749	0	0	48,029
Det Danske Spiritus Kompagni A/S **	FKV	50.0%	8,439	0	4,040	-2,946	-751	8,782
Total investments in associated companies and jointly controlled entities			**54,719**	**0**	**5,789**	**-2,946**	**-751**	**56,811**

* The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 6. In September 2017, Arcus acquired a further 0.75 per cent ownership interest in the company, and at the end of the year has an ownership interest of 34.75 per cent. Tiffon SA has a financial year from 1 July to 30 June. The share of profit from Tiffon is based on an estimated annual profit for the calendar year that is equivalent to the Group's financial year.

** Det Danske Spiritus Kompagni A/S was established in 2013 to handle sales of Arcus products in Denmark, and was owned jointly with Flemming Karberg Familieholding ApS. In January 2017, the Arcus Group acquired the rest of the shares in the company, and as from this date the company is recognised as a wholly-owned subsidiary, and consolidated in the consolidated accounts. Prior to the acquisition, both ownership and voting shares, as well as Board composition, were divided 50/50 between Arcus and Flemming Karberg Familieholding ApS. See detailed information on transactions with related parties in Note 6.

None of the associated companies or jointly controlled entities has listed share prices. The Group's share of profit from associated companies, after tax, is presented on a separate line before Group operating profit.

Summarised financial information regarding associated companies and jointly controlled entities, based on 100 per cent:

2017

Figures in NOK 1,000	Total current assets 31.12.2017	Total fixed assets 31.12.2017	Total current liabilities 31.12.2017	Total non-current liabilities 31.12.2017	Total equity 31.12.2017	Operating revenues 2017	Operating expenses 2017	Profit for the year 2017
Tiffon SA	329,085	16,933	33,193	144,009	168,815	101,248	82,784	9,457

2016

Figures in NOK 1,000	Total current assets 31.12.2016	Total fixed assets 31.12.2016	Total current liabilities 31.12.2016	Total non-current liabilities 31.12.2016	Total equity 31.12.2016	Operating revenues 2016	Operating expenses 2016	Profit for the year 2016
Tiffon SA	301,695	16,390	35,031	136,547	146,507	107,964	96,067	5,145
Det Danske Spiritus Kompagni A/S*	68,815	21	52,950	0	15,886	161,188	150,827	8,081

* As a consequence of both ownership and voting rights being divided 50/50 between the owners, the Group was not deemed to have control of DDSK A/S at the end of 2016. DDSK A/S was therefore not consolidated in the Group's accounts before the acquisition of the remaining 50 per cent in 2017.

NOTE 14 TANGIBLE FIXED ASSETS

Figures in NOK 1,000	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible assets
Acquisition cost as at 01.01.2016	**0**	**500,992**	**86,364**	**67,417**	**654,773**
Addition of tangible fixed assets	0	7,992	1,445	1,945	**11,382**
Transferred from facilities under construction	0	62,645	0	-66,630	**-3,985**
Reclassifications	0	0	-1,297	0	**-1,297**
Translation differences	0	-309	-809	0	**-1,118**
Acquisition cost as at 01.01.2017	**0**	**571,320**	**85,703**	**2,732**	**659,755**
Addition of tangible fixed assets	0	5,320	2,857	7,717	**15,894**
Transferred from facilities under construction	0	2,693	290	-4,771	**-1,788**
Disposal at cost (sale of tangible fixed assets)	0	-30,643	-358	0	**-31,001**
Translation differences	0	185	524	0	**709**
Acquisition cost 01.01.2017	**0**	**548,875**	**89,016**	**5,678**	**643,569**
Accumulated depreciation 01.01.2016	**0**	**-216,117**	**-60,764**	**0**	**-276,881**
Ordinary depreciation	0	-29,355	-5,529	0	**-34,884**
Reclassifications	0	0	1,297	0	**1,297**
Translation differences	0	201	747	0	**948**
Accumulated depreciation 01.01.2017	**0**	**-245,271**	**-64,249**	**0**	**-309,520**
Ordinary depreciation	0	-29,567	-5,009	0	**-34,576**
Disposal, accumulated depreciation (sale of tangible fixed assets)	0	30,643	358	0	**31,001**
Translation differences	0	-146	-502	0	**-648**
Accumulated depreciation 31.12.2017	**0**	**-244,341**	**-69,402**	**0**	**-313,743**
Book value as at 31.12.17	**0**	**304,534**	**19,614**	**5,678**	**329,826**
Of which book value of capitalised leases	0	176,697	0	0	**176,697**
Ordinary depreciation for the year – capitalised leases	0	-16,385	0	0	**-16,385**
Book value of capitalised interest costs	0	3,291	0	0	**3,291**
Annual leasing fee for non-capitalised tangible fixed assets	83,928	2,309	463	0	**93,739**

Both the parent company and the Group use straight-line depreciation for all tangible fixed assets.

The economic life of tangible fixed assets is estimated as follows:

* Machines, vehicles and plant	3-15 years
* Office machinery and inventory	4-10 years
* Land, buildings and other real estate	0 years

No indications of impairment or a need to adjust the useful lives of assets were identified during the period.

NOTE 15 INTANGIBLE ASSETS

Figures in NOK 1,000	Goodwill	Brands	Software	Total
Acquisition cost 01.01.2016	**1,042,182**	**706,257**	**111,969**	**1,860,408**
Addition of intangible assets	0	32,647	3,782	**36,429**
Transferred from facilities under construction	0	0	3,985	**3,985**
Translation differences	-32,006	-23,572	0	**-55,578**
Acquisition cost 01.01.2017	**1,010,176**	**715,332**	**119,736**	**1,845,244**
Addition of intangible assets	0	118,611	6,209	**124,820**
Transferred from facilities under construction	0	0	1,788	**1,788**
Acquisition of business	16,583	3,900	0	**20,483**
Translation differences	38,537	35,403	136	**74,076**
Acquisition cost 31.12.2017	**1,065,296**	**873,246**	**127,869**	**2,066,411**
Accumulated depreciation 01.01.2016	**0**	**-40,568**	**-77,927**	**-118,495**
Ordinary depreciation	0	0	-11,158	**-11,158**
Amortisation	0	-5,583	0	**-5,583**
Translation differences	0	56	0	**56**
Accumulated depreciation 01.01.2017	**0**	**-46,095**	**-89,085**	**-135,180**
Ordinary depreciation	0	0	-9,621	**-9,621**
Amortisation	0	-7,396	0	**-7,396**
Write-downs	-22,700	0	0	**-22,700**
Translation differences	0	-53	-12	**-65**
Accumulated depreciation 31.12.2017	**-22,700**	**-53,544**	**-98,718**	**-174,962**
Book value 31.12.2017	**1,042,596**	**819,702**	**29,151**	**1,891,449**
Of which capitalised value of assets with indefinite useful lives	1,042,596	780,288	0	**1,822,884**

Economic life of intangible assets with identifiable useful lives		10-19 years	3-10 years	
Depreciation plan		Straight line	Straight line	

Addition of brands

Vanlig

In October 2017, the Group acquired the Vanlig brand, which includes a vodka and a gin product, from Svensk Vodka Export AB in Sweden. The Group took over sales of these products as from 1 October 2017, while production will be taken over during Q2 2018.

Hot n'Sweet

At the end of December 2017, the Group acquired the Hot n'Sweet brand from Strandgaarden Wine & Spirits A/S in Denmark. Hot n'Sweet is a liqueur with a flavour characterised by Turkish pepper candy. The Group took over sales of this product as from 1 January 2018, while production will be taken over during Q1 2018.

Impairment testing

Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the recoverable amount for the cash-generating unit. The recoverable amount is determined by discounting expected cash flows, based on the cash-generating entity's Board-approved business plans. The cash-generating entity is the lowest level at which it is possible to follow up operations comprising the relevant goodwill. At the end of 2017, cash-generating units relating to impairment testing of goodwill are defined both at the company and business area levels. The same is carried out for brands with indefinite useful lives. The cash-generating unit for impairment testing of brands is the brand itself.

The discount rate used for both brands and goodwill is 9.0 per cent before tax, and reflects estimated risk and capital costs for the Group, based on a capital structure considered representative for the activities in which the Arcus Group is engaged.

Recoverable amount in an impairment test of goodwill

The recoverable amount for the cash-generating units is calculated on the basis of the present value estimate of the expected cash flows before tax. The cash flows used as the basis for the impairment test are based on assumptions about future sales volume, sales prices, purchase prices for input factors, salary development and other direct costs set out in Board-approved budgets and long-term plans. The terminal value is based on the cash flow in the last forecast year (2020). The growth assumption in the terminal value is set to inflation only (no real growth) and level of reinvestments are expected to be the same as depreciation of the entities' fixed assets.

CGU related to goodwill from the acquisition of the production activity in Denmark is assessed to be the entire Spirits segment since, as from 2015, the business in Denmark was integrated with other spirits operations in the Group.

In 2017 the Group wrote down goodwill related to the acquisition of Excellars AS in 2011. The recoverable amount on impairment testing of goodwill in Excellars is based on the 2018 budget, with growth of 2 per cent (inflation) up to 2021 in both revenue and EBITDA, which gives somewhat higher growth in the EBITDA margin during the period. This growth is also applied to the terminal value. On the basis of the impairment tests performed, the Group has recognised impairment of goodwill amounting to TNOK 22,700. This impairment is a consequence of weaker development in the company's results. To some extent, the company's earnings have been dependent on revenue from wines with a high sugar content. This is a wine segment that has enjoyed longstanding popularity in Norway, but for which demand has declined significantly, especially during the past year. Any negative change in the assumptions applied to the calculation of the recoverable amount may lead to further impairment. The management is working on new strategy plans to achieve a turnaround for the company, so that the Group avoids further impairment.

Concerning other goodwill in the Group, the impairment tests have not entailed impairment, and downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would not have entailed impairment of other goodwill either.

Recoverable amount in an impairment test of brands

The recoverable amount for the brands is calculated on the basis of a "relief from royalty" method before taxes, where the brand's annual royalty is estimated as future revenues of the brand multiplied by a long-term expected profit level for the relevant brands. Cash flow estimates used are discounted using a discount rate.

Downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would not have entailed impairment for any of the brands.

The table below shows the Group's intangible assets with indefinite useful lives (goodwill and brands) by cash-generating unit. The most important brands are presented individually, while less important brands are presented under other brands.

Figures in NOK 1,000	Category	Currency	Segment	Goodwill	Brands	Total
Cash-generating unit						
Norwegian aquavits	Aquavit	DKK	Spirits	0	119,846	**119,846**
Danish aquavits	Aquavit	NOK	Spirits	0	291,082	**291,082**
Other aquavits	Aquavit	NOK, DKK, SEK	Spirits	0	165,729	**165,729**
Danish bitters	Bitter dram	NOK	Spirits	0	9,262	**9,262**
Norwegian cognac	Cognac	NOK	Spirits	0	17,585	**17,585**
Norwegian vodka	Vodka	NOK	Spirits	0	35,104	**35,104**
International vodka	Vodka	NOK	Spirits	0	68,200	**68,200**
Agency wine	Agency wine	NOK	Wine	0	5,024	**5,024**
Other brands	Other	NOK, DKK	Spirits	0	107,870	**107,870**
Spirits segment		DKK	Spirits	424,186	0	**424,186**
Spirits segment		NOK	Spirits	381,346	0	**381,346**
Vingruppen i Norden AB (sub-Group)		SEK	Wine	95,852	0	**95,852**
Social Wines OY		EUR	Wine	25,994	0	**25,994**
Excellars AS		NOK	Wine	115,218	0	**115,218**
Total				**1,042,596**	**819,702**	**1,862,298**

The various cash-generating entities listed below include the following known brands:

Cash-generating unit	**Brands**
Norwegian aquavits	Lysholm Linie, Løiten Linie, Gammel Opland and Gilde, and other Norwegian aquavits
Danish aquavits	Aalborg
Other aquavits	Malteserkreutz and Snälleröds
Danish bitters	Gammel Dansk
Norwegian cognac	Braastad cognac
Norwegian vodka	Vikingfjord, Amundsen and Brennevin Seksti
International vodka	Vanlig, Dworek, Hammer, Kalinka and Dobra
Agency wine	Doppio Passo and Pietro de Campo
Other brands	Hot n'Sweet, Dooley's, Eau de Vie, Golden Cock, St. Hallvard, Upper Ten, Dry Anis and Star Gin

NOTE 16 LEASING AGREEMENTS

Operational leasing

As at 31 December 2017, the Group had the following leasing agreements which are defined and recognised as operational leasing agreements. There were no significant terms and conditions concerning sub-letting, purchase, escalation or restrictions to the operational leasing agreements as at 31 December 2017.

Figures in nominal NOK 1,000	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Leased premises	83,928	83,659	331,851	1,216,118	**1,636,628**
Vehicles	2,309	2,265	2,497	0	**4,762**
Machines and office equipment	463	463	471	0	**934**
Total	**86,700**	**86,387**	**334,819**	**1,216,118**	**1,642,324**

This overview includes the agreement concluded with Gjelleråsen Eiendom AS on the lease of production, distribution and administration buildings at Gjelleråsen for a term of 25 years starting on 1 January 2012. The annual rent under this agreement is TNOK 80,132 as from 2018.

Financial leasing

As at 31 December 2017, the Group had four contracts to lease equipment used at Gjelleråsen. All of the above agreements took effect on 1 June 2012 and have a duration of 15 years. This equipment was recognised in the Arcus Group's statement of financial position as at 31.12.2017.

Figures in nominal NOK 1,000	Annually Lease amount	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Machinery and equipment	21,687	21,687	173,203	0	**194,890**
Total	**21,687**	**21,687**	**173,203**	**0**	**194,890**

The contract partner for the financial leasing agreements is Nordea, and the agreements are subject to variable interest rates.

Even though, in principle, the leasing agreements have been entered into with a 15-year repayment and interest profile (annuity), the terms of the agreements are for a shorter period of time. Remaining capitalised lease liabilities will fall due in the course of the last 12 months of the agreement period. The Group and Nordea are in continuous dialogue concerning an extension of the agreements to a total maturity profile of 15 years. All changes to the agreements must be formally handled by the landlord.

The present value of future lease payments is NOK 180,3 million as at 31.12.2017, based on a discount rate equivalent to the effective interest rate on the financing in 2017.

Arcus-Gruppen AS has pledged a 100 per cent surety guarantee for all liabilities that the subsidiaries have undertaken or may undertake in connection with the signed leasing agreements. All fixed assets are included in the pledged assets as security for the Arcus Group's non-current bank financing; see Note 25.

NOTE 17 OTHER RECEIVABLES

Figures in NOK 1,000	Note	2017	2016
Non-current receivables			
Other non-current receivables		1,205	1,235
Total other non-current receivables		**1,205**	**1,235**

The Group has no receivables with a term of more than five years.

Figures in NOK 1,000	Note	2017	2016
Current receivables			
Prepaid costs*		14,920	11,052
Prepaid tax	11	0	2,956
Fair value of forward contracts		993	0
Other current receivables*		6,412	5,104
Total other current receivables		**22,325**	**19,112**

Figures in NOK 1,000	2017	2016
Prepayments to suppliers		
Nominal prepayments to suppliers	70,755	68,480
Provisions	-6,185	-5,670
Total prepayments to suppliers*	**64,570**	**62,810**

Through its distribution business, Vectura purchases goods on behalf of agents and importers. Depending on the type of agreement entered into by the agent or importer, there will be instances where Vectura buys in goods on behalf of the agent or importer and where the agent or importer bears most of the risk associated with this inventory. This type of financing of inventory for individual partners is stated at nominal value less provision for expected losses, and is presented as prepayments to suppliers.

* Items included in changes in working capital in Note 3.

NOTE 18 INVENTORIES

Figures in NOK 1,000	2017	2016
Raw materials	22,709	22,891
Goods in progress	99,629	101,797
Finished goods/goods for resale	310,111	273,719
Obsolescence provision	(21,690)	(19,630)
Total inventories	**410,759**	**378,777**

Cost of inventories in the statement of income comprises input costs for finished goods/goods for resale and production value at cost price for goods produced in-house. The total cost of inventories was NOK 1,409 million in 2017 (2016: NOK 1,467 million).

See also Note 25 for details of pledges and guarantees.

NOTE 19 CASH AND CASH EQUIVALENTS

Figures in NOK 1,000	2017	2016
Cash and cash equivalents in the Group's cash pool system	0	100,731
Other bank deposits	184,402	98,654
Cash holdings	13	0
Total cash and cash equivalents	**184,415**	**199,385**
Available drawing rights	604,982	601,897
Utilised drawing rights	-72,700	0
Available liquidity	**716,697**	**801,282**

Figures in NOK 1,000	2017	2016
Restricted bank deposits		
Restricted bank deposits	531	0
Total restricted bank deposits	**531**	**0**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes all subsidiaries, with the exception of the companies included in the wine activities in Sweden and Finland, and Det Danske Spiritus Kompagni A/S. At the end of 2017, this Group cash pool system was managed by the parent company, Arcus ASA.

The joint overdraft limit in the Group cash pool system is TNOK 600,000. The total drawing on the Group cash pool system as at 31 December 2017 amounts to TNOK 72,700, while at the end of 2016 the Group had deposit of TNOK 100,731. The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement in Sweden, with a maximum credit facility of TSEK 4,000 (TNOK 3,997); and in Finland with a maximum credit facility of TEUR 100 (TNOK 985) at the end of 2017. There was no drawing on these entitlements at the end of 2017.

The Group's exposure to interest rate risk is stated in Note 2.

Summary of bank guarantees as at 31 December:

Figures in NOK 1,000	2017	2016
Bank guarantees for tax deduction funds	30,549	37,732
Bank guarantees for customs and duty credit facilities	22,246	13,899
Other bank guarantees	369	0
Total bank guarantees	**53,164**	**51,631**

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.15		1,000,000	1.00	1,000
20.10.16	Split 1:50	50,000,000	0.02	1,000
01.12.16	Share issue	68,023,255	0.02	1,360
31.12.17		68,023,255	0.02	1,360

20 largest shareholders as at 31.12.2017:

		Number of shares	Ownership and voting rights
Canica AS		22,670,000	33.3%
Geveran Trading Co Ltd		6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)		3,577,915	5.3%
Hoff SA		3,297,000	4.8%
Sundt AS		3,234,957	4.8%
Folketrygdfondet		1,800,000	2.6%
Danske Invest Norske Instit. II.		1,725,100	2.5%
KLP Aksjenorge		1,266,494	1.9%
Verdipapirfondet DNB Norden (III)		1,222,178	1.8%
Centra Invest AS		1,169,846	1.7%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Comp		1,000,000	1.5%
Verdipapirfondet DNB Norge Selektiv		936,616	1.4%
Goldman Sachs International	NOM	900,000	1.3%
Skandinaviska Enskilda Banken AB (A/C SEB AIF - Swedish Residents)	NOM	862,000	1.3%
Danske Invest Norske Aksjer Inst		855,400	1.3%
Landkreditt dividend		850,000	1.2%
Kommunal Landspensjonskasse		809,707	1.2%
Skandinaviska Enskilda Banken AB (A/C clients account)	NOM	795,113	1.2%
Citibank Europe Plc	NOM	794,127	1.2%
Other shareholders		12,506,802	18.4%
Total		**68,023,255**	**100.0%**

Shareholdings of the Group Management as at 31.12.2017:

	Number of shares	Ownership and voting rights
Kenneth Hamnes[1]	126,499	0.2%
Sigmund Toth	19,767	0.0%
Erik Bern	20,233	0.0%
Bjørn Delbæk[2]	22,705	0.0%
Per Bjørkum	16,511	0.0%
Erlend Stefansson	54,124	0.1%
Thomas Patay	110,156	0.2%
Christian Granlund	2,822	0.0%
Claes Lindquist	46,726	0.1%
Total shareholdings of the Group Management	**419,543**	**0.6%**

1. The shareholding is held via Ekelyveien AS
2. Of the holdings, 5,000 shares are held via Oso Consulting AS

Dividend and Group contributions

The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2017 (2016 NOK 1.47 per share).

Earnings per share

Earnings per share is calculated on the basis of the profit for the year attributable to the shareholders in the parent company divided by a weighted average of the number of outstanding ordinary shares for the year, reduced for ordinary shares bought by the company and held as own shares.

The Arcus Group has an sharebased incentive schemes for senior executives under which externally owned shares can be diluted by issuing matching shares. To take account of this future increase in the number of shares, diluted earnings per share are also calculated, which takes account of a weighted average for the year of the estimated number of matching shares and options.

Earnings per share:	2017	2016
Profit for the year	188,227	-24,089
Profit for the year attributable to non-controlling interests	6,944	10,480
Profit for the year to the owners of the parent company	**181,283**	**-34,569**
Comprehensive income	264,803	-64,290
Comprehensive income attributable to non-controlling interests	8,127	7,703
Comprehensive income to the owners of the parent company	**256,681**	**-71,993**
Weighted average of the number of outstanding shares	68,023,255	51,501,938
Dilution effect from option scheme	893,730	0
Dilution effects from matching shares	368,274	31,730
Weighted average of the number of outstanding shares – diluted	**69,285,259**	**51,533,668**
Earnings per share in NOK	2.66	-0.67
Diluted earnings per share in NOK	2.62	-0.67
Comprehensive income per share in NOK	3.77	-1.40
Diluted comprehensive income per share in NOK	3.70	-1.40

NOTE 21 DEBT TO FINANCIAL INSTITUTIONS

Figures in NOK 1,000	Type of financing	Currency	Interest rate profile	Loan amount in foreign currency 31.12.2016	Loan amount in NOK 31.12.2017	Loan amount in NOK 31.12.2016
SEB	Mortgage loan	SEK	Variable	750,000	749,400	711,300
SEB	Overdraft facility	NOK	Variable	72,700	72,700	0
Nordea	Financial leasing	NOK	Variable	183,766	183,766	199,485
Total debt to financial institutions					**1,005,866**	**910,785**
Capitalised front-end fees					-6,577	-8,032
Book value of debt to financial institutions					**999,289**	**902,753**

Term structure	Type of financing	Currency	Maturity 2018	Maturity 2019	Maturity 2020	Maturity 2021 or later	Total
SEB	Mortgage loan	SEK	0	0	0	749,400	749,400
SEB	Overdraft facility	NOK	72,700	0	0	0	72,700
Nordea **	Financial leasing	NOK	17,371	17,804	101,796	46,795	183,766
Total debt to financial institutions*			**90,071**	**17,804**	**101,796**	**796,195**	**1,005,866**

Reconciliation of interest-bearing debt on 31.12.2017

		Cash flow 2017		Without cash flow 2017				
Figures in NOK 1,000	Book value 31.12.2016	Raised	Repayment	Amortisation front-end fee	Reclassification	Acquisition/sale of companies	Translation differences	Book value 31.12.2017
Non-current debt								
Mortgage loan	703,268	0	0	1,652	0	0	37,903	**742,823**
Financial leasing	182,987	0	0	0	-16,592	0	0	**166,395**
Total non-current interest-bearing debt	**886,255**	**0**	**0**	**1,652**	**-16,592**	**0**	**37,903**	**909,218**
Current debt								
Mortgage loan	0	0	0	0	0	0	0	**0**
Financial leasing	16,498	0	-15,719	0	16,592	0	0	**17,371**
Overdraft facility	0	72,700	0	0	0	0	0	**72,700**
Total current interest-bearing debt	**16,498**	**72,700**	**-15,719**	**0**	**16,592**	**0**	**0**	**90,071**
Total interest-bearing debt	**902,753**	**72,700**	**-15,719**	**1,652**	**0**	**0**	**37,903**	**999,289**

Reconciliation of interest-bearing debt, 31.12.2016

		Cash flow 2016		Without cash flow 2016				
Figures in NOK 1,000	Book value 31.12.2015	Raised	Repayment	Amortisation of front-end fee	Reclassification	Acquisition/sale of companies	Translation differences	Book value 31.12.2016
Non-current debt								
Mortgage loan	833,305	802,632	-908,130	20,636	0	0	-45,175	**703,268**
Financial leasing	200,181	0	0	0	-17,194	0	0	**182,987**
Total non-current interest-bearing debt	**1,033,486**	**802,632**	**-908,130**	**20,636**	**-17,194**	**0**	**-45,175**	**886,255**
Current debt								
Mortgage loan	156,849	0	-156,849	0	0	0	0	**0**
Financial leasing	15,373	0	-16,069	0	17,194	0	0	**16,498**
Overdraft facility	0	0	0	0	0	0	0	**0**
Total current interest-bearing debt	**172,222**	**0**	**-172,918**	**0**	**17,194**	**0**	**0**	**16,498**
Total interest-bearing debt	**1,205,708**	**802,632**	**-1,081,048**	**20,636**	**0**	**0**	**-45,175**	**902,753**

In connection with the IPO in 2016, the Group refinanced its non-current loans in SEB. In this connection the entire original mortgage loan, denominated in NOK and SEK, was redeemed, while the entire new loan was denominated in SEK.

The non-current mortgage loan is legally placed in the subsidiary VinGruppen Sweden Holding AB in Stockholm, and falls due in its entirety at the end of 2021.

After the refinancing in 2016, the Group has not hedged interest rates. The previous interest hedging agreement entailed a positive value change of TNOK 4,552 in 2016, but led to a non-recurring payment of TNOK -12,873 on settlement in December 2016.

On the establishment of the new loan, a front-end fee was paid, which is capitalised in the statement of financial position and written off over the duration of the loan. The remaining book value of the front-end fee related to the previous mortgage loan was written down in 2016, and this is classified under other financial costs.

* Maturity in 2018 is presented as current liabilities in the statement of financial position.
**See Note 16 concerning leasing agreements for information on the term structure of annual leasing amounts.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

NOTE 22 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At the beginning of 2017, the Group had booked earmarked liabilities, measured at fair value through profit or loss. These obligations related to two conditions:

1) Options for the purchase of non-controlling interests
Estimated liability to buy out minority shareholders (49 per cent) in the subsidiary Excellars AS, based on the management's best estimate at the expected due date. 41.1 per cent of these minority shares were acquired and paid for in February 2016, while the rest were settled in Q1 2017.

2) Issue of synthetic shares and options in a share programme for selected executives in the Group (co-investment programme).

Options for the purchase of non-controlling interests:
The liabilities related to options for the purchase of non-controlling interests were estimated on the basis of the pricing mechanisms applied to the purchase agreement and the shareholder agreements, discounted to the close of the financial year. The most important parameters in the pricing mechanisms were the development of the share values, measured as EBIT (operating profit) up until the estimated due date, multiplied by a multiple according to the Group's value development. As a basis for EBIT, the Group's budgets and long-term plans up until the expected due date are used. The discount rate used was NIBOR with duration matched to the expected due date.

During 2017 there were no significant value changes related to this minority option, and the last part of the option was settled in Q1 2017. After the redemption of the last part of the option, the Group has a 100 per cent ownership interest in the subsidiary Excellars AS.

Co-investment programme for managerial employees
With regard to the liabilities related to issued synthetic shares and options, these are associated with a share and option programme for senior executives and Board members of the Arcus Group prior to the IPO in 2016. All of the synthetic shares and options were redeemed at the IPO in December 2016, and the remaining obligation at the beginning of 2017 concerned the valuation of uncertainty related to the taxation treatment of settlement. This uncertainty was clarified in 2017 and the obligation was recognised as income.

Reconciliation of earmarked liabilities, measured at fair value via profit or loss:

Figures in 1,000 (stated currency)	Minority share options	Share programme	Liability at fair value through profit or loss
Book value of liability 31.12.2015	**67,837**	**51,162**	**118,999**
Fair value on initial recognition 2016	0	1,000	1,000
Paid during the period 2016	-85,959	-158,317	-244,276
Changes in value during the period 2016	28,180	119,976	148,156
Interest during the period 2016	256	0	256
Book value of liability 31.12.2016	**10,314**	**13,821**	**24,135**
Paid during the period 2017	-10,483	0	-10,483
Changes in value during the period 2017	148	-13,821	-13,673
Interest during the period 2017	21	0	21
Book value of liability 31.12.2017	**0**	**0**	**0**

NOTE 23 OTHER PROVISIONS FOR LIABILITIES

Severance pay (long-term)
Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other non-current provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at a discount rate which depends on the length of the obligation. As at 31.12.2017, the provision was associated with four remaining individuals.

Severance pay (short-term)
It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31.12.2017, the liability associated with this was recognised at NOK 2.2 million.

All of the current liabilities are recognised in the statement of financial position under other current liabilities.

Non-current liabilities

2017 *Figures in NOK 1000*	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation difference 2017	Book value as at 31.12.2017
Severance pay	627	-307	0	0	320
Non-current provisions	**627**	**-307**	**0**	**0**	**320**

2016 *Figures in NOK 1000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Translation difference 2016	Book value as at 31.12.2016
Severance pay	1,140	-513	0	0	627
Non-current provisions	**1,140**	**-513**	**0**	**0**	**627**

Current liabilities

2017 *Figures in NOK 1000*	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation Difference 2017	Book value as at 31.12.2017
Severance pay	2,276	-1,900	1,762	20	2,158
Other provisions	10,000	0	0	0	10,000
Other current liabilities	**12,276**	**-1,900**	**1,762**	**20**	**12,158**

2016 *Figures in NOK 1000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Translation Difference 2016	Book value as at 31.12.2016
Severance pay	7,080	-5,434	630	0	2,276
Other provisions	10,000	0	0	0	10,000
Other current liabilities	**17,080**	**-5,434**	**630**	**0**	**12,276**

NOTE 24 CURRENT LIABILITIES

Figures in NOK 1000	2017	2016
Unpaid public duties		
Special duties, alcohol	569,034	549,231
Value added tax	339,151	304,407
Other public duties	19,820	58,672
Total unpaid public duties*	**928,005**	**912,310**

Figures in NOK 1000	2017	2016
Other current liabilities		
Current non-interest-bearing debt*	25,329	19,088
Fair value, foreign exchange forward contracts	0	844
Provision for social security costs related to share-based remuneration	1,642	125
Provision for liabilities*, see Note 23	12,158	12,276
Other accrued costs*	158,615	165,001
Total other current liabilities	**197,744**	**197,334**

All current liabilities fall due within 12 months.

* Items included in changes in working capital in Note 3.

NOTE 25 PLEDGES AND GUARANTEES

Non-current credit financing in SEB

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland, and Det Danske Spiritus Kompagni A/S in Denmark. At the end of 2017, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which is linked to the outstanding drawing on this scheme at any time.

No collateral is pledged for the Group's non-current credit financing in SEB. For further information about the non-current credit financing, see Note 21.

Surety guarantee related to financial leasing

One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2017, the surety guarantee amounted to TNOK 194,890 for the Group's own leased operating equipment. See also Note 16 concerning leasing agreements.

NOTE 26 BUSINESS MERGERS

Acquisition of the remaining 50 per cent of Det Danske Spiritus Kompagni A/S

In January 2017, the Arcus Group reached agreement with Flemming Karberg Familieholding ApS on the acquisition of the remaining 50 per cent ownership interest in Det Danske Spiritus Kompagni A/S (DDSK). Up to and including 31.12.2016, DDSK was owned on a 50/50 basis by the Arcus Group and Flemming Karberg Familieholding ApS, and was treated as a Joint Venture in the Arcus Group, see also Note 13. This is a strategic acquisition to gain control of the entire value chain related to the company's activities in Denmark. The acquisition was implemented as from 1.1.2017 and means that in accounting terms, DDSK will be fully consolidated in the Group as from the same date.

A final acquisition analysis is presented below, based on the company's statement of financial position as of the acquisition date.

Figures in NOK 1,000	Recognised value of acquired business	Observable excess values	Fair value of acquired business
Tangible assets	21	0	21
Receivables	44,883	0	44,883
Bank deposits	23,933	0	23,933
Unpaid public duties	-12,318	0	-12,318
Other current liabilities	-39,915	0	-39,915
Tax payable	-715	0	-715
Fair value, observable net assets			**15,887**
Acquisition value			31,535
Goodwill			**15,647**

The acquisition of the remaining shares in DDSK was mainly based on the same share price as for the existing shares, so that the acquisition did not entail any revaluation gains. The company is not assessed to have any excess value other than goodwill. On acquisition, goodwill is the part of the net excess value that is not identifiable. Estimated goodwill is capitalised in the consolidated statement of financial position based on the expectation that synergies with the Group's existing operations will provide opportunities for increased earnings in the future. The acquisition analysis is final.

Net cash outflow related to the acquisition:

Figures in NOK 1000	**2017**
- Cash payment on acquisition	-22,753
+ Cash and cash equivalents in the acquired business	23,933
Net cash outflow on acquisition	**1,180**

The effect of acquired activities on the profit for the year:

Figures in NOK 1,000	**2017**
Sales revenue	147,418
Total operating revenues	**147,418**
Cost of sales	-119,853
Payroll costs	-9,810
Share of operating expenses	-10,063
Total operating expenses	**-139,726**
Operating profit	**7,692**

Acquisition of BevCo AS
In September 2017, the Group acquired all of the shares in BevCo AS. Among other things, the company holds the distribution rights for Dooley's Toffee in Norway, and the acquisition was thus part of the Group's strategy to make small and selective acquisitions in order to strengthen its position in the Nordic region. The acquisition was implemented as from 1.9.2017 and the company has been fully consolidated in the Group as from the same date.

A final acquisition analysis is presented below, based on the company's statement of financial position as of the acquisition date.

Figures in NOK 1,000	**Recognised value of acquired business**	**Observable excess values**	**Fair value of acquired business**
Brands	0	3,900	3,900
Inventories	201	0	201
Receivables	120	0	120
Bank deposits	1,008	0	1,008
Unpaid public duties	-93	0	-93
Other current liabilities	-274	0	-274
Deferred tax liability	0	-858	-858
Fair value, observable net assets			**4,004**
Acquisition value			4,940
Goodwill			**936**

Net cash outflow related to the acquisition:

Figures in NOK 1000	**2017**
- Cash payment on acquisition	-4,940
+ Cash and cash equivalents in the acquired business	1,008
Net cash outflow on acquisition	**-3,932**

NOTE 27 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Other
No significant events occurred between the close of the financial year and the date on which Arcus's consolidated financial statements and parent company financial statements were approved for publication. This applies to events that would have provided knowledge of factors present at the close of the financial year, or events concerning matters that have arisen since the close of the financial year. The consolidated financial statements were approved for publication by resolution of the Board of Directors on 15 March 2018.

Alternative performance measurements

In the discussion of the reported operational results, statement of financial position and cash flows, the Group refers to a number of parameters for Alternative performance measurements. These are not defined in the general accounting policies, as for IFRS.

The Group Management of the Arcus Group frequently uses these parameters for Alternative performance measurements and believes that, in combination with comparable parameters defined in ordinary accounting policies, these are of great benefit to investors wishing to understand the Group's business, ability to fulfil its commitments, and ability to monitor the development of new business opportunities. These alternative measurements of results should not be seen in isolation, but, as the name indicates, are an alternative to more well-known result measurement parameters as defined in international accounting standards.

Below, the Group's parameters for Alternative performance measurements are defined.

Gross profit
The Arcus Group defines gross profit as total operating revenue less cost of sales.

Figures in NOK 1000	2017	2016
Group		
Sales revenues	2,530,126	2,521,826
Other operating revenues	44,934	60,571
Total operating revenue	2,575,060	2,582,397
Cost of sales	-1,408,524	-1,467,920
Gross profit	**1,166,536**	**1,114,477**

Figures in NOK 1000	2017	2016
Spirits		
Sales revenues	763,421	751,107
Other operating revenues	149,862	152,776
Total operating revenue	913,283	903,883
Cost of sales	-404,928	-427,031
Gross profit	**508,355**	**476,851**

Figures in NOK 1000	2017	2016
Wine		
Sales revenues	1,522,689	1,538,676
Other operating revenues	18,190	13,697
Total operating revenue	1,540,879	1,552,373
Cost of sales	-1,154,411	-1,165,620
Gross profit	**386,469**	**386,753**

Figures in NOK 1000	2017	2016
Distribution		
Sales revenues	251,332	232,043
Other operating revenues	33,071	30,881
Total operating revenue	284,403	262,924
Cost of sales	0	0
Gross profit	**284,403**	**262,924**

Other income and expenses

To improve the information value of the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. Other income and expenses are presented in Note 7.

Below, the income statement is presented up to and including EBIT, with and without adjustment for other income and expenses:

Figures in NOK 1000	2017 Adjusted	2017 Non-adjusted	2016 Adjusted	2016 Non-adjusted
Sales revenues	2,530,126	2,530,126	2,521,826	2,521,826
Other operating revenues	44,934	44,934	60,571	60,571
Total operating revenues	**2,575,060**	**2,575,060**	**2,582,397**	**2,582,397**
Net profit on sale of fixed assets	30	30	144	1,051
Cost of sales	-1,408,524	-1,408,524	-1,467,920	-1,467,920
Salaries and other personnel costs	-417,412	-422,334	-392,545	-399,505
Other operating expenses	-391,699	-399,944	-392,516	-431,337
Share of profit from associated companies and jointly controlled entities	3,286	3,286	5,789	5,789
EBITDA	**360,741**	**347,574**	**335,349**	**290,475**
Depreciation and amortisation	-51,581	-51,581	-51,625	-51,625
Write-downs	0	-22,700	0	0
Operating profit (EBIT)	**309,160**	**273,293**	**283,724**	**238,850**
Other income and expenses	-13,167	0	-44,874	0
Write-downs	-22,700	0	0	0
Reported operating profit	**273,293**	**273,293**	**238,850**	**238,850**

EBITDA and adjusted EBITDA

EBITDA is defined as operating profit before depreciation, write-downs and amortisation.
Adjusted EBITDA is defined as operating profit before depreciation, write-downs, amortisation and other income and expenses.
EBITDA margin = EBITDA/Total operating revenue
Adjusted EBITDA margin = adjusted EBITDA/Total operating revenue

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1000	2017	2016
Group		
Operating profit	273,293	238,850
Depreciation, write-downs and amortisation	74,281	51,625
EBITDA	347,574	290,475
Other income and expenses	13,167	44,874
Adjusted EBITDA	**360,741**	**335,349**

Figures in NOK 1000	2017	2016
Spirits		
Operating profit	151,494	134,765
Depreciation, write-downs and amortisation	24,117	23,906
EBITDA	175,611	158,671
Other income and expenses	7,142	3,916
Adjusted EBITDA	**182,753**	**162,587**

Figures in NOK 1000	2017	2016
Wine		
Operating profit	184,709	193,148
Depreciation, write-downs and amortisation	1,794	1,014
EBITDA	186,502	194,162
Other income and expenses	5,166	0
Adjusted EBITDA	**191,668**	**194,162**

Figures in NOK 1000	2017	2016
Distribution		
Operating profit	660	-11,435
Depreciation, write-downs and amortisation	12,825	13,632
EBITDA	13,485	2,197
Other income and expenses	647	399
Adjusted EBITDA	**14,132**	**2,596**

Figures in NOK 1000	2017	2016
Other		
Operating profit	-35,690	-72,917
Depreciation, write-downs and amortisation	7,666	8,363
EBITDA	-28,024	-64,554
Other income and expenses	212	40,559
Adjusted EBITDA	**-27,812**	**-23,995**

OTHER DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASUREMENTS, SHOWN IN KEY FIGURES

Equity ratio

Equity ratio = equity/total equity and debt

Net interest-bearing debt

Net interest-bearing debt = Debt to financial institutions + book value of capitalised front-end fee + fair value, interest rate swap - bank deposits and other cash and cash equivalents.

Figures in NOK 1000	2017	2016
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	909,218	886,255
Short-term interest-bearing debt to credit institutions	90,071	16,498
Book value of capitalised front-end fee	6,577	8,032
Bank deposits and other cash and cash equivalents	-184,415	-199,385
Net interest-bearing debt	**821,451**	**711,400**

Organic growth

Organic growth in income is the Group or segment's total operating revenue, adjusted for translation effects and structural changes.

Figures in NOK 1000	2017	2016
Group		
Sales revenues	2,530,126	2,521,826
Other operating revenues	44,934	60,571
Total operating revenue	2,575,060	2,582,397
Currency effects[1]	0	-13,682
Structural changes[2]	-46,060	-6,940
Calculation basis, organic growth	**2,529,000**	**2,561,775**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.
2 The structural changes in 2017 primarily comprise adjustment for revenue from the acquisition of the Dworek and Vanlig brands, and the acquisition of the DDSK and BevCo activities. The adjustment in 2016 is related to the effect on income of the discontinuation of the deposit scheme in Denmark.

Figures in NOK 1000	2017	2016
Spirits		
Sales revenues	763,421	751,107
Other operating revenues	149,862	152,776
Total operating revenue	913,283	903,883
Currency effects[1]	0	-485
Structural changes[2]	-46,060	-6,940
Calculation basis, organic growth	**867,223**	**896,458**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.
2 The structural changes in 2017 primarily comprise adjustment for revenue from the acquisition of the Dworek and Vanlig brands, and the acquisition of the DDSK and BevCo business. The adjustment in 2016 is related to the effect on revenue from the discontinuation of the deposit scheme for re-used bottles in Denmark.

Figures in NOK 1000	2017	2016
Wine		
Sales revenues	1,522,689	1,538,676
Other operating revenues	18,190	13,697
Total operating revenue	1,540,879	1,552,373
Currency effects[1]	0	-12,988
Structural changes	0	0
Calculation basis, organic growth	**1,540,879**	**1,539,385**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.

Figures in NOK 1000	**2017**	**2016**
Distribution		
Sales revenues	251,332	232,043
Other operating revenues	33,071	30,881
Total operating revenue	284,403	262,924
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	**284,403**	**262,924**

PARENT COMPANY ACCOUNTS

Statement of income 01.01. - 31.12.

Figures in NOK 1,000	Note	2017	2016
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	10,244	6,285
Other operating expenses		4,540	37,909
Total operating expenses		**14,784**	**44,194**
Operating profit		**-14,784**	**-44,194**
FINANCIAL INCOME AND EXPENSES	9		
Income from investment in subsidiary		65,312	0
Interest income from Group companies		0	707
Other interest income		3,755	3,982
Other financial income		15,836	7,698
Interest costs to Group companies		0	-2,795
Other interest costs		-10,107	-42,660
Other financial costs		-11,882	-155,372
Net financial profit/loss		**62,914**	**-188,440**
PROFIT BEFORE TAX		**48,130**	**-232,634**
Tax	2	17,111	-32,965
RESULT FOR THE YEAR		**31,019**	**-199,669**
Transferred from/to other equity		31,019	-199,669
Total transfers		**31,019**	**-199,669**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	124,137	141,248
Total intangible assets		**124,137**	**141,248**
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Total financial assets		**1,438,317**	**1,438,317**
Total fixed assets		**1,562,454**	**1,579,565**
Current assets			
Receivables			
Trade receivables from Group companies	9	22	0
Group contributions from Group companies	9	65,312	0
Current receivables from Group companies	9	8,326	0
Other receivables		274	445
Total receivables		**73,934**	**445**
Cash and cash equivalents	10	0	100,731
Total current assets		**73,934**	**101,176**
TOTAL ASSETS		**1,636,388**	**1,680,741**

Figures in NOK 1,000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4,5	1,360	1,360
Share premium	5	719,280	770,744
Total paid-in equity		**720,640**	**772,104**
Retained earnings			
Other equity	5	0	22,664
Total retained earnings		**0**	**22,664**
Total equity		**720,640**	**794,768**
Liabilities			
Provisions			
Pension obligations	6	757	0
Other provisions	7	0	13,821
Total provisions		**757**	**13,821**
Other non-current liabilities			
Debt to financial institutions	8	-3,055	-3,835
Total other non-current liabilities		**-3,055**	**-3,835**
Current liabilities			
Debt to financial institutions	8	72,700	0
Trade payables		106	19,498
Trade payables to Group companies	9	3	19,559
Other current liabilities		6,423	46,571
Other current liabilities payable to Group companies	9	0	1,350
Allocated dividend	5	112,920	99,994
Intragroup balance in Group cash pool system	9,10	725,894	689,015
Total current liabilities		**918,046**	**875,987**
Total liabilities		**915,748**	**885,973**
TOTAL EQUITY AND LIABILITIES		**1,636,388**	**1,680,741**

Gjelleråsen, 15 March 2018

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Kjell Arne Greni

Ingrid E. Skistad

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. - 31.12.

Figures in NOK 1,000	**2017**	**2016**
CASH FLOWS FROM OPERATIONS		
Pre-tax profit	48,130	-232,634
Pension costs without cash effect	284	0
Costs related to share-based remuneration without cash effect	7,898	606
Value changes without cash effect	-13,821	120,065
Financial expenses without cash effect	780	20,563
Change in trade receivables	-22	0
Change in trade payables	-38,948	38,627
Change in other current assets and other liabilities	-114,965	47,115
Net cash flows from operational activities	**-110,664**	**-5,658**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Paid-out on the settlement of synthetic shares and options	0	-154,701
Net cash flow from investment activities	**0**	**-154,701**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans to subsidiaries	0	65,000
Pension obligation taken over from subsidiary	348	0
Share issue	0	768,883
Proceeds from debt to financial institutions	72,700	100,000
Repayment of debt to financial institutions	0	-629,159
Capitalised front-end fees	0	-4,400
Change in intragroup balance in Group cash pool system	36,879	-66,994
Payments of dividends/Group contributions	-99,994	0
Net cash flow from financing activities	**9,933**	**233,330**
Net change in cash and cash equivalents	**-100,731**	**72,971**
Holdings of cash and cash equivalents as at 01.01.	100,731	27,760
Holdings of cash and cash equivalents as at 31.12.	**0**	**100,731**

Accounting policies

The annual accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting policies.

The company was founded on 5 November 2004, and listed on the Oslo Stock Exchange on 1 December 2016.

The purpose of the company is to operate the import, export, production, storage and distribution of alcoholic beverages and other goods, and other activities related to this business, as well as the ownership of participations in other companies that conduct such business.

CONSOLIDATED FINANCIAL STATEMENTS

Arcus ASA owns 100 per cent of the shares in Arcus-Gruppen AS and Vectura AS.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for continuing ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due for payment within one year are classified as current assets. The classification of current and non-current liabilities is based on similar criteria.

Fixed assets are valued at acquisition cost, but written down to fair value if the impairment is not expected to be temporary. Fixed assets with a limited economic life are depreciated according to a reasonable depreciation plan.

Current assets are valued at the lower of cost or fair value. Current and non-current liabilities are capitalised at the nominal amounts received at the time of establishment. Borrowing costs are capitalised together with the loan and amortised over the term of the loan. The first year's instalment is reclassified as a current liability.

Certain items are valued according to different principles, as explained below.

SHARES IN SUBSIDIARIES

Shares in subsidiaries are valued using the cost method. The transaction costs are added to the purchase price of shares in subsidiaries. Shares are written down to fair value if this is lower than the recognised value.

Group contributions are recognised in the statement of income in the same year as they are allocated in the subsidiary. If dividends/other distributions exceed the share of retained profit after the acquisition, the surplus represents repayment of invested capital and the distributions are deducted from the value of the investment in the statement of financial position.

RECEIVABLES

Trade receivables and other receivables are stated at nominal value after deduction of provisions for expected losses. Provisions for losses are made on the basis of an individual assessment of each receivable.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash, bank deposits and other means of payment with a due date less than three months from the acquisition date.

BORROWING

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Transaction costs (front-end fees) are capitalised in the statement of financial position and depreciated over the term of the loan.

Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year.

PENSIONS

Pension costs comprise the change in pension obligations based on actuarial assumptions and costs related to defined-contribution pension schemes. For pension obligations based on actuarial assumptions the costs concern the pension earned during the period, based on assumptions concerning future wage growth and interest costs on the calculated obligation. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations), are recognised against equity.

TAXES

Tax expenses are matched with profit/loss before tax. Tax costs comprise tax payable (tax on the year's directly taxable income) and changes in net deferred tax. Tax costs are allocated to ordinary profit/loss and profit/loss from extraordinary items in accordance with the taxation basis. Deferred tax and deferred tax assets are presented net in the statement of financial position.

Tax assets are only capitalised if it can be shown to be probable that they can be utilised via future taxable income.

STATEMENT OF CASH FLOWS

The indirect method is used in the preparation of the statement of cash flows. Cash and cash equivalents in the statement of financial position are defined as holdings of cash and cash equivalents in the statement of cash flows.

All figures in the financial statements are presented in NOK 1,000 unless otherwise indicated.

Notes

NOTE 1 PAYROLL COSTS

	2017	2016
Salaries including holiday pay	7,408	4,930
Social security costs	1,097	410
Pension costs including social security costs	464	0
Other personnel costs	1,275	945
Total salaries and other personnel costs	**10,244**	**6,285**
Average number of employees	2	0

	2017		2016	
Benefits to executive personnel	Group CEO	Board of Directors	Group CEO	Board of Directors
Salary	3,031	2,444	2,444	1,527
Bonus earned for the current year	324	0	1,100	0
Pension costs	386	0	308	0
Other remuneration	227	0	220	0

The company had two employees during the year. The company had no employees in 2016, but remuneration was paid to the Board of Directors. In addition, bonuses have been re-invoiced and provisions have been made for bonus payments related to the work on the IPO process in 2016.

The declared remuneration to the Group CEO for 2016 was earned, recognised and paid from the subsidiary Arcus-Gruppen AS. As from 2017, the Group CEO has been employed by and received his salary from Arcus ASA.

The Group CEO also has an ordinary bonus agreement which, on specific terms, will release payment of up to five monthly salaries. He is also included in a temporary share programme (matching shares) which was established in conjunction with the IPO in 2016, and a newly-established option programme that was adopted by the Annual General Meeting in May 2017. His holdings in these incentive schemes are specified in the Group's Note 9.

The Group CEO and other members of the Group Management have an ordinary occupational pension with Storebrand, which entails 5 per cent pension contributions for salaries of 0 to 7.1G and 11 per cent for salaries from 7.1 to 12G. He also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. These pension earnings are capitalised annually in the company's statement of financial position, where the return is based on the return from the Storebrand Balansert pension fund.

If the CEO gives notice of termination, he is subject to six months' notice of termination. If notice of termination is given by the Group, the Group CEO will be entitled to 12 months' severance pay, and during this period will not be able to take employment in competing companies.

No loans or surety are provided for the Group CEO or members of the Board of Directors.

The Group CEO's holdings of ordinary shares in Arcus ASA are stated in Note 20 for the Group.

Share-based incentive schemes

Matching shares:

In conjunction with the stock-exchange listing of the parent company, Arcus ASA, in 2016 some key persons were offered matching shares, whereby they are entitled to receive one matching share for each share purchased under the IPO. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for the fourth quarter of 2018, if the person in question is still employed at this time.

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed two times the value on the allocation date.

In Arcus ASA, two persons received this offer, including the Group CEO. Together they are entitled to allocation of 61,867 shares in Arcus ASA if the employment criterion is fulfilled on the allocation date (of which 42,100 shares for the Group CEO).

The programme entailed costs of TNOK 1,476 in 2017.

Options:

At the annual general meeting of Arcus ASA in May 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options. Two persons at Arcus ASA are included in this programme, including the Group CEO.

The options' vesting period will be three years from the allocation date, whereby the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

The programme entailed costs of TNOK 441 in 2017. Below is a specification of outstanding options at the end of the year:

Number of options	2017	2016
Outstanding options at the beginning of the year	0	0
Allocated options during the year	290,199	0
Outstanding options at the end of the year*	**290,199**	**0**

* Of which 199,426 outstanding options to the Group CEO.

Auditors' fees	2017	2016
Statutory audit	328	326
Other financial auditing	88	0
Other certification services	0	707
Total auditors' fees	**416**	**1,033**

The amounts are stated in TNOK and exclude VAT.

Other services than auditing in 2016 are solely related to fees in conjunction with the IPO process.

NOTE 2 TAX

Tax for the year is calculated as follows:	2017	2016
Change in deferred tax	17,111	-34,392
Tax effect of costs related to the IPO, carried to equity	0	1,427
Tax	**17,111**	**-32,965**
Reconciliation from nominal to actual tax rates:		
Profit before tax	48,130	-232,634
Expected income tax at a nominal tax rate of 24 per cent (25 per cent in 2016)	11,551	-58,159
Tax effect of the following items:		
Non-deductible costs	276	17,882
Change due to a change in tax rate	5,397	5,885
Tax on costs booked directly to equity	-113	1,427
Tax	**17,111**	**-32,965**
Effective tax rate	35.6%	14.2%

Specification of temporary differences and deficit carried forward:

	2017		2016	
	Asset	Liability	Asset	Liability
Non-current debt	0	3,055	0	3,835
Pension obligations	757	0	0	0
Other liabilities	1,271	0	16,312	0
Deficit carried forward	540,754	0	576,057	0
Total	**542,782**	**3,055**	**592,369**	**3,835**
Basis for deferred tax asset/liability	539,727		588,534	
Net deferred tax asset in the statement of financial position*	**124,137**		**141,248**	

At the end of the year, the company had NOK 124.4 million in capitalised deferred tax assets associated with the deficit to be carried forward. Based on the Group's strategic plans and current long-term plans for companies in the tax group, the Board of Directors and executive management expect that the deferred tax assets can be utilised.

At the end of 2017, deferred tax was calculated at 23 per cent as a result of government tax changes as from 2018. At the end of 2016, deferred tax was calculated at 24 per cent.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

Company	Date of acquisition	Business office	Voting and ownership	Currency	Nominal share capital
Arcus-Gruppen AS	10.10.05	Nittedal	100%	NOK	276,000
Vectura AS	30.09.13	Nittedal	100%	NOK	14,000

Company	Cost price (NOK)	Book value as at 31.12	Equity according to last annual financial statements (NOK)	Profit for the year 2017 (NOK)
Arcus-Gruppen AS	1,886,607	1,362,217	1,958,409	114,747
Vectura AS	76,100	76,100	21,708	-2,433
Total subsidiaries	**1,962,707**	**1,438,317**	**1,980,117**	**112,314**

NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.16	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.17		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2017:		Number of shares	Ownership and voting rights
Canica AS		22,670,000	33.3%
Geveran Trading Co Ltd		6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)		3,577,915	5.3%
Hoff SA		3,297,000	4.8%
Sundt AS		3,234,957	4.8%
Folketrygdfondet		1,800,000	2.6%
Danske Invest Norske Instit. II.		1,725,100	2.5%
KLP Aksjenorge		1,266,494	1.9%
Verdipapirfondet DNB Norden (III)		1,222,178	1.8%
Centra Invest AS		1,169,846	1.7%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Comp		1,000,000	1.5%
Verdipapirfondet DNB Norge Selektiv		936,616	1.4%
Goldman Sachs International	NOM	900,000	1.3%
Skandinaviska Enskilda Banken AB (A/C SEB AIF - Swedish Residents)	NOM	862,000	1.3%
Danske Invest Norske Aksjer Inst		855,400	1.3%
Landkreditt dividend		850,000	1.2%
Kommunal Landspensjonskasse		809,707	1.2%
Skandinavniska Enskilda Banken AB (A/C clients account)	NOM	795,113	1.2%
Citibank Europe Plc	NOM	794,127	1.2%
Other shareholders		12,506,802	18.4%
Total		**68,023,255**	**100.0%**

Dividend
The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2017 (2016 NOK 1.47 per share).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	1,360	770,744	22,664	794,768
Profit for the year	0	0	31,019	31,019
Share-based payment	0	0	7,898	7,898
Estimate deviations, pensions	0	0	-125	-125
Allocated dividend	0	-51,464	-61,456	-112,920
Equity as at 31.12	**1,360**	**719,280**	**0**	**720,640**

NOTE 6 PENSION OBLIGATIONS AND COSTS

The company is obliged to have an occupational pension scheme under the Norwegian Mandatory Occupational Pensions Act, and has a pension scheme which fulfils the requirements of the Act.

Defined-contribution pension
The Arcus Group's ordinary pension plan for all other employees is a defined-contribution pension plan with Storebrand. The contribution rate is 5 per cent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 per cent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 per cent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

The costs associated with the defined-contribution pension plan are related to the current premium invoices from the insurance company with which the Arcus Group has signed a defined-contribution pension agreement. The current defined-contribution pensions and disability pensions for employees in the defined-contribution plan are adjusted annually on the basis of the pension fund's surplus.

Employees in the defined-contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 0.1 million at the end of 2017.

Unfunded pension arrangement
The Group CEO also has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. Ongoing provision is made for this obligation in the company's balance sheet, with annual interest at the same rate as achieved in Storebrand Balansert Pensjon. At the end of 2017, this obligation was recognised at NOK 0.7 million.

General assumptions
The company applies a discount rate equivalent to the covered bond interest rate to its pension commitments. This is in line with the recommendations of the Norwegian Accounting Standards Board (NASB). The pension assumptions made by the company are consistent with the recommendations of the Accounting Standards Board from September 2017.

Figures in NOK 1,000

Pension costs	**2017**	**2016**
Current value of pension earnings for the year	213	0
Interest cost of pension obligations	36	0
Accrued social security contributions	35	0
Net pension costs after social security contributions	**284**	**0**
Defined-contribution pension plan:		
Recognised contributions excluding social security contributions	180	0
Net pension obligations:		
Estimated accrued obligations, non-funded pension plans	757	0
Net pension assets/obligations recognised in the statement of financial position	**757**	**0**
Changes in obligations:		
Net pension obligations 01.01	0	0
Pension costs, continued operations	284	0
Paid in via operations after taking over an obligation from a subsidiary	348	0
Estimated deviations recognised directly in equity (IAS19R)	125	0
Net pension obligations 31.12.	**757**	**0**
Economic assumptions:		
Discount rate	2.30%	2.10%
Expected salary adjustment	2.50%	2.25%
Expected pension increase	1.50%	1.25%
Expected adjustment of the National Insurance basic amount (G)	2.25%	2.00%
Expected return on pension assets	2.30%	2.10%
Actuarial and demographic assumptions:		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

The actuarial assumptions are based on commonly used assumptions within the insurance industry with regard to demographic factors.

The Group's pension plans satisfy the statutory requirements concerning mandatory occupational pension schemes.

NOTE 7 PROVISIONS FOR LIABILITIES

At the beginning of the year, 23,971 synthetic shares and 102,270 synthetic options associated with the parent company, Arcus ASA, had been issued. All of these were derecognised in conjunction with the parent company's IPO in December 2016. At the end of 2016, there were no longer any agreements in this co-investment programme in Arcus ASA. The Group CEO had 5,970 synthetic options in this programme.

The synthetic shares and options were issued at the estimated fair value on the issue date. The valuation on the issue date was calculated on the basis of external valuations, according to a cash flow model in which cash flows were discounted to fair value using a discount rate corresponding to the Group's weighted average cost of capital (WACC), adjusted for a liquidity premium, but where the final value was also assessed against the pricing of comparable companies. The development in value in reporting periods between issue and settlement was calculated according to the same principles.

On settlement, the synthetic shares resulted in a payment equivalent to the fair value of the actual shares in the parent company, multiplied by the number of synthetic shares. The fair value of the shares was set as the parent company's opening price on the Oslo Stock Exchange. On settlement, the synthetic options resulted in a payment equivalent to the value per share beyond the exercise price, multiplied by the number of synthetic options.

Value changes related to this incentive programme are presented under financial items.

At the beginning of 2017 there was a remaining liability of NOK 13.8 million, which is mainly related to the remaining provision for uncertainty concerning a previous co-investment programme for executive personnel, with synthetic shares and options. This uncertainty was assessed to be insignificant in 2017, and the provision has been reversed. The changes in 2017 are presented in the table below. Reference is also made to Note 22 in the consolidated financial statements.

Figures in NOK 1,000	**Synthetic options**	**Total provisions for liabilities**
Recognised value of liability, 1.1.	13,821	13,821
Changes in value during the period	-13,821	-13,821
Payments during the period	0	0
Book value of liability, 31.12	**0**	**0**

NOTE 8 LOANS, PLEDGES AND GUARANTEES ETC.

Debt to financial institutions				2017	2016
Figures in NOK 1,000	Currency	Interest rate profile	Loan amount in currency	Loan amount in NOK	Loan amount in NOK
Overdraft facility, SEB	NOK	Floating	72,700	72,700	0
Total debt to financial institutions				**72,700**	**0**
Capitalised front-end fees				-3,055	-3,835
Book value as at 31.12				**69,645**	**-3,835**

Term structure	Maturity 2018	Due date 2019-2021	Due date after 2021	Total
SEB	72,700	0	0	72,700
Total debt to financial institutions	**72,700**	**0**	**0**	**72,700**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland. At the end of 2017, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

The capitalised front-end fee with a book value of TNOK 3,055 relates to the front-end fee for the cash pool scheme. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

The Group has a long-term financing agreement with SEB, whereby the loan is formally for TSEK 750 and is booked in one of the subsidiaries in Sweden, VinGruppen Sweden Holding AB. The financing agreement does not include a pledger of security.

The company has no non-current debt with terms exceeding five years.

The agreement on a mortgage loan facility contains a loan term (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

NOTE 9 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2017	2016
Claims on Group contributions from Arcus-Gruppen AS	65,312	0
Trade receivables from Group companies	22	0
Other current receivables from Group companies	8,326	0
Total	**73,660**	**0**

Liabilities	2017	2016
Trade payables to Group companies	3	19,559
Other current liabilities payable to Group companies	0	1,350
Intragroup balance in Group cash pool system	725,894	689,015
Total	**725,897**	**709,924**

The company has no consolidated assets or liabilities that will fall due more than five years after the close of the financial year.

NOTE 10 CASH AND CASH EQUIVALENTS

The company has no restricted bank deposits, but has a bank guarantee for a tax payment of TNOK 2,500.

The company administrates the Group cash pool scheme for the Group and the scheme includes most of the Group's subsidiaries. The Swedish and Finnish wine activities, and the new subsidiary, Det Danske Spiritus Kompagni A/S, are not included in the scheme.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000.

At year-end, the Group had total drawings of TNOK 72,700 from the scheme, which are presented as an overdraft for Arcus ASA, compared with a deposit of TNOK 100,731 at the end of 2016.

As at 31.12.2017, Arcus ASA has drawings of TNOK 725,894 in the Group cash pool system, compared with drawings of TNOK 689,015 at the end of 2016.

NOTE 11 FINANCIAL MARKET RISK

Financial risk
The company has individual financial derivatives for hedging purposes. The company does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes.

The risk management procedures are adopted by the Board of Directors and are undertaken by administration in collaboration with the individual business areas. The most important financial risks to which the company is exposed are associated with interest rate risk, liquidity risk and foreign currency risk. The company's management continuously assesses how these are to be handled.

Interest rate risk
The company is exposed to interest rate risk on the investment of liquid assets and drawing on the Group cash pool system. At 31.12.2017 all of the company's interest-bearing deposits and liabilities were subject to variable interest rates.

Liquidity risk
Liquidity risk is the risk that the Company will not be in a position to service its financial liabilities as they fall due. The company must at all times have sufficient liquidity to meet its obligations. It is also the goal to minimise the company's excess liquidity. The company will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

As far as possible, the company wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2017 is managed by Arcus ASA.

When funds are needed for investment purposes, the company relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used.

Foreign currency risk
In view of the company's international activities, there is some exposure to foreign currency risk. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions. The accounting treatment of financial derivatives is described under "Accounting policies".

The company makes some purchases in foreign currency (mainly EUR), while the functional currency is NOK.

Receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate on the balance sheet date. Foreign currency exposure is mainly hedged used forward contracts.

During the year, purchase and sale of goods in foreign currency are hedged to a certain degree, and the forward rate achieved in the market is used as the transaction rate. As a general rule, the foreign currency exposure is hedged three times a year, at four-month intervals.

At 31.12.2017 the company did not have any forward contracts (hedging) to hedge balance sheet items and orders received.

NOTE 12 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred between the close of the financial year and the date on which Arcus ASA's consolidated financial statements and parent company financial statements were approved for publication. This applies to events that would have provided knowledge of factors present at the close of the financial year, or events concerning matters that have arisen since the close of the financial year. The consolidated financial statements were approved for publication by resolution of the Board of Directors on 15 March 2018.

AUDITOR'S REPORT

Building a better working world

Statsautoriserte revisorer
Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Arcus ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arcus ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017 the statement of income and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2017, statement of income, statements of total comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards 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 and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Impairment assessments – trade marks and goodwill

As at 31 December 2017, the Arcus Group had significant trade marks and goodwill recognized in the balance sheet, representing 41% of the total capital. As the market conditions for some enterprises are uncertain, the risk for losses due to impairment of these cash generating entities, including Excellars, is increasing. In addition, some spirit brands have in recent years shown signs of declining turnover. Due to the extent of judgmental assessments applied in management's models for impairment considerations, together with the significant value in the balance sheet, the impairment assessments of trade marks and goodwill are considered a key audit matter.

Our audit of the Group's impairment assessments has included a review and testing of the impairment models, assessment of cash-generating entities, control of mathematical accuracy of models together with testing and evaluating the assumptions management used as a basis in the calculations. We also reviewed the design of management's internal controls related to the impairment assessments. In addition, we considered management's assumption on future cash-flow forecasts by looking at the historical accuracy in management's budgets and prognoses against the Company's actual results. We compared key assumptions against market information where available. We also assessed discount rates by comparing the assumptions for the calculation with external data like expected inflation, debt ratio, loan interest, risk premium and beta values for comparable companies. In addition, we have reviewed and carried out sensitivity analyses in order to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to note 15 in the financial statements and to information about intangible assets and significant accounting estimates and judgmental considerations in the Group's accounting principles.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, 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 other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, 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, 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 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 in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism 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 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 content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 16 March 2018
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Appendix F

Financial interim report as of 30 June 2020 for the Transferring Company prepared in accordance with section 5-6 of the Norwegian Securities Trading Act

Quarterly Report

Q2 2020

Skagerrak Nordic Dry Gin received Double Gold at the international competition The Gin Masters in London in July. At the 2020 International Wine & Spirit Competition (IWSC), Skagerrak Nordic Dry Gin won gold and received 95 points out of a maximum of 100.

Contents

Message from the CEO

During the COVID-19 pandemic the Nordic governments' extensive travel restrictions, and restrictions on bars and restaurants, have produced very high volumes at the monopolies and increased activity for Arcus.

Partly as a result of the above, this quarterly result is the best Q2 result in Arcus' history, both in terms of revenue and EBITDA.

The strong results would not have been possible without good cooperation and support from our suppliers and partners. Due to COVID-19, securing supplies of wine and raw materials has been challenging, but occasional late deliveries have had limited effect.

Arcus has a strong and flexible organization, a prerequisite for being able to meet such extraordinarily high demand. We have adapted and solved the challenges we have faced. I would like to thank my colleagues for their important contribution in a very challenging time. Without their hard work and positive attitude, Arcus could not have delivered such strong financial results.

Wine

In Q2, the growth was especially strong in Norway, with revenue increasing 53.3 percent compared to the same quarter last year. For Wine Norway, this quarter is the 11th quarter in a row with increased market share. In Sweden, revenues from existing business continued to grow, but sales were lower compared to Q2 last year due to the loss of producers in March 2019. Stronger SEK and EUR strengthened the overall reported growth, in addition to the acquisition of Wongraven Wines in December 2019. The strong increase in revenues combined with flat indirect costs is the main reason for the increased EBITDA-margin. A favourable product mix with more Bag-in-Box sales combined with price increases at the monopolies, led to increased gross margin in the period despite the negative effect of the strong EUR and USD on purchasing costs.

Spirits

During Q2, revenue increased in all monopoly markets as sales shifted from border channels to domestic retail. In Norway, Sweden and Finland revenue increased in the double digits during Q2 compared to last year. Despite the strong growth in monopoly markets, the organic growth on external sales was negative by 8.5 percent, mainly due to lower travel and border sales following COVID-19. EBITDA-margin increased compared to Q2 last year due to lower operational costs combined with higher gross profit from internal wine bottling.

Logistics

Logistics' revenues increased by 10.8 percent in the quarter, driven by higher sales to Vinmonopolet. EBITDA increased due to increased revenues, significantly more efficient handling in the warehouse and more cost-effective distribution.

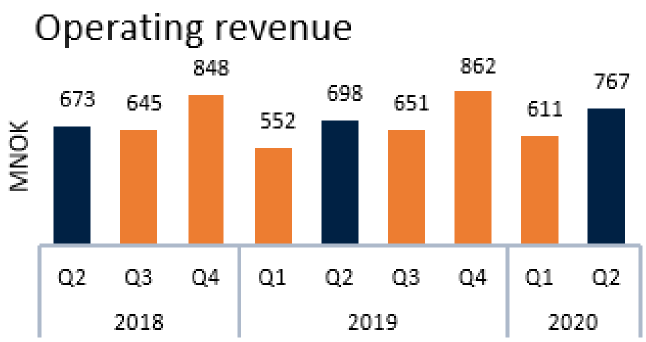
Kenneth Hamnes
Group CEO, Arcus ASA

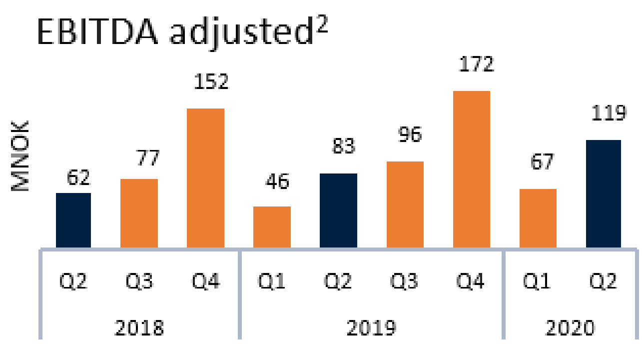
Key figures Q2 2020

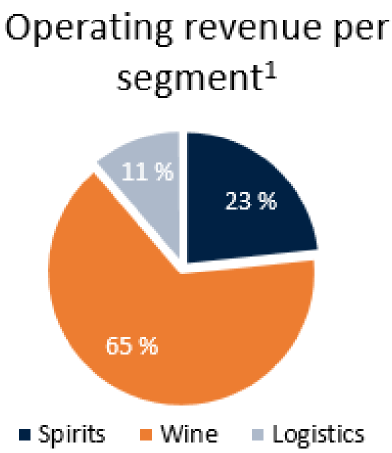
CONSOLIDATED GROUP FIGURES

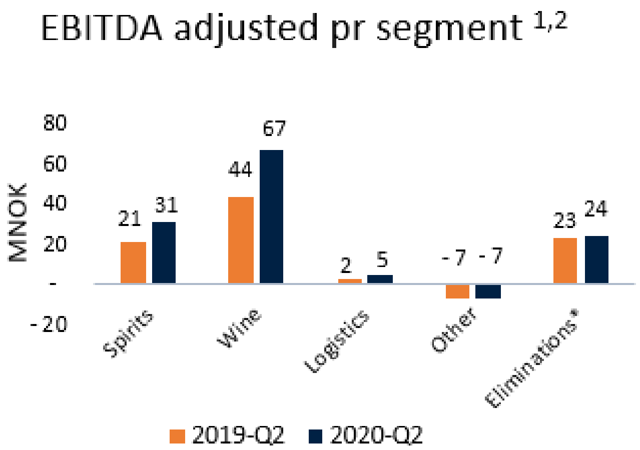
MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	767.2	698.0	1 378.3	1 250.1	2 762.8
Gross profit[1)]	316.8	280.6	578.3	518.2	1 161.7
EBITDA[1) 2)]	101.0	71.1	167.7	115.7	377.3
EBITDA adjusted[1) 2)]	119.3	82.6	185.9	128.7	397.1
Pre-tax profit[2)]	53.7	21.7	108.0	10.7	172.5
Earnings per share, parentcompany shareholders (NOK)	0.52	0.25	1.19	0.11	1.94
Key figures					
Gross margin[1)]	41.3 %	40.2 %	42.0 %	41.5 %	42.0 %
EBITDA margin[1)]	13.2 %	10.2 %	12.2 %	9.3 %	13.7 %
EBITDA margin adjusted[1)]	15.5 %	11.8 %	13.5 %	10.3 %	14.4 %
Equity ratio[1)]	29.0 %	30.5 %	29.0 %	30.5 %	29.7 %
Financial position					
Total equity	1 741.4	1 521.3	1 741.4	1 521.3	1 662.2
Net interest bearing debt (cash)[1)]	1 380.6	1 835.5	1 380.6	1 835.5	1 807.1

[1)] Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.









Highlights Q2 2020

OVERALL PERFORMANCE

- **Operating revenue** for Q2 2020 was 767.2 MNOK, compared to 698.0 MNOK in Q2 last year (+9.9 percent). Operating revenue increased for all business areas. Organic growth for Q2 was +1.2 percent, with an estimated positive currency effect of approximately 53.4 MNOK due to significantly stronger SEK, EUR and DKK vs NOK this year.

- **Adjusted EBITDA** for Q2 was 119.3 MNOK compared to 82.6 MNOK in Q2 last year (+44.4 percent). Adjusted EBITDA improved in all business areas.

BUSINESS SEGMENTS

- **Wine** revenues amounted to 497.4 MNOK, compared to 430.6 MNOK in Q2 last year (+15.5 percent). Organic growth was +4.4 percent. Adjusted EBITDA margin was 13.4 percent for Q2 2020, compared to 10.1 percent in Q2 last year.

- **Spirits** revenues amounted to 237.3 MNOK, compared to 214.4 MNOK in Q2 last year (+10.7 percent). Organic growth was -8.5 percent[1]. Adjusted EBITDA margin was 12.9 percent for Q2, compared to 9.9 percent in Q2 last year.

- **Logistics** revenues amounted to 90.5 MNOK compared to 81.7 MNOK in Q2 last year (+10.8 percent). Adjusted EBITDA margin was 5.4 percent for Q2, compared to 2.5 percent in Q2 last year.

[1]Calculated on external spirits sales

Wine: Significant growth and flat indirect costs

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	**497.4**	**430.6**	**874.8**	**771.7**	**1 603.4**
Gross profit[1)]	117.8	97.1	206.5	175.7	365.1
Gross margin [1)]	*23.7 %*	*22.6 %*	*23.6 %*	*22.8 %*	*22.8 %*
EBITDA[1)]	62.6	36.8	98.9	63.6	161.1
EBITDA adjusted[1)]	66.6	43.5	103.3	70.7	169.9
EBITDA margin[1)]	*12.6 %*	*8.5 %*	*11.3 %*	*8.2 %*	*10.0 %*
EBITDA margin adjusted[1)]	*13.4 %*	*10.1 %*	*11.8 %*	*9.2 %*	*10.6 %*

1) Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Wine was 497.4 MNOK for the second quarter, compared to 430.6 MNOK in Q2 last year. Organic growth was 4.4 percent, while reported growth was 15.5 percent. Reported growth includes 39.7 MNOK in exchange rate effects from the stronger SEK and EUR, as well as 6.6 MNOK from the acquisition of Wongraven Wines in December 2019.

In Norway and Finland, the restrictions on travel and HORECA related to the COVID-19 led to significant growth at the monopolies in the quarter. This effect was less significant in Sweden where measures were less strict.

In Sweden, Arcus' sales at Systembolaget were down in a growing market. Excluding the lost producers in the subsidiary Vinunic, Arcus' sales grew in line with the market, fuelled by growth of popular Bag-in-Box products.

In Norway, Arcus' sales grew more than the extremely fast-growing market, again leading to increased market share during the period. Both own brands and the agency business outperformed the market in the quarter, fuelled by Arcus' strong position within the Bag-in-Box format with high demand during the COVID-19.

In Finland, Arcus' sales to Alko increased in line with the market in the period. Well-known brands and Arcus' own brands responded well to the increased demand at Alko.

EBITDA

The adjusted EBITDA-margin for Wine was 13.4 percent in the second quarter, up from 10.1 percent same period last year.

The strong increase in revenues combined with flat indirect costs is the main reason for the increased EBITDA-margin. A favourable product mix with more Bag-in-Box sales and price increases to the monopolies led to increased gross margin in the period despite negative currency effects.

WINE

Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the fifth largest in Finland. Arcus imports and markets agency wines, as well as Arcus brands.

Spirits: Strong EBITDA growth

MNOK	Second quarter		Year to date		Full Year
	2020	2019	**2020**	2019	2019
Sales	175.6	179.2	329.1	317.7	811.6
Other revenue	61.7	35.2	108.0	72.0	164.0
Total operating revenue	**237.3**	**214.4**	**437.0**	**389.7**	**975.6**
Gross profit[1)]	112.8	105.6	212.4	199.1	484.3
Gross margin [1)]	*47.5 %*	*49.2 %*	*48.6 %*	*51.1 %*	*49.6 %*
EBITDA[1)]	29.1	20.3	47.6	30.1	146.9
EBITDA adjusted[1)]	30.5	21.1	49.3	31.1	148.9
EBITDA margin[1)]	*12.3 %*	*9.5 %*	*10.9 %*	*7.7 %*	*15.1 %*
EBITDA margin adjusted[1)]	*12.9 %*	*9.9 %*	*11.3 %*	*8.0 %*	*15.3 %*

[1)] Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Spirits in the second quarter of 2020 was 237.3 MNOK, compared to 214.4 MNOK for the same period last year, an increase of 10.7 percent. The increase was driven by internal wine bottling. Organic growth was negative 8.5 percent[1] mainly due to extremely low DFTR and border sales following COVID-19.

Revenue continued to increase in the monopoly markets in Q2, as sales shifted from travel and border channels to domestic retail. In Norway, Sweden and Finland revenue increased in the double digits during Q2 compared to last year. Market share in Norway was down, as the market grew even faster than Arcus with sales of global brands shifting from DFTR to Vinmonopolet. Arcus market shares in Sweden and Finland were stable.

In Denmark, revenue decreased in the quarter as Danish border trade was only opened towards the end of the period. Overall domestic market share increased driven by growth in vodka and premixed cocktails. Shares in the aquavit category were slightly down as private label brands benefited from growth in the value segment due to closed borders.

Sales in the DFTR channel were very limited during Q2. Germany and other markets saw an increase in revenue, but depletion was challenged by reduced retail activation during COVID-19.

EBITDA

The adjusted EBITDA margin for Spirits was 12.9 percent for Q2 2020, compared to 9.9 percent Q2 2019.

Lower operational costs combined with higher gross profit from internal bottling strengthened EBITDA.

The lower operational costs during the period stem largely from cancelled, reduced or postponement of activities due to COVID-19, as well as reduced travel. Higher internal wine-bottling volumes contributed positively on gross profit but reduced the gross margin.

There was a negative contribution from associated company Tiffon (Braastad cognac).

SPIRITS

Arcus is a global leader in aquavit with brands such as Gammel Opland, Linie, Løiten and Aalborg. Other important categories are bitter (Gammel Dansk), vodka (Vikingfjord, Kalinka, Amundsen and Dworek) and cognac (Braastad). Key markets are Norway, Denmark, Sweden, Finland, Germany and Duty Free Travel Retail (DFTR). Arcus brands are produced and bottled at Gjelleråsen, outside Oslo.

[1] Calculated on external spirits sales

Logistics: Strong revenue and EBITDA growth

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	**90.5**	**81.7**	**168.1**	**150.2**	**328.1**
Gross profit[1)]	90.5	81.7	168.1	150.2	328.1
Gross margin [1)]	*100.0 %*	*100.0 %*	*100.0 %*	*100.0 %*	*100.0 %*
EBITDA[1)]	4.9	0.8	3.2	-1.4	13.8
EBITDA adjusted[1)]	4.9	2.1	3.2	-0.2	15.4
EBITDA margin[1)]	*5.4 %*	*0.9 %*	*1.9 %*	*-0.9 %*	*4.2 %*
EBITDA margin adjusted[1)]	*5.4 %*	*2.5 %*	*1.9 %*	*-0.1 %*	*4.7 %*

[1)] Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

VOLUME

Distributed volume in the second quarter was 17.1 million liters, an increase of 4.0 million liters from the same quarter last year. The volume growth was driven by significantly higher sales to Vinmonopolet, as HORECA was significantly reduced due to COVID-19 measures. Volumes to Vinmonopolet increased by 47.1 percent, while Vinmonopolet's total sales increased by 45.2 percent compared to the same quarter last year.

By the end of the first quarter, Vectura's share of deliveries to Vinmonopolet was 50.2 percent, compared to 49.6 percent by the end of same quarter last year.

Distributed volume in the HORECA-channel declined by 62.8 percent compared to last year, as most bars and restaurants were closed during the first part of the quarter. By the end of the quarter, volumes in the HORECA-channel were almost back to normal levels.

Sales to other wholesalers decreased by 30.9 percent compared to the second quarter last year.

Due to the extraordinarily high volumes delivered to Vinmonopolet, there were some issues regarding consumers' orders via the order assortment.

OPERATING REVENUE

Operating revenue increased by 10.8 percent to 90.5 MNOK in the quarter, compared to 81.7 MNOK in the same period last year. The increase was driven by higher volumes at Vinmonopolet. Revenue per liter was down as prices at Vinmonopolet are lower than in other channels due to the lower complexity and higher dropsizes for Vinmonopol-deliveries.

EBITDA

Adjusted EBITDA in the second quarter was 4.9 MNOK, an improvement of 2.8 MNOK compared to the same quarter last year.

The high volumes to Vinmonopolet increased dropsize and reduced distribution costs per liter.

This more than compensated for the decline in revenue per liter and additional costs incurred to handle all the orders and limit delays in deliveries (e.g. use of overtime, nightshifts and weekends in the warehouse; additional external storage of goods).

LOGISTICS

Vectura is the leading integrated logistics service provider for alcoholic-beverage importers in Norway. Vectura serves both Arcus-Gruppen AS and external customers. Vectura is located next to Arcus' production facility at Gjelleråsen, outside Oslo

Financial position

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q2 2020 was 528.4 MNOK, compared to 13.2 MNOK in Q2 2019 (change of +515.2 MNOK).

The Q2 cash flow was higher this year mainly due to a significant reduction in net working capital during the period this year compared to an increase last year, and higher EBITDA this year.

The net working capital decreased in the quarter this year with increased accounts payables, alcohol tax and VAT fueled by the significant sales growth, but without the corresponding higher receivables.

The receivables declined in the period this year despite higher sales, mainly because Vinmonopolet temporarily (until 30 June) reduced their own credit terms due to COVID-19.

In addition, cash flow from change in net working capital had negative cut-off effects last year when payments arrived first banking day in July.

Net interest bearing debt was 1,380.6 MNOK compared to 1,835.5 MNOK at the end of Q2 2019. Excluding IFRS16 effects, it was 258.6 MNOK vs 930.8 MNOK last year. The higher cash flow in the period, and postponed payment of dividend from (May last year, July this year), increased the cash position more than the stronger SEK vs NOK increased the long-term loan in SEK, reducing net debt compared to last year.

Other information

STRONG SALES OF NEW CATEGORIES IN DENMARK

Pre-mixed cocktails, introduced in Denmark in the autumn of 2019, have become very popular during spring and summer. Pre-mixed classic cocktails are new products for Arcus in the Danish market, 1.5-liter bag-in-boxes, bottled at Arcus' production facility at Gjelleråsen.

The Skagerrak Nordic Dry Gin, launched in Denmark late 2019, has during the summer become the #2 best-selling premium gin.

AWARDS FOR SKAGERRAK NORDIC DRY GIN

Skagerrak Nordic Dry Gin received Double Gold at the international competition The Gin Masters in London in July, where an international jury blind tasted 219 gins. Skagerrak Nordic Dry Gin achieved gold in the categories Contemporary and Premium.

At the International Wine & Spirit Competition in London in July, Skagerrak Nordic Dry Gin received 95 points out of 100 (i.e. "An excellent spirit with an exceptional balance and rare and complex flavours. An example that stands out against its peers").

WONGRAVEN EXPANSION

Since entering a long-term relationship with Sigurd Wongraven December 2019, some of his wines have already been introduced in Sweden. In addition, Wongraven has also launched beer for sale at Vinmonopolet (Saison Wongraven). The beer is blended by Kjetil Jikiun, founder of Nøgne Ø, and Sigurd Wongraven.

BREACH OF COMPETITION CLAUSE

At the Stockholm Chamber of Commerce, an arbitration tribunal has ruled that former employee Stefan Stjärnström breached the competition clause in his employment contract with Vinunic. Stjärnström will have to repay his severance pay, in addition to Vinunic's legal fees and own costs.

In February 2019, Stefan Stjärnström recruited five key employees from Vinunic AB and Vingruppen i Norden AB to his new company. Days after, several wine producers ended their cooperation with Vinunic to join his company too. Stjärnström's competition clause expired 31 December 2018. The arbitration tribunal evidenced the fact that Stjärnström already before 31 December 2018 started his competing company and therefore was in breach with the parties' agreement. Vinunic and Vingruppen are pleased with the ruling and deem that it is fair. The ruling cannot be appealed and is final.

SEVERAL AQUAVIT LAUNCHES IN NORWAY

To strengthen Arcus' position in the Norwegian aquavit market, several new aquavits will be launched at Vinmonopolet in September. Among the new launches are Markens Grøde (tender win), Edvard Munch Aquavit and Gammel Opland Juleaquavit.

Environmental, Social and Governance (ESG)

LIFE CYCLE ANALYSIS OF THREE PRODUCTS

On behalf of Arcus, Research Institute of Sweden (RISE), has performed a life cycle analysis of LINIE Aquavit 0.7L bottle, Aalborg Taffel 0.7L bottle and Falling Feather 3L BIB. In the comprehensive study RISE has calculated CO_2 emissions, use of freshwater and spill in the ocean throughout each product's lifecycle. Arcus will publish the results this autumn.

WINE SWEDEN REACHED THE 2019 CLIMATE GOAL

Wine Sweden (Vingruppen Norden) has reached its climate goal for 2019. This is a result of more effective transportation of products, and improved recycling at the office. Wine Sweden is now at 0.35 kg CO_2e/liter of beverage, a reduction of 8 percent from previous year, which is in line with the reduction ratio required to become a climate-neutral operation in 2030, according to the Swedish Climate Initiative for the Beverage Industry.

BIOLOGICAL WASTE CONVERTED TO BIOGAS

Since April, Arcus has delivered biological waste from the destillation and maceration process to Norsk Matretur where the waste is converted into biogas. Biogas can be used as fuel for cars, buses and trucks. Arcus expects to deliver 75 tons of waste per year.

Half-year review

This half-year review presents highlights only. Additional details are available in the Group's interim report for Q1 and the review of Q2 results in this report. This interim report does not include all information that is normally prepared in a full annual financial statement and should be read in conjunction with the Group's annual financial statement as at 31.12.2019.

FINANCIAL RESULTS

The COVID-19 outbreak and the effects therefrom have significantly impacted our business in 2020, particularly in Norway. Operating revenue for the first half year was 1 378.3 MNOK vs. 1 250.1 MNOK (+10.3 percent) in the same period last year. Organic growth was 3.9 percent in the period with the Wine and Distribution business seeing solid growth. The external sales in the Spirits segment slightly declined in the first half year, but a significant increase in internal bottling services lifted total revenues above same period last year. Reported operating revenue was boosted by the weakness of the NOK vs. the SEK and the EUR.

Adjusted EBITDA for the first half year was 185.9 MNOK. This represents a 44.5 percent increase compared to 128.7 MNOK for the same period last year. All business areas contributed positively compared to last year and the increase is mainly explained by significant sales growth in the monopoly channels due to COVID-19 restrictions, combined with indirect costs at same level as last year.

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax YTD was 541.2 MNOK vs. -111.9 last year. Higher profits this year contributed positively, although the main reason for the higher cash flow is the reduction in net working capital this first half year compared to an increase last year. The significant increase in sales during COVID-19 increased alcohol tax, VAT and accounts payable, but without a corresponding increase in accounts receivables because Vinmonopolet temporarily (until 30 June) reduced their own credit terms due to COVID-19. In addition, cash flow from change in net working capital had negative cut-off effects last year when payments arrived on the first banking day in July.

OUTLOOK

Arcus ASA operates in non-cyclical wine and spirits markets with moderate and steady growth, but with some variations between the different categories, countries and seasons. Tender wins, new products, operational efficiency improvements in Arcus' three business segments and minor bolt-on acquisitions will contribute to profitable growth going forward. Over the next years, Arcus is still committed to meet the financial targets outlined at the IPO. In the short term, the COVID-19 outbreak will continue to influence our business in ways that are currently difficult to predict. While we currently still experience positive effects, it is impossible to forecast how long they will continue. We are closely monitoring events in order to minimize potential disruption to our operations and so that we can continue meeting our customers' and consumers' expectations.

The Group's overdraft facility at SEB has been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19. The due date on the group's term loan has also been extended by one year to 24 October 2022.

COVID-19 is identified as an impairment indicator for certain cash generating units (CGUs) in Spirits, and management has estimated the recoverable amount and compared this to the carrying amount for the relevant CGUs. Based on the impairment tests performed, no impairment is identified in the first half of 2020. Depending on the duration of the COVID-19, and to what extent the business is affected in the medium to long term perspective, it may have an impact on assumptions applied for calculating the recoverable amount for fixed and intangible assets, including goodwill.

LONG-TERM FINANCIAL TARGETS

As communicated in connection with the IPO, Arcus targets organic revenue growth in the level of 3-5 percent p.a. (including minor bolt-on acquisitions), as well as EBITDA growth of 6-9 percent p.a. over the next three to five years.

SEASONAL VARIATIONS

The business of Arcus is seasonal. Sales of wine and spirits increase during national festivals and holidays, in particular Easter and Christmas. Q4 is normally the strongest quarter in terms of income as well as operating profit due to Christmas and New Year's Eve.

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer confirm, to the best of our knowledge, that the unaudited, condensed financial statements for the period 1 January to 30 June 2020 including notes, have been prepared in accordance with IAS 34 – Interim Financial Reporting, as determined by the EU and Norwegian Additional Requirements in the Securities Trading Act. It is also stated that the information in the condensed financial statement, provides a fair view of the business, and the Group's assets, liabilities, financial position and overall results.

Nittedal, 17 August 2020
The Board of Directors of Arcus ASA

Michael Holm Johansen
Chaiman of the Board

Carl Erik Hagen

Kirsten Ægidius

Leena Maria Saarinen

Ann-Beth Freuchen

Nils Selte

Ingeborg Flønes

Erik Hagen

Therese Jacobsen

Anne-Marie Flåten

Kenneth Hamnes
Group CEO

Group consolidated accounts

The interim financial statement has not been audited.

CONDENSED STATEMENT OF INCOME

MNOK		Second quarter		Year to date		Full Year
	Note	2020	2019	2020	2019	2019
Sales	2,9	759.0	685.5	1 354.1	1 227.5	2 710.4
Other revenue	2	8.1	12.4	24.2	22.6	52.4
Total operating revenue	2,9	**767.2**	**698.0**	**1 378.3**	**1 250.1**	**2 762.8**
Cost of goods		-450.4	-417.4	-800.0	-731.9	-1 601.1
Gross Profit		**316.8**	**280.6**	**578.3**	**518.2**	**1 161.7**
Gain on sale of fixed assets		0.0	0.0	0.1	0.0	0.0
Salaries and personnel cost		-122.5	-112.6	-241.0	-221.3	-439.2
Advertising & Promotion expenses (A&P)		-23.3	-32.3	-43.6	-56.2	-116.0
Other operating expenses		-48.5	-55.5	-105.8	-112.4	-213.5
Share of profit from AC1) and JCE2)		-3.4	2.3	-2.1	0.4	4.1
Other income and expenses	3	-18.3	-11.5	-18.2	-13.0	-19.7
EBITDA		**101.0**	**71.1**	**167.7**	**115.7**	**377.3**
Depreciation	5,6	-28.8	-24.6	-57.5	-49.4	-111.8
Amortisations	5,6	-2.7	-1.9	-5.4	-3.8	-7.7
Operating profit (EBIT)		**69.5**	**44.7**	**104.9**	**62.4**	**257.8**
Financial income	12	9.7	7.1	53.2	11.8	25.9
Financial expenses	7,10,12	-25.6	-30.0	-50.1	-63.5	-111.2
Pre-tax profit		**53.7**	**21.7**	**108.0**	**10.7**	**172.5**
Tax		-17.2	-4.7	-25.8	-2.8	-39.2
Profit/loss for the year		**36.5**	**16.9**	**82.1**	**7.9**	**133.3**
Profit/loss for the year attributable to parent company shareholders		35.6	16.9	81.0	7.8	132.3
Profit/loss for the year attributable to non-controlling interests		0.8	0.1	1.1	0.1	1.0
Earnings per share, continued operations		0.52	0.25	1.19	0.11	1.94
Diluted earnings per share, continued operations		0.49	0.24	1.12	0.11	1.85

1)Associated Companies, 2)Jointly Controlled Entities

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK		Second quarter		Year to date		Full Year
	Note	2020	2019	2020	2019	2019
Profit/loss for the year		**36.5**	**16.9**	**82.1**	**7.9**	**133.3**
Items that will not be reclassified against the statement of income						
Change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-2.0
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	0.4
Total		**0.0**	**0.0**	**0.0**	**0.0**	**-1.6**
Items that may be reclassified against the statement of income						
Translating differences in translation of foreign subsidiaries		-51.6	0.1	110.8	-23.5	-5.0
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0	0.0
Total		**-51.6**	**0.1**	**110.8**	**-23.5**	**-5.0**
Total other comprehensive income		**-51.6**	**0.1**	**110.8**	**-23.5**	**-6.6**
Total comprehensive income for the year		**-15.1**	**17.0**	**193.0**	**-15.5**	**126.7**
Total comprehensive income for the year attributable to parent company shareholders		-15.9	17.1	191.5	-15.4	126.1
Total comprehensive income for the year attributable to non-controlling interests		0.7	-0.1	1.4	-0.1	0.7

CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK		Second quarter		Full Year
	Note	30.06.2020	30.06.2019	31.12.2019
Intangible assets	6	2 023.6	1 848.5	1 923.2
Tangible assets	5	1 402.1	1 195.6	1 431.2
Deferred tax asset		72.1	117.7	86.1
Financial assets		69.0	60.4	65.3
Total fixed assets		**3 566.8**	**3 222.2**	**3 505.8**
Inventories		583.0	496.1	486.6
Accounts receivables and other receivables		1 186.4	1 174.3	1 392.5
Cash and cash equivalents		675.1	98.5	205.0
Total current assets		**2 444.5**	**1 768.9**	**2 084.1**
Total assets		**6 011.3**	**4 991.1**	**5 589.9**
Paid-in equity		772.1	772.1	772.1
Retained earnings		964.7	746.2	886.2
Non-controlling interests		4.6	3.0	3.9
Total equity		**1 741.4**	**1 521.3**	**1 662.2**
Non-current liabilities to financial institutions	8	775.5	684.5	703.8
Non-current liabilities at fair value through profit or loss	7,10	59.8	68.0	69.3
Non-current lease liabilities	8	1 203.4	1 016.5	1 151.0
Pension obligations		18.8	21.3	23.7
Deferred tax liability		117.2	99.7	101.3
Other non-current liabilities		0.9	0.4	0.5
Total non-current liabilities		**2 175.7**	**1 890.3**	**2 049.6**
Bank Overdraft	8	0.0	180.4	0.0
Current liabilities at fair value through profit or loss	7,10	0.0	0.0	0.0
Current finance lease liabilities	8	71.9	48.8	154.2
Tax payable		6.6	0.0	5.0
Dividend payable		112.9	0.0	0.0
Accounts payable and other payables		1 902.8	1 350.3	1 718.8
Total current liabilities		**2 094.2**	**1 579.5**	**1 878.0**
Total equity and liabilities		**6 011.3**	**4 991.1**	**5 589.9**

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		30.06.2020			30.06.2019		
Statement of changes in equity	**Note**	**Attributed to equity holders of the parent company**	**Non-controlling interest**	**Total equity**	**Attributed to equity holders of the parent company**	**Non-controlling interest**	**Total equity**
Equity 1 January		**1 658.3**	**3.9**	**1 662.2**	**1 651.1**	**3.0**	**1 654.0**
Total comprehensive income for the period		191.5	1.4	**193.0**	-15.4	-0.1	**-15.5**
Dividends		-113.8	0.0	**-113.8**	-115.9	0.0	**-115.9**
Re-purchase of own shares		0.0	0.0	**0.0**	-1.3	0.0	**-1.3**
Sharebased payments	10,11	2.5	0.0	**2.5**	-0.1	0.0	**-0.1**
Change in non-controlling interest		-1.7	-0.7	**-2.4**	0.0	0.1	**0.1**
Equity at the end of period		**1 736.8**	**4.6**	**1 741.4**	**1 518.4**	**3.0**	**1 521.3**

In several of the Group's wine companies, there are managing directors with non-controlling interests. Most of these managing directors have put options associated with their ownership, which they can exercise at a certain point of time in the future.

Although the Group does not have control of the shares at the end of the reporting period, the Group also does not control the possible exercise of the put-option. Because of this, these non-controlling interests where the managing director have put-options related to their shares, are recognized as though they are owned by the Group.

The presented remaining non-controlling interest in the equity is non-controlling interests where there are no put-options associated. From Q2 2020, the Group has made a change regarding presentation of the non-controlling interests' share of profit, where also the profit shown in the statement of income relates only to the non-controlling interests' where there are no put options associated. The comparative figures for the former periods are also changed.

CONDENSED STATEMENT OF CASHFLOW

MNOK		Second quarter		Year to date		Full Year
	Note	2020	2019	2020	2019	2019
Pre-tax profit		53.7	21.7	108.0	10.7	172.5
Depreciation and amortisations	5,6	31.5	26.5	62.9	53.2	119.6
Received dividend from associated companies		0.0	0.4	1.0	0.4	0.4
Net interest in period		19.4	27.5	46.0	53.3	97.5
Other items without cash effect		6.9	-2.7	11.9	-8.9	-6.3
Change in inventories		-50.3	-7.5	-96.4	-55.0	-45.5
Change in receivables		221.8	-153.3	223.4	175.0	-38.9
Change in payables		245.4	100.6	184.4	-340.7	27.4
Cash flow from operating activities before tax		**528.4**	**13.2**	**541.2**	**-111.9**	**326.7**
Tax paid		-10.0	-10.0	-21.9	-19.5	-34.9
Cash flow from operating activities		**518.4**	**3.2**	**519.2**	**-131.4**	**291.8**
Proceeds from sale of tangible & intangible fixed assets		0.0	0.0	0.1	0.0	0.1
Payments on acquisition of tangible & intangible fixed assets	5,6	-4.4	-4.8	-20.1	-7.2	-20.0
Payments on acquisition of Brands	6	0.0	0.0	0.0	0.0	-0.3
Payments on acquisition of operations		0.0	0.0	0.0	0.0	-50.7
Other investments		-4.3	0.0	-4.3	0.0	0.0
Cash flows from investment activities		**-8.7**	**-4.8**	**-24.4**	**-7.2**	**-70.8**
Payments - co-investment program	7.12	0.0	0.0	0.0	-2.1	-2.1
New debt to financial institutions	8	0.0	0.0	-2.5	0.0	0.0
Repayment debt to financial institutions	8	-17.6	-12.0	-35.2	-24.0	-66.2
Change other long term loans		0.1	0.0	0.1	1.0	1.0
Interest paid in period		-19.3	-27.4	-45.9	-53.2	-97.3
Paid dividend and Group contributions		-0.9	-114.7	-0.9	-115.9	-116.2
Other financing payments		0.0	0.0	0.0	-3.7	-2.9
Cash flow from financing activities		**-37.7**	**-154.1**	**-84.4**	**-197.9**	**-283.7**
Cash flow from discontinued operations		0.0	0.0	0.0	0.0	0.0
Total cash flow		**472.0**	**-155.7**	**410.5**	**-336.5**	**-62.7**
Holdings of cash and cash equivalents at the beginning of period		206.0	79.9	205.0	282.6	282.6
Effect of exchange rate changes on cash and cash equivalents		-2.9	-6.1	59.6	-28.0	-14.8
Holdings of cash and cash equivalents at the end of period		**675.1**	**-81.9**	**675.1**	**-81.9**	**205.0**
Specification of cash and cash equivalents at the end of the period						
Cash and cash equivalents at the end of the period		675.1	98.5	675.1	98.5	205.0
Overdraft cashpool system at the end of the period		0.0	-180.4	0.0	-180.4	0.0
Holdings of cash and cash equivalents at the end of period		**675.1**	**-81.9**	**675.1**	**-81.9**	**205.0**

Notes

NOTE 1 ACCOUNTING PRINCIPLES

The Group's condensed interim financial statements are prepared according to IAS 34 Interim Financial Reporting. The interim reporting does not include all information that is normally prepared in a full annual financial statement and should be read in conjunction with the Group's annual financial statement as at December 31st 2019.

The Board approved the consolidated financial statement for the year 2019 on April 29th 2020.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2019. There are no significant effects from adoption of new standards effective as of January 1st 2020. The Group has not voluntarily adopted any other standard that has been issued but is not yet mandatory.

As of June 30th 2020, the following exchange rates have been used in translation of income and financial position figures from subsidiaries with functional currency other than NOK:

Exchange rates		Year to date		Year end
		2020	**2019**	**2019**
EUR average rate	Income statement items	10.7562	9.7332	9.8540
EUR closing rate	Balance sheet items	10.9302	9.6842	9.8807
SEK average rate	Income statement items	1.0083	0.9256	0.9308
SEK closing rate	Balance sheet items	1.0405	0.9178	0.9426
DKK average rate	Income statement items	1.4407	1.3038	1.3198
DKK closing rate	Balance sheet items	1.4670	1.2973	1.3228

NOTE 2 REVENUES

The following table present the Group's total external revenues by market:

Group

MNOK	Second quarter		Year to date		Full Year
Total operating revenues	**2020**	**2019**	**2020**	**2019**	**2019**
Norway	361.8	269.7	633.6	489.9	1 124.7
Sweden	289.1	296.2	525.8	533.0	1 074.9
Denmark	27.6	32.4	60.2	60.5	156.0
Finland	75.4	58.8	122.6	99.6	227.7
Germany	11.7	8.9	15.8	13.2	56.9
USA	1.3	1.0	2.4	2.1	4.6
DFTR[1)]	-0.2	30.3	16.4	50.7	111.7
Other	0.5	0.6	1.5	1.2	6.3
Total operating revenues	**767.2**	**698.0**	**1 378.3**	**1 250.1**	**2 762.8**

The following tables present the segments' total external and internal revenues by market:

Spirits

MNOK	Second quarter		Year to date		Full Year
Total operating revenues	**2020**	**2019**	**2020**	**2019**	**2019**
Norway	135.3	97.7	236.1	183.1	463.1
Sweden	48.2	36.2	84.3	65.1	142.2
Denmark	27.2	32.0	59.3	59.7	153.5
Finland	13.2	10.1	23.0	18.8	46.3
Germany	11.7	8.9	15.8	13.2	56.9
USA	1.3	1.0	2.4	2.1	4.6
DFTR[1)]	0.0	27.9	14.6	46.6	102.7
Other	0.5	0.6	1.5	1.2	6.3
Total operating revenues	**237.3**	**214.4**	**437.0**	**389.7**	**975.6**

Wine

MNOK	Second quarter		Year to date		Full Year
Total operating revenues	**2020**	**2019**	**2020**	**2019**	**2019**
Norway	202.3	128.0	345.0	233.3	510.5
Sweden	233.4	252.1	428.4	453.9	904.0
Finland	61.2	48.0	98.2	80.1	179.6
DFTR[1)]	-0.2	2.4	1.7	4.2	9.1
Total operating revenues	**497.4**	**430.6**	**874.8**	**771.7**	**1 603.4**

Logistics

MNOK	Second quarter		Year to date		Full Year
Total operating revenues	**2020**	**2019**	**2020**	**2019**	**2019**
Norway	90.5	81.7	168.1	150.2	328.1
Total operating revenues	**90.5**	**81.7**	**168.1**	**150.2**	**328.1**

1) DFTR; Duty Free Travel Retail

NOTE 3 OTHER INCOME AND EXPENSES

Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the activities.

Other income and expenses during Q2 are mainly related to various business development projects and termination payment agreements.

Group

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	**2020**	**2019**	**2020**	**2019**	**2019**
Salary & personnel cost	-4.4	-7.0	-4.4	-8.5	-9.1
Other operating expenses	-13.9	-4.5	-13.8	-4.5	-10.6
Other income and expenses	**-18.3**	**-11.5**	**-18.2**	**-13.0**	**-19.7**

Spirits

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	**2020**	**2019**	**2020**	**2019**	**2019**
Salary & personnel cost	-1.0	0.0	-1.0	-0.1	-0.7
Other operating expenses	-0.4	-0.8	-0.7	-0.8	-1.3
Other income and expenses	**-1.4**	**-0.8**	**-1.7**	**-1.0**	**-2.0**

Wine

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	**2020**	**2019**	**2020**	**2019**	**2019**
Salary & personnel cost	-3.3	-5.7	-3.3	-6.1	-6.5
Other operating expenses	-0.8	-1.0	-1.1	-1.0	-2.3
Other income and expenses	**-4.0**	**-6.7**	**-4.3**	**-7.2**	**-8.8**

Logistics

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	**2020**	**2019**	**2020**	**2019**	**2019**
Salary & personnel cost	0.0	-1.3	0.0	-1.2	-1.2
Other operating expenses	0.0	0.0	0.0	0.0	-0.4
Other income and expenses	**0.0**	**-1.3**	**0.0**	**-1.2**	**-1.6**

Other

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	**2020**	**2019**	**2020**	**2019**	**2019**
Salary & personnel cost	-0.1	0.0	-0.1	-1.1	-0.7
Other operating expenses	-12.7	-2.6	-12.0	-2.6	-6.6
Other income and expenses	**-12.8**	**-2.6**	**-12.1**	**-3.7**	**-7.3**

NOTE 4 SEGMENT INFORMATION

MNOK	Second quarter		Year to date		Full Year
External sales	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	175.6	179.2	329.1	318.5	811.9
Wine	493.4	424.7	859.8	761.1	1 574.1
Logistics	79.2	70.5	145.3	128.2	283.0
Other	10.9	11.2	20.0	19.7	41.4
Total external sales	**759.0**	**685.5**	**1 354.1**	**1 227.5**	**2 710.4**

MNOK	Second quarter		Year to date		Full Year
Sales between segments	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	0.0	0.0	0.0	-0.8	-0.3
Wine	1.0	0.4	2.2	0.7	3.7
Logistics	2.9	2.6	5.5	5.2	10.6
Eliminations	-3.9	-3.0	-7.7	-5.1	-14.0
Total sales revenue between segments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

MNOK	Second quarter		Year to date		Full Year
External other revenue	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	0.9	2.2	3.1	3.9	9.7
Wine	1.4	3.9	9.7	6.8	19.9
Logistics	5.2	5.6	10.3	10.7	20.2
Other	0.6	0.7	1.1	1.2	2.6
Total external other revenue	**8.1**	**12.4**	**24.2**	**22.6**	**52.4**

MNOK	Second quarter		Year to date		Full Year
Other revenue between segments	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	60.8	33.0	104.9	68.1	154.3
Wine	1.6	1.6	3.0	3.1	5.7
Logistics	3.3	3.1	7.0	6.1	14.3
Other	45.3	44.4	90.4	88.4	176.8
Eliminations	-111.0	-82.0	-205.3	-165.7	-351.1
Total other revenue between segments	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

MNOK	Second quarter		Year to date		Full Year
EBITDA	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	29.1	20.3	47.6	30.1	146.9
Wine	62.6	36.8	98.9	63.6	161.1
Logistics	4.9	0.8	3.2	-1.4	13.8
Other	-19.5	-9.9	-29.7	-23.2	-37.1
Eliminations	23.9	23.1	47.8	46.5	92.7
Total EBITDA	**101.0**	**71.1**	**167.7**	**115.7**	**377.3**

MNOK	Second quarter		Year to date		Full Year
EBIT	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	22.8	14.0	35.0	17.6	121.6
Wine	60.5	36.1	94.8	62.1	158.0
Logistics	1.9	-1.9	-2.8	-6.9	2.4
Other	-20.9	-11.4	-32.4	-26.3	-43.1
Eliminations	5.1	7.9	10.2	15.9	18.8
Total EBIT	**69.5**	**44.7**	**104.9**	**62.4**	**257.8**

MNOK	Second quarter		Year to date		Full Year
Total comprehensive income for the year	**2020**	**2019**	**2020**	**2019**	**2019**
Spirits	-39.0	8.7	151.0	-22.7	74.7
Wine	44.5	26.0	89.6	44.7	113.8
Logistics	3.1	-1.5	-2.0	-5.1	2.5
Other	-16.2	-10.9	-31.1	-22.9	-42.8
Eliminations	-7.6	-5.3	-14.5	-9.4	-21.4
Total comprehensive income for the year	**-15.1**	**17.0**	**193.0**	**-15.5**	**126.7**

NOTE 5 FIXED ASSETS

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	**2020**	**2019**	**2020**	**2019**	**2019**
Purchase cost at beginning of period	1 888.7	1 578.1	1 863.1	658.0	658.0
Additions tangible fixed assets	4.4	4.0	20.1	6.1	19.1
Additions user rights through lease	0.0	-0.4	0.3	920.1	1 185.0
Transferred from assets under construction	0.0	-0.3	0.0	-0.3	-0.3
Value changes	0.0		0.0	0.0	16.3
Reclassifications	0.0	0.0	0.0	-0.4	-0.3
Purchase price, disposed assets	-4.1	-3.6	-4.1	-4.8	-14.6
Translation differences	-2.4	-0.1	7.1	-1.0	-0.1
Purchase cost at end of period	**1 886.6**	**1 577.7**	**1 886.6**	**1 577.7**	**1 863.1**
Accumulated depreciation at beginning of period	-461.7	-363.2	-431.9	-342.2	-342.2
Accumulated depreciation, disposed assets	4.1	3.5	4.1	4.7	14.5
Ordinary depreciation in period	-27.3	-22.5	-54.6	-45.6	-104.7
Reclassifications	0.0	0.0	0.0	0.4	0.3
Translation differences	0.5	0.2	-2.1	0.6	0.2
Accumulated depreciation at end of period	**-484.4**	**-382.1**	**-484.4**	**-382.1**	**-431.9**
Book Value at end of period	**1 402.1**	**1 195.6**	**1 402.1**	**1 195.6**	**1 431.2**

The table above includes both tangible fixed assets and rights of use assets.

Specification of split tangible fixed assets and rights of use assets

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	**2020**	**2019**	**2020**	**2019**	**2019**
Tangible fixed assets	162.9	149.0	162.9	149.0	152.0
Right of Use assets	1 239.2	1 046.6	1 239.2	1 046.6	1 279.3
Book value at end of period	**1 402.1**	**1 195.6**	**1 402.1**	**1 195.6**	**1 431.2**

Specification of fixed assets per asset category

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	**2020**	**2019**	**2020**	**2019**	**2019**
Land, buildings and other real estate	1 078.3	886.0	1 078.3	886.0	1 107.2
Machinery and equipment	253.3	285.6	253.3	285.6	293.4
Transport & Vehicles	27.4	0.0	27.4	0.0	0.0
Fixtures and fittings, tools, office equipment etc.	13.0	18.7	13.0	18.7	16.9
Assets under construction	30.1	5.4	30.1	5.4	13.6
Book Value at end of period	**1 402.1**	**1 195.6**	**1 402.1**	**1 195.6**	**1 431.2**

NOTE 6 INTANGIBLE ASSETS

MNOK	Second quarter		Year to date		Full Year
Intangible assets	**2020**	**2019**	**2020**	**2019**	**2019**
Purchase cost at beginning of period	2 289.8	2 046.7	2 128.2	2 074.1	2 074.1
Addition of intangible assets	0.0	0.8	0.0	1.1	1.5
Aquistion of business	0.0	0.0	0.0	0.0	61.5
Transferred from assets under construction	0.0	0.3	0.0	0.3	0.3
Translation differences	-52.5	-1.7	109.1	-29.3	-9.3
Purchase cost at end of period	**2 237.3**	**2 046.2**	**2 237.3**	**2 046.2**	**2 128.2**
Acc. depreciation and amortizations at beginning of period	-209.7	-193.9	-205.0	-190.2	-190.2
Depreciation in period	-1.4	-1.8	-2.8	-3.7	-7.2
Amortisations in period	-2.7	-1.9	-5.4	-3.9	-7.7
Translation differences	0.1	-0.1	-0.5	0.1	0.0
Acc. depreciation and amortizations at end of period	**-213.8**	**-197.7**	**-213.8**	**-197.7**	**-205.0**
Book Value at end of period	**2 023.6**	**1 848.5**	**2 023.6**	**1 848.5**	**1 923.2**

Specification of intangible assets

MNOK	Second quarter		Year to date		Full Year
Intangible assets	**2020**	**2019**	**2020**	**2019**	**2019**
Goodwill	1 105.9	1 025.3	1 105.9	1 025.3	1 048.2
Brands	899.1	798.9	899.1	798.9	854.0
Software	18.6	24.2	18.6	24.2	21.0
Book Value at end of period	**2 023.6**	**1 848.5**	**2 023.6**	**1 848.5**	**1 923.2**

NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Second quarter		Year to date		Full Year
Liabilities at fair value through profit and loss	**2020**	**2019**	**2020**	**2019**	**2019**
Book value at beginning of period	59.6	69.8	69.3	74.2	74.2
Paid during period	-2.1	0.0	-2.1	0.0	0.0
Changes in value during period	1.6	-1.2	-12.9	-3.2	-3.4
Interest during period	0.1	0.0	0.1	0.1	0.2
Translation differences	0.8	-0.7	5.4	-3.1	-1.7
Book value at end of period	**59.8**	**68.0**	**59.8**	**68.0**	**69.3**
From this;					
Current liability	0.0	0.0	0.0	0.0	0.0
Non-current liability	59.8	68.0	59.8	68.0	69.3
Total liabilities through profit and loss	**59.8**	**68.0**	**59.8**	**68.0**	**69.3**

Liabilities at fair value through profit and loss consist of put options regarding minority shares in companies included in the Wine business, held by non-controlling interests.

NOTE 8 INTEREST BEARING DEBT

Interest bearing liabilities, including leasing

MNOK	Second quarter		Year to date		Full Year
Interest bearing debt	**2020**	**2019**	**2020**	**2019**	**2019**
Debt at beginning of period	2 074.6	1 774.7	2 012.2	897.8	897.8
New debt in period	0.0	0.0	0.3	920.3	1 185.4
Value changes	0.0	0.0	0.0	0.0	16.3
Repayments in period	-17.7	0.0	-35.1	-24.1	-66.2
Debt to creditinstitutions in purchased business	0.0	-12.0	0.0	0.0	0.0
Translation differences	-1.1	-9.1	78.5	-40.4	-21.1
Interest bearing debt at end of period	**2 055.8**	**1 753.6**	**2 055.8**	**1 753.6**	**2 012.2**
Capitalized borrowing costs at beginning of period	-5.2	-4.3	-3.1	-4.8	-4.8
Capitalized borrowing costs during period	-2.5	0.0	-2.5	0.0	0.0
Amortized borrowing costs during period	0.5	0.4	1.0	0.8	1.6
Translation differences	2.4	0.0	-0.2	0.1	0.1
Capitalized borrowing costs at end of period	**-4.8**	**-3.9**	**-4.8**	**-3.9**	**-3.1**
Book value interest bearing debt at end of period	**2 050.9**	**1 749.7**	**2 050.9**	**1 749.7**	**2 009.0**

The table above includes both liabilities to financial institutions and lease obligations.

Specification of split liabilities to financial institutions and lease obligations

MNOK	Second quarter		Year to date		Full Year
Interest bearing liabilities	**2020**	**2019**	**2020**	**2019**	**2019**
Liabilities to financial institutions	775.5	684.5	775.5	684.5	703.8
Lease obligations	1 275.4	1 065.2	1 275.4	1 065.2	1 305.2
Book value interest bearing debt at end of period	**2 050.9**	**1 749.7**	**2 050.9**	**1 749.7**	**2 009.0**

Current interest bearing, including leasing and bank overdraft:

MNOK	Second quarter		Year to date		Full Year
Interest bearing liabilities	**2020**	**2019**	**2020**	**2019**	**2019**
Current portion of non-current loans	0.0	0.0	0.0	0.0	0.0
Current portion of non-current lease obligations	71.9	48.8	71.9	48.8	154.2
Bank overdraft	0.0	180.4	0.0	180.4	0.0
Current interest bearing liabilities at end of period	**71.9**	**229.2**	**71.9**	**229.2**	**154.2**

The Group’s overdraft facility at SEB has during the quarter been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19.

The due date on the group’s term loan has also been extended by one year to 24 October 2022.

NOTE 9 TRANSACTIONS WITH RELATED PARTIES

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group senior management, as well as companies in which any of these parties have either controlling interests, board appointments or are senior staff. All transactions with related parties that are not eliminated in the Group accounts are presented below:

Sale and purchase transactions with related parties

MNOK	Second quarter		Year to date		Full Year
Purchase of goods and services	**2020**	**2019**	**2020**	**2019**	**2019**
Tiffon SA	9.9	12.5	26.7	30.2	57.5
Hoff SA	6.1	6.0	10.5	11.9	21.0
Total purchase transactions	**16.0**	**18.6**	**37.2**	**42.1**	**78.5**

MNOK	Second quarter		Year to date		Full Year
Sale of goods and services	**2020**	**2019**	**2020**	**2019**	**2019**
Tiffon SA	0.0	0.0	1.9	0.0	1.2
Total sale transactions	**0.0**	**0.0**	**1.9**	**0.0**	**1.2**

Receivables and debt at end of period

MNOK **Current receivables from related parties**	**30.06.2020**	**30.06.2019**	**31.12.2019**
Tiffon SA	0.0	0.4	0.0
Total current receivables from related parties	**0.0**	**0.4**	**0.0**

MNOK **Non-current receivables from related parties**	**30.06.2020**	**30.06.2019**	**31.12.2019**
Smakeappen AS	0.5	0.0	0.5
Total non-current receivables from related parties	**0.5**	**0.0**	**0.5**

MNOK **Current debt to related parties**	**30.06.2020**	**30.06.2019**	**31.12.2019**
Tiffon SA	1.5	5.0	4.4
Hoff SA	2.7	1.4	0.5
Total current debt to related parties	**4.2**	**6.4**	**4.9**

NOTE 10 FINANCIAL INSTRUMENTS

MNOK	Financial instruments at fair value through profit and loss	Financial instruments at amortized cost	Financial instruments at fair value through OCI	Total book value at end of period
Assets				
Other investments in shares	0.0	0.0	0.3	**0.3**
Other long term receivables	0.0	0.5	0.0	**0.5**
Accounts receivables	0.0	1 047.4	0.0	**1 047.4**
Other receivables[1)]	0.1	62.5	0.0	**62.6**
Cash and cash equivalents	0.0	675.1	0.0	**675.1**
Total financial assets as of second quarter 2020	**0.1**	**1 785.5**	**0.3**	**1 785.9**
Total financial assets as of second quarter 2019	**0.0**	**1 245.3**	**0.0**	**1 245.3**
Liabilities				
Liabilities to financial institutions	0.0	775.5	0.0	**775.5**
Leasing commitments	0.0	1 275.4	0.0	**1 275.4**
Liabilities at fair value through profit and loss	59.8	0.0	0.0	**59.8**
Other non-current term debt	0.0	0.2	0.0	**0.2**
Accounts payable	0.0	665.4	0.0	**665.4**
Other current debt[2)]	0.0	16.6	0.0	**16.6**
Total financial liabilities as of second quarter 2020	**59.8**	**2 733.1**	**0.0**	**2 792.9**
Total financial liabilities as of second quarter 2019	**68.4**	**2 268.3**	**0.0**	**2 336.7**

[1)] Prepayments are not defined as financial assets according to IFRS, and hence not included in the figures.

[2)] Accrued costs and public taxes are not defined as fincanial liabilities according to IFRS, and hence not included in the figures.

Fair value hierarchy

Assets

MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.0	0.1	0.0	**0.1**
Total financial assets	**0.0**	**0.1**	**0.0**	**0.1**

Liabilities

MNOK	Level 1	Level 2	Level 3	Book Value
Liabilities at fair value through profit and loss	0.0	0.0	59.8	**59.8**
Currency derivates	0.0	0.0	0.0	**0.0**
Total financial liabilities	**0.0**	**0.0**	**59.8**	**59.8**

There has not been any transfers of financial assets or liabilities between levels during the period.

Changes financial liabilities, level 3

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Financial liabilities, level 3, at beginning of period	59.6	69.8	69.3	74.2	74.2
Fair value at the first time of recognition	0.0	0.0	0.0	0.0	0.0
Paid during the period	-2.1	0.0	-2.1	0.0	0.0
Changes in value during the period	1.6	-1.2	-12.9	-3.2	-3.4
Interest during period	0.1	0.0	0.1	0.1	0.2
Translation differences	0.8	-0.7	5.4	-3.1	-1.7
Financial liabilities, level 3 at end of period	**59.8**	**68.0**	**59.8**	**68.0**	**69.3**

At the end of the period, liabilities measured at fair value, categorized at level 3 in the fair value hierarchy is related to put-options held by non-controlling interests in wine companies in Norway and Sweden. The liabilities for these put-options are estimated on the basis of pricing mechanisms that underlie the shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms share value development measured by EBIT (earnings) until the estimated due date, multiplied by a marketbased multiple. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

NOTE 11 OPTIONS

The Group has an option programme for senior Group Executives and a few other key personell. During Q2, the General Meeting granted 2,508,879 new options in this programme. The table below show outstanding options from 2018, 2019 and 2020.

As of end of Q2 2020, the Group Excecutive Management holds 3,973,286 options. The share options have a vesting period of three years and the options can be exercised during the next two years. The options will expire after five years.

Changes in outstanding options are shown in the table below;

Number of options	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Change in number of options:					
Outstanding options beginning of period	3 095 893	2 050 660	3 095 893	2 417 500	2 417 500
Issued during period	2 508 879	2 195 086	2 508 879	2 195 086	2 195 086
Forfeited during the period	0	0	0	-366 840	-1 516 693
Outstanding options end of period	**5 604 772**	**4 245 746**	**5 604 772**	**4 245 746**	**3 095 893**

Option calculation assumptions:		**Options #2020**	**Options #2019**	**Options #2018**
Grant date		June 10th 2020	April 11th 2019	April 11th 2018
Total outstanding options at end of period:		2 508 879	2 033 802	1 062 091
Vesting period - Start		June 2020	April 2019	April 2018
Vesting period - End		June 2023	April 2022	April 2021
Redemption period - Start		June 2023	April 2022	April 2021
Redemption period - End		June 2025	April 2024	April 2023
Share price on the allocation date	NOK	41,00	38,80	43,70
Share price on the balance sheet date	NOK	39,00	39,00	39,00
Redemption price - minimum	NOK	39,02	40,52	45,22
Redemption price - maximum	NOK	123,00	116,40	131,10
Risk-free interest rate	%	0,31 %	0,31 %	0,18 %
Volatility	%	20,0 %	20,0 %	20,0 %
Expected dividend	%	3,9 %	3,9 %	3,9 %

NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Interest income	3.2	4.8	10.2	8.7	22.5
Other financial income	6.5	2.2	43.1	3.2	3.4
Total financial income	**9.7**	**7.1**	**53.2**	**11.8**	**25.9**
Interest cost	-18.6	-27.9	-44.2	-53.7	-94.1
Other financial expenses	-6.9	-2.2	-5.9	-9.9	-17.0
Total financial expenses	**-25.6**	**-30.0**	**-50.1**	**-63.5**	**-111.2**
Net financial profit/loss	**-15.8**	**-23.0**	**3.1**	**-51.7**	**-85.3**

NOTE 13 OTHER EVENTS

Events after the close of Q2 2020

COVID-19

During the first half of 2020, Arcus was affected by the global medical and financial crisis following COVID-19. Arcus experienced the first effects from the COVID-19 in March 2020. Even though Q2 is the first full quarter affected by the COVID-19 the results are better than prognosed in the beginning of the crisis. It is still too early to predict how severely the pandemic will affect the various business areas in a medium- and long-term perspective.

Arcus has made use of certain relief and support measures available from governments in different territories to mitigate the effects of COVID-19. Such measures primarily relate to reduced social security contributions, reimbursement of salaries to employees on sick leave or temporarily laid off and delays in payment terms of taxes and other levies.

In Q2 Arcus successfully increased the overdraft facility with SEB for general corporate purposes with maturity October 2022, see note 8 for further information.

COVID-19 is identified as an impairment indicator for certain cash generating units (CGUs) in Spirits, and management has estimated the recoverable amount and compared this to the carrying amount for the relevant CGUs. There is an increased uncertainty about the future performance due to COVID-19 and which increases the sensitivity of the assumptions applied in the impairment assessment.

Management has based its current estimates of future cash flows on the expectation that the businesses will normalize from COVID-19 around the beginning of 2021 and the discount rates are based on an expected stabilization of volatility, risk premiums and interest rates at levels prior to the COVID-19 outbreak. However, management believes it is still too early to predict the full impact that COVID-19 will have on the business and financial markets as the situation is still developing and hence there is a high degree of uncertainty associated with these assumptions.

Based on the impairment tests performed, no impairment is identified in the first half of 2020. Depending on the duration of the COVID-19, and to what extent the business is affected in the medium to long term perspective, it may have an impact on assumptions applied for calculating the recoverable amount for fixed and intangible assets, including goodwill.

During the first half year of 2020 Arcus has been following potential credit loss cases closely and have to some extent also reassessed the loss rates to be applied when estimating provisions for expected credit loss.

Arcus does not expect losses on trade receivables to increase significantly.

Possible merger between Vectura and Cuveco
An agreement on the possible merger between Vectura and Cuveco has not yet been reached at the end of Q2 2020.

Arbitration tribunal regarding breach of competion clause

At the Stockholm Chamber of Commerce, an arbitration tribunal has ruled that former employee Stefan Stjärnström breached the competition clause in his employment contract with Vinunic. Stjärnström will have to repay his severance pay, in addition to Vinunic's legal fees and own costs (see "Other information" for background and further information). The repayment is not material in accounting terms and will be accounted for during Q3 2020.

Other

No other significant events have occurred between the close of Q2 and the date on which Arcus's interim financial statements for Q2 2020 were approved. This applies to events that would have provided knowledge of factors present at the close of Q2 2020, or events concerning matters that have arisen since the close of Q2 2020.

Alternative Performance Measures (APM)

In the discussion of the reported operating results, financial position, cash flows and notes, the Group refers to certain alternative performance measures (APM), which are not defined by generally accepted accounting principles (GAAP) such as IFRS.

Arcus ASA management makes regular use of these alternative performance measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Gross Profit

Gross profit is defined by Arcus ASA as total operating revenue minus the cost of goods sold.

Gross margin = Gross profit / Total revenue

Group

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	767.2	698.0	1 378.3	1 250.1	2 762.8
Cost of goods	-450.4	-417.4	-800.0	-731.9	-1 601.1
Gross Profit	**316.8**	**280.6**	**578.3**	**518.2**	**1 161.7**

Spirits

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	237.3	214.4	437.0	389.7	975.6
Cost of goods	-124.5	-108.8	-224.6	-190.6	-491.3
Gross Profit	**112.8**	**105.6**	**212.4**	**199.1**	**484.3**

Wine

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	497.4	430.6	874.8	771.7	1 603.4
Cost of goods	-379.7	-333.5	-668.3	-596.0	-1 238.3
Gross Profit	**117.8**	**97.1**	**206.5**	**175.7**	**365.1**

Logistics

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	90.5	81.7	168.1	150.2	328.1
Cost of goods	0.0	0.0	0.0	0.0	0.0
Gross Profit	**90.5**	**81.7**	**168.1**	**150.2**	**328.1**

Other income and expenses

To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also detailed specifications of what these items include in note 3 relating to the individual line items.

EBITDA and EBITDA Adjusted

EBITDA is defined by Arcus ASA as operating profit before depreciation, write down and amortisation.

EBITDA adjusted is defined by Arcus ASA as operating profit before depreciation, amortisation and other income and expenses.

EBITDA-margin = EBITDA/Total operating revenue

EBITDA-margin adjusted = EBITDA adjusted /Total operating revenue

Below is a reconciliation from EBIT to EBITDA adjusted:

Group

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	**2020**	**2019**	**2020**	**2019**	**2019**
EBIT	**69.5**	**44.7**	**104.9**	**62.4**	**257.8**
Depreciation, amortisations and write downs	31.5	26.5	62.9	53.2	119.6
EBITDA	**101.0**	**71.1**	**167.7**	**115.7**	**377.3**
Other income and expenses	18.3	11.5	18.2	13.0	19.7
EBITDA adjusted	**119.3**	**82.6**	**185.9**	**128.7**	**397.1**

Spirits

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	**2020**	**2019**	**2020**	**2019**	**2019**
EBIT	**22.8**	**14.0**	**35.0**	**17.6**	**121.6**
Depreciation, amortisations and write downs	6.3	6.3	12.6	12.5	25.3
EBITDA	**29.1**	**20.3**	**47.6**	**30.1**	**146.9**
Other income and expenses	1.4	0.8	1.7	1.0	2.0
EBITDA adjusted	**30.5**	**21.1**	**49.3**	**31.1**	**148.9**

Wine

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	**2020**	**2019**	**2020**	**2019**	**2019**
EBIT	**60.5**	**36.1**	**94.8**	**62.1**	**158.0**
Depreciation, amortisations and write downs	2.1	0.7	4.1	1.5	3.1
EBITDA	**62.6**	**36.8**	**98.9**	**63.6**	**161.1**
Other income and expenses	4.0	6.7	4.3	7.2	8.8
EBITDA adjusted	**66.6**	**43.5**	**103.3**	**70.7**	**169.9**

Logistics

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	**2020**	**2019**	**2020**	**2019**	**2019**
EBIT	**1.9**	**-1.9**	**-2.8**	**-6.9**	**2.4**
Depreciation, amortisations and write downs	3.0	2.7	5.9	5.5	11.5
EBITDA	**4.9**	**0.8**	**3.2**	**-1.4**	**13.8**
Other income and expenses	0.0	1.3	0.0	1.2	1.6
EBITDA adjusted	**4.9**	**2.1**	**3.2**	**-0.2**	**15.4**

Parent Company

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	**2020**	**2019**	**2020**	**2019**	**2019**
EBIT	**-20.9**	**-11.4**	**-32.4**	**-26.3**	**-43.1**
Depreciation, amortisations and write downs	1.4	1.6	2.7	3.1	6.0
EBITDA	**-19.5**	**-9.9**	**-29.7**	**-23.2**	**-37.1**
Other income and expenses	12.8	2.6	12.1	3.7	7.3
EBITDA adjusted	**-6.7**	**-7.3**	**-17.6**	**-19.5**	**-29.8**

Other definitions alternative performance measures shown in key figures table:

Equity ratio
Equity ratio = Total equity/Total equity and liabilities

Net interest bearing debt
Net interest bearing debt = Liabilities to financial institutions + lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Second quarter		Full Year
Net interest bearing debt	**30.06.2020**	**30.06.2019**	**31.12.2019**
Non-current liabilities to financial institutions	775.5	684.5	703.8
Book value of Capitalized arrangement fees	4.8	3.9	3.1
Non-current lease liabilities	1 203.4	1 016.5	1 151.0
Current lease liabilities	71.9	48.8	154.2
Cash and cash equivalents	-675.1	-98.5	-205.0
Net interest bearing debt	**1 380.6**	**1 835.5**	**1 807.1**

Organic growth

Organic revenue growth represents the Segment's and the Group's revenues, adjusted for currency effects and structural changes, such as acquisitions or divestitures.

Group

MNOK	Second quarter		Year to date	
Total revenues	**2020**	**2019**	**2020**	**2019**
Reported total operating revenues	767.2	698.0	1 378.3	1 250.1
Currency effects	0.0	53.4	0.0	66.9
Structural changes	-6.6	0.0	-9.5	0.0
Baseline organic growth	**760.6**	**751.4**	**1 368.8**	**1 317.0**
Growth	9.9 %		10.3 %	
Organic Growth	1.2 %		3.9 %	

Spirits

MNOK	Second quarter		Year to date	
Total revenues	**2020**	**2019**	**2020**	**2019**
Reported total operating revenues	237.3	214.4	437.0	389.7
Currency effects	0.0	12.5	0.0	16.4
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	**237.3**	**226.9**	**437.0**	**406.2**
Growth	10.7 %		12.1 %	
Organic Growth	4.6 %		7.6 %	

Wine

MNOK	Second quarter		Year to date	
Total revenues	**2020**	**2019**	**2020**	**2019**
Reported total operating revenues	497.4	430.6	874.8	771.7
Currency effects	0.0	39.7	0.0	49.0
Structural changes	-6.6	0.0	-9.5	0.0
Baseline organic growth	**490.8**	**470.3**	**865.3**	**820.7**
Growth	15.5 %		13.4 %	
Organic Growth	4.4 %		5.4 %	

Logistics

MNOK	Second quarter		Year to date	
Total revenues	**2020**	**2019**	**2020**	**2019**
Reported total operating revenues	90.5	81.7	168.1	150.2
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	**90.5**	**81.7**	**168.1**	**150.2**
Growth	10.8 %		11.9 %	
Organic Growth	10.8 %		11.9 %	

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ANNUAL REPORT
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Arcus ASA

INSTAGRAM
Destilleriveien
ArcusGruppen

FACEBOOK:
ArcusGruppen

Appendix G

Audited interim balance sheet as of 31 August 2020 for the Acquiring Company

Income statement 31.08.2020
Arcus Newco AS

NOK

Operating revenues and expenses	31.08.2020
Other operating expenses	5 570
Total operating expenses	**5 570**
Operating profit	**-5 570**
Profit before tax	**-5 570**
Tax	-1 225
Profit for the year	**-4 345**
Transfers	
Transferred from/to other equityy	-4 345
Total transfers	**-4 345**

Balance sheet 31.08.2020
Arcus Newco AS

NOK

Assets	Note	31.08.2020
Fixed Assets		
Deferred tax asset		1 225
Total itangible assets		**1 225**
Current assets		
Receivables		
Other short term receivables		24 430
Total receivables		**24 430**
Total Assets		**25 655**

Balance sheet 31.08.2020
Arcus Newco AS

NOK

Equity and Liabilities	Note	2019
Paid-in Equity		
Sharecapital		30 000
Total paid-in equity		**30 000**
Retained earnings		
Other equity		-4 345
Total retained earnings		**-4 345**
Total equity		**25 655**
Total Equity and Liabilities		**25 655**

Gjelleråsen, 28. September 2020

Kenneth Hamnes
Chairman of the Board

Arcus Newco AS

Notes to the accounts

Note 1 Accounting principles

The accounting statements is made as basis for preparation for a demerger of Arcus ASA dated 31.08.2020. The company has changed its name to Arcus Newco AS, through a board resolution dated 03.09.2020.This was registerred in Brønnøysundregisteret on September 24th 2020.

The accounts have been prepared in accordance with the Norwegian Accounting Act of 1998 and generally accepted accounting policies for small businesses.

The company was established at 01.07.2020, and have its main office at Gjelleråsen in Nittedal municipality.

Main rule for assessment and classification of assets and liabilities
Assets intended for permanent ownership or use are classified as fixed assets. Other assets are classified as current assets.

Fixed assets are valued at acquisition cost, but are written down to fair value when the fall in value is not expected to be temporary. Fixed assets with a limited economic life are depreciated according to plan.

Current assets are valued at the lower of acquisition cost and fair value. Short-term and long-term debt are capitalized at the nominal amount received at the time of establishment.

Accounts receivable
Accounts receivable and other receivables are entered at face value after deduction of provisions for expected losses. Provisions for losses are made on the basis of an individual assessment of the individual receivables.

Taxes
The tax cost is compared with the accounting result before tax. The tax expense consists of tax payable (tax on the year's direct taxable income) and changes in net deferred tax. Deferred tax is calculated on the basis of the temporary differences that exist between accounting and tax values, as well as tax losses carried forward at the end of the financial year. Deferred tax and deferred tax assets are presented net in the balance sheet. Only tax benefits that can be probable utilized through future taxable income are capitalized.

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Statsautoriserte revisorer
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INDEPENDENT AUDITOR'S REPORT

To the Annual General Meeting in Arcus Newco AS

Auditor's report on interim balance sheet

Opinion

We have audited the accompanying interim balance sheet of Arcus Newco AS as at August 31st 2020, showing an equity of NOK 25 655. The interim balance sheet comprises the balance sheet and notes to the interim balance sheet. The interim balance sheet is prepared by the Board by applying the accounting principles described in note 1 to the interim balance sheet.
In our opinion, the interim balance sheet presents fairly, in all material respects, the financial position of the Company as at August 31st 2020, in accordance with accounting principles described in note 1 to the interim balance sheet.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the interim balance sheet* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the interim balance sheet in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have fulfilled our 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.

Basis for the interim balance sheet and limited distribution

We draw attention to note 1 to the interim balance sheet, describing the basis for the preparation. As the interim balance sheet has been prepared to enable Arcus Newco AS to carry out the demerger plan and a triangular merger plan for the company in accordance with Public Limited Liability Companies Act § 14-4 (3) and Public Limited Liability Companies Act § 13-8 (3), it is not considered suitable for other purposes.

Management's responsibility for the interim balance sheet

Management the Board is responsible for the preparation of this interim balance sheet as described in note 1 and for such internal control as management determines is necessary to enable the preparation of the interim balance sheet that is free from material misstatement, whether due to fraud or error.

In preparing the interim balance sheet, 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, 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 interim balance sheet

Our objectives are to obtain reasonable assurance about whether the interim balance sheet is 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 law, regulations and generally accepted auditing principles in Norway, including International Standards on Auditing (ISAs) 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 this interim balance sheet.

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

- identify and assess the risks of material misstatement of the interim balance sheet, 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 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 interim balance sheet 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 content of the interim balance sheet, including disclosures, and whether the interim balance sheet represents the underlying transactions and events in a manner that achieves fair presentation.

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.

Oslo, 28.09.2020
ERNST & YOUNG AS

Trond Stian Nytveit
State Authorized Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)

Appendix H

Draft balance sheet showing allocation of the Transferring Company's balance sheet as of 31 August 2020 upon the Transferring Company and the Acquiring Company

Statement of Financial Position

ASSETS
1 000 NOK

	31 August 2020 (reported)	Capital decrease/ Bonus issue	Draft balance sheet Arcus ASA after bonus issue, but before demerger	Demerged	Draft opening balance sheet Arcus NewCo AS	Draft demerger balance sheet Arcus ASA
Fixed Assets						
Intangible Assets						
Deferred tax asset	91 463		91 463	-90 841	90 841	622
Total intangible assets	**91 463**	**0**	**91 463**	**-90 841**	**90 841**	**622**
Financial assets						
Investment in subsidiary	1 189 365		1 189 365	-1 189 365	1 189 365	0
Total financial assets	**1 189 365**	**0**	**1 189 365**	**-1 189 365**	**1 189 365**	**0**
Total fixed assets	**1 280 828**	**0**	**1 280 828**	**-1 280 206**	**1 280 206**	**622**
Current assets						
Receivables						
Group contributions from Group companies	102 191		102 191	0	0	102 191
Current receivables from Group companies	254 602		254 602	20 000	0	274 602
Tax Receivable	803		803	0	0	803
Other receivables	51		51	0	0	51
Total receivables	**357 647**	**0**	**357 647**	**20 000**	**0**	**377 647**
Cash and cash equivalents	103 373		103 373	-103 373	103 373	0
Total current assets	**461 020**	**0**	**461 020**	**-83 373**	**103 373**	**377 647**
TOTAL ASSETS	**1 741 849**	**0**	**1 741 849**	**-1 363 579**	**1 383 579**	**378 269**

EQUITY AND LIABILITIES

1 000 NOK

	31 August 2020 (reported)	Capital decrease/ Bonus issue	Draft balance sheet Arcus ASA after bonus issue, but before demerger	Demerged	Draft opening balance sheet Arcus NewCo AS	Draft demerger balance sheet Arcus ASA
Equity						
Paid-in equity						
Share capital	1 360	338 756	340 116	-337 803	337 803	2 313
Share premium	719 280	-509 930	209 350	-209 350	209 350	0,0
Total paid-in equity	**720 641**	**-171 174**	**549 466**	**-547 153**	**547 153**	**2 313**
Retained earnings						
Sharebased equity fund	7 167	0	7 167	0	0	7 167
Estimate deviations, pensions	-123	0	-123	0	0	-123
Own shares owned	-575	0	-575	0	0	-575
Other equity	-161 055	171 174	10 120	0	0	10 120
Total retained earnings	**-154 585**	**171 174**	**16 589**	**0**	**0**	**16 589**
Total equity	**566 056**	**0**	**566 056**	**-547 153**	**547 153**	**18 902**
Liabilities						
Provisions						
Pension obligations	1 702		1 702	0	0	1 702
Total provisions	**1 702**	**0**	**1 702**	**0**	**0**	**1 702**
Other non-current liabilities						
Debt to financial institutions	-2 206		-2 206	2 206	-2 206	0
Total other non-current liabilities	**-2 206**	**0**	**-2 206**	**2 206**	**-2 206**	**0**
Current liabilities						
Trade payables	32		32	0	0	32
Trade payables to Group companies	171		171	0	0	171
Other current liabilities	7 254		7 254	0	0	7 254
Other current liabilities payable to Group companies	0		0	0	20 000	0
Intragroup balance in Group cash pool system	1 168 840		1 168 840	-818 632	818 632	350 208
Total current liabilities	**1 176 297**	**0**	**1 176 297**	**-818 632**	**838 632**	**357 665**
Total liabilities	**1 175 793**	**0**	**1 175 793**	**-816 426**	**836 426**	**359 367**
TOTAL EQUITY AND LIABILITIES	**1 741 849**	**0**	**1 741 849**	**-1 363 579**	**1 383 579**	**378 269**

Appendix I

Expert statement prepared by KWC AS for the Transferring Company, cf. section 14-4 cf. section 13-10 of the Norwegian Public Limited Liability Companies Act

To the general meeting of Arcus ASA

Report on demerger (the consideration) in Arcus ASA

Introduction

As independent expert and on instructions from the Board of Directors in Arcus ASA, I report in accordance with the Norwegian Public Limited Liability Companies Act section 13-10. This report concerns the 29 September 2020 demerger plan in respect of Arcus ASA. By way of this demerger, all assets and liabilities set out in the demerger plan will be transferred to Arcus ASA and Arcus Newco AS.

The Board of Directors' responsibility

The board of directors in Arcus ASA is responsible for the information on which this report is based, and on the valuations on which the consideration is based.

The independent expert's responsibility

My responsibility is to prepare a report regarding determination of the consideration.

The remaining report is divided into two parts. The first part is a description of the methods applied in determining the consideration to be received by the shareholders in the transferring company (i.e. Arcus ASA). The second part is my opinion on the consideration.

Part 1: Methods applied in determining the consideration

The consideration to be received by the Arcus ASA shareholders is based on fair market values of assets and liabilities in Arcus ASA. The demerger of Arcus ASA is based on the Norwegian Tax Act section 11-8, whereby the company's nominal and paid in share capital, including share premium, shall be allocated to the transferees in the same proportion as the net asset values of Arcus ASA.

Arcus ASA is listed at the Oslo Stock Exchange. As of the demerger, the post-demerger assets and liabilities in Arcus ASA is valued at NOK 18.9 million. This amount mainly consists of monetary items valued at their nominal book values. The aggregate market capitalization of Arcus as of 31 August 2020 amounted to NOK 2,789. The market capitalization less the net assets remaining in Arcus ASA as of 31 August 2020 amounted to 2,760 million. The share price of Arcus ASA has also served as a point reference for the valuation underlying the merger agreement between Arcus ASA and Altia Plc. This agreement has been entered into between independent parties. Listed share price is considered a reasonable basis for determining the fair market value of the net assets transferred to Arcus Newco AS by way of the demerger.

The parties to the demerger agree that the fair market value of the assets and liabilities transferred to Arcus Newco AS constitutes 99.32% of the pre demerger fair market value of Arcus ASA.

As consideration for the demerger, the shareholders of Arcus ASA receive 68,023,255 newly issued shares in the transferee Arcus Newco AS, with a NOK 4.966 nominal amount per share. The amount in excess of the aggregate nominal amount is provided based on accounting continuity.

The consideration shares in Arcus Newco AS constitutes the entire consideration in respect of the demerger. The demerger is executed at full shareholder continuity.

No particular issues have been raised in connection with determination of the consideration amount.

Part 2: The independent expert's report

I have conducted my review and issue my statement in accordance with the Norwegian standard SA 3802-1 "The auditor's statements and reports pursuant to Norwegian company legislation". The standard requires that I plan and perform my review to obtain reasonable assurance that the value of the assets and liabilities to be transferred to the company at least corresponds to the value of the consideration, and to be able to report on the consideration to the shareholders of Arcus ASA. My review includes verification of the valuation of the contribution and the consideration, including the valuation principles as well as existence and belonging. Also, I have assessed the valuation methods that have been applied and the assumptions on which the valuation is based.

I believe that the audit evidence I have obtained is sufficient and appropriate to constitute a basis for my opinion.

Conclusion

In my opinion, the consideration to the Arcus ASA shareholders of 1 share in Arcus Newco AS per Arcus share is reasonable and fair based on the valuation of the companies as described above.

Oslo, 29 September 2020

____

Simen B. Weiby
State Authorized Public Accountant (Norway)

The translation to English has been prepared for information purposes only.

Appendix J

Expert Statement prepared by KWC AS for the Acquiring Company, cf. section 14-4 cf. section 13-10 of the Norwegian Public Limited Liability Companies Act

To the general meeting of Arcus Newco AS

Report on demerger plan in Arcus Newco AS

Introduction

As independent expert and on instructions from the Board of Directors in Arcus Newco AS, I report in accordance with the Norwegian Public Limited Liability Companies Act section 14-4, cf. section 13-10. This report concerns the 29 September 2020 demerger plan for Arcus Newco AS and Arcus ASA. As of the demerger, Arcus Newco AS receives all assets and liabilities as set out in the demerger plan of Arcus ASA, against receipt of consideration shares in Arcus Newco AS.

The Board of Directors' responsibility

The board of directors in each of the companies are responsible for the information and the valuations on which the consideration is based.

The independent expert's responsibility

My responsibility is to prepare a report regarding the demerger plan and to report on determination of the consideration.

The remaining report is divided into three parts. The first part is a presentation of facts and circumstances in accordance with the requirements set out in the Norwegian Public Limited Liability Companies Act section 13-10 and section 2-6, first clause numbers 1 – 4. The second part sets out the methods applied in determining the consideration to the shareholders in the transferring company. The third part is my opinion report.

Part 1: Information about the contribution

The assets to be received by the company as part of the demerger includes the following:

- 100% of the shares in Arcus Gruppen AS
- 100% of the shares in Vectura AS

- Bank balances of an aggregate amount of NOK 103,373 thousand, valued at their respective nominal book values
- Receivable against credit institution amounting to NOK 2,206 thousand
- Demerger liability against Arcus ASA of NOK 20,000 thousand
- Intra group debt related to the group account scheme of NOK 818,632 thousand, valued the nominal book value
- Deferred tax asset booked at NOK 90,841 thousand, related to tax loss carryforward and accrued tax loss carryforward as of 31 August 2020

The distribution of book value between Arcus Newco AS and Arcus ASA is set out in separate allocating balance sheets as of 31 August 2020.

Part 2: Method applied in determining the consideration

Arcus ASA is listed at the Oslo Stock Exchange. AS of the demerger, the remaining assets and liabilities in Arcus ASA is valued at NOK 18.9 million. This mainly consists of monetary items valued at their respective nominal amounts. The market capitalization of Arcus ASA as of 31 August 2020 was NOK 2,789 million. The market capitalization less the net assets remaining in Arcus ASA amounts to NOK 2,760 million. The share price of Arcus ASA has also served as a reference point in the merger negotiations between Arcus ASA and Altia Plc. These merger agreements have been between independent parties. The listed share price is deemed a reasonable method in determining the fair market value of the net assets transferred to Arcus Newco AS by way of the demerger.

The parties have agreed that the fair market value of the assets and liabilities that are demerged to Arcus Newco AS constitutes 99.32% of the pre demerger market capitalization of Arcus ASA.

In preparation of the demerger, a share capital reduction shall be implemented in Arcus Newco AS, whereby the share capital is reduced by NOK 30,000 to 0, by way of redemption of all outstanding shares in the company.

As consideration in the demerger, the shareholders of Arcus ASA receive 68,023,255 newly issued shares in the transferee Arcus Newco AS, each with a nominal amount of NOK 4.966 per share. The amount in excess of the aggregate nominal amount is provided for based on accounting continuity.

The consideration shares in Arcus Newco AS constitutes the entire consideration in respect of the demerger. The demerger is executed at full shareholder continuity.

No particular issues have been raised in connection with determination of the consideration amount.

Part 3: The independent expert's report

I have conducted my review and issue my statement in accordance with the Norwegian standard SA 3802-1 "The auditor's statements and reports pursuant to Norwegian company legislation". The standard requires that I plan and perform my review to obtain reasonable assurance that the assets and liabilities that are transferred to the company have a value at least corresponding to the agreed consideration, and to be able to report on the consideration received by the shareholders in Arcus ASA. My review includes verification of the valuation of the contribution and the consideration, including the valuation principles as well as existence and belonging. Also, I have assessed the valuation methods that have been applied and the assumptions on which the valuation is based.

I believe that the audit evidence I have obtained is sufficient and appropriate to constitute a basis for my opinion.

Conclusion

In my opinion, the assets transferred to the company by way of the demerger has a value at least corresponding to the agreed consideration shares in Arcus Newco AS with a nominal amount of NOK 337,803,484.33, including share premium of NOK 209,349,928.15, and the basis for the consideration to the shareholders in Arcus ASA of 1 share in Arcus Newco AS for each share in Arcus ASA, reasonable and fair based on the valuation of the companies as described above.

Oslo, 29 September 2020

Simen B. Weiby
State Authorized Public Accountant (Norway)

The translation to English has been prepared for information purposes only.

Appendix K

Report on the Demerger from the board of directors of the Transferring Company and the Acquiring Company

RAPPORT OM FISJON AV ARCUS ASA

MED ARCUS NEWCO AS

SOM OVERTAKENDE SELSKAP

1. INNLEDNING

Styrene i hver av Arcus ASA og Arcus NewCo AS har vedtatt en felles fisjonsplan for en fisjon av Arcus ASA, org. nr. 987 470 569, som overdragende selskap ("**Overdragende Selskap**") og Arcus NewCo AS, org. nr. 925 510 459, som overtakende selskap ("**Overtakende Selskap**").

Denne rapporten datert 29. september 2020 er utarbeidet av styrene i hvert av det Overdragene Selskapet og det Overtakende Selskapet i henhold til allmennaksjeloven § 14-4 (3) jfr. § 13-9. Rapporten gir en oversikt hva fisjonen vil bety for selskapene.

Fisjonen vil innebære at nærmere angitte eiendeler, rettigheter og forpliktelser som en helhet vil bli overført til det Overtakende Selskapet og at aksjekapitalen i det Overdragende Selskapet vil bli nedsatt. Som fisjonsvederlag vil aksjonærene i det Overdragende Selskapet på tidspunktet for gjennomføringen av fisjonen motta aksjer i det Overtakende Selskapet gjennom en kapitalforhøyelse i dette selskapet.

Det Overtakende Selskapet er et nystiftet selskap og vil forut for fisjonen ikke ha noen egen virksomhet.

Fisjonen vil bli gjennomført i henhold til reglene i allmennaksjeloven kapittel 14.

2. DEN UTFISJONERTE VIRKSOMHETEN

Med enkelte unntak som nærmere beskrevet i fisjonsplanen, omfatter den utfisjonerte virksomheten alle eiendeler, rettigheter og forpliktelser i det Overdragende Selskap.

3. BEGRUNNELSE FOR FISJONEN

Fisjonen gjennomføres som et ledd i å danne en ny juridisk struktur i Arcus-konsernet hvor den utfisjonerte virksomheten skal legges i et nystiftet datterselskap av det Overdragende Selskapet,

REPORT ON DEMERGER OF ARCUS ASA

WITH ARCUS NEWCO AS

ACQUIRING COMPANY

1. INTRODUCTION

The board of directors of each of Arcus ASA and Arcus NewCo AS has approved a joint de-merger plan for demerger of Arcus ASA, business reg. no. 987 470 569, as transferring company (the "**Transferring Company**") and Arcus NewCo AS, business reg. no. 925 510 459, as acquiring company (the "**Acquiring Company**").

This report dated 29 September 2020 is prepared by the board of directors in each of the Transferring Company and the Acquiring Company in accordance with section 14-4 (3) cf. 13-9 of the Norwegian Public Limited Liability Companies Act. The report provides an overview of what the demerger will entail for the companies.

The demerger will entail that further specified assets, rights and commitments will be transferred as a whole to the Acquiring Company and that the share capital in the Transferring Company will be reduced. As consideration for the demerger, the shareholders of the Transferring Company will at the time of completion of the demerger receive shares in the Acquiring Company by way of a share capital increase in this company.

The Acquiring Company is a newly incorporated company and will prior to the demerger not have any own business.

The demerger will be completed in accordance with the rules in chapter 14 of the Norwegian Public Limited Liability Companies Act.

2. THE DEMERGED BUSINESS

With certain exceptions as further described in the demerger plan, the demerged business comprises all assets, rights and liabilities in the Transferring Company.

3. REASONS FOR THE DEMERGER

The demerger will be carried out in order to establish a new legal structure in the Arcus group where the demerged business will be placed in a newly established subsidiary company of the

Arcus Holding AS, org. nr. 925 510 440. Simultant med fisjonen vil det Overtakende Selskapet derfor fusjoneres inn i Arcus Holding AS mot vederlag i form av en økning av pålydende på aksjene i det Overdragende Selskapet ("**Fusjonen**").

Transferring Company, Arcus Holding AS, business reg. no. 925 510 440. Simultaneously with the demerger, the Acquiring Company will therefore be merged with Arcus Holding AS against consideration by way of an increase of the nominal value of the shares in the Transferring Company (the **"Merger"**).

Styrene anbefaler på denne bakgrunn aksjonærene å stemme for fisjonen.

The board thus proposes that the shareholders approve the demerger

4. FISJONSVEDERLAG - DELINGSFORHOLD

Aksjonærene i det Overdragende Selskapet på tidspunktet for gjennomføring av fisjonen vil motta til sammen 68 023 255 aksjer i det Overtakende Selskapet, hver pålydende NOK 4,966, som fisjonsvederlag. Vederlagsaksjene vil bli fordelt blant aksjonærene i det Overdragende Selskapet i forhold til hvor mange aksjer de eide i det Overdragende Selskapet på tidspunktet for gjennomføring av fisjonen.

Vederlagsaksjene vil være ordinære aksjer i det Overtakende Selskapet. Eksisterende aksjer i det Overtakende Selskapet vil innløses ved gjennomføringen av fisjonen. Vederlagsaksjene vil derfor utgjøre samtlige aksjer i det Overtakende Selskapet etter gjennomføringen av fisjonen.

Fisjonen bygger på et delingsforhold på 0,68 % og 99,32 % på henholdsvis det Overdragende Selskap og det Overtakende Selskapet. Dette delingsforholdet er blitt fastsatt av styrene i selskapene som deltar i fisjonen på basis av hva styrene anser å være den reelle verdien av henholdsvis den gjenværende og den utfisjonerte virksomheten. I henhold til skatterettslige regler vil Overdragende Selskaps nominelle og innbetalte aksjekapital bli fordelt mellom selskapene i henhold til dette delingsforholdet. Overtakende Selskap er ikke tillagt noen verdi da dets aksjekapital i sin helhet vil bli innløst i forbindelse med gjennomføringen av fisjonen.

Det har ikke vært særlige vanskeligheter ved fastsettelsen av fisjonsvederlaget og delingsforholdet.

4. DEMERGER CONSIDERATION – ALLOCATION RATIO

The shareholders in the Transferring Company as of the date of completion of the demerger will receive in aggregate 68,023,255 new shares in the Acquiring Company, each with a nominal value of NOK 4.966, as demerger consideration. The consideration shares will be allocated among the shareholders in the Transferring Company in proportion to the number of shares held in the Transferring Company as of the time of completion of the demerger.

The consideration shares will be ordinary shares in the Acquiring Company. Existing shares in the Acquiring Company will be redeemed upon completion of the demerger. Consequently, the consideration shares will constitute all shares in the Acquiring Company following completion of the demerger.

The demerger is based on an allocation ratio of 0.68% and 99.32% between the Transferring Company and the Acquiring Company, respectively. This allocation ratio has been determined by the board of directors of the companies participating in the merger on the basis of what the boards consider to be the real value of the remaining and demerged business, respectively. In accordance with applicable tax law, the nominal value and paid-in share capital of the Transferring Company will be allocated between the companies pursuant to this allocation ratio. The Acquiring Company has not been attributed any value, as its share capital will be redeemed in connection with the completion of the demerger.

There have not been any specific difficulties when determining the demerger consideration and allocation ratio.

5. BETINGELSER FOR GJENNOMFØRING AV FISJONEN

Gjennomføringen av fisjonen er betinget av en fondsemisjon ved økning av pålydende på aksjene i det Overdragende Selskapet, at fisjonen godkjennes med det nødvendige flertall av generalforsamlingene i hvert av det Overdragende Selskapet og det Overtakende Selskapet, samt at det ikke fremsettes innsigelser fra selskapenes kreditorer eller at eventuelle innsigelser er avklart.

Det er videre en betingelse for fisjonen at Fusjonen godkjennes med det nødvendige flertall av generalforsamlingene i det Overdragende Selskapet, det Overtakende Selskapet og Arcus Holding AS (overtakende selskap i Fusjonen), at det ikke fremsettes innsigelser fra selskapenes kreditorer eller at eventuelle innsigelser er avklart, og at alle vilkår for gjennomføring av Fusjonen for øvrig er oppfylt eller frafalt (om vilkåret kan frafalles).

5. CONDITIONS FOR COMPLETION OF THE DEMERGER

Completion of the demerger is conditional upon a bonus issue by increase of the nominal value of the shares in the Transferring Company, the demerger being approved by the required majority of the general meetings in each of the Transferring Company and the Acquiring Company, as well as no objections being made by the companies' creditors or that such objections have been settled.

The completion of the demerger is also conditional upon the Merger being approved by the required majority by the general meetings in the Transferring Company, the Acquiring Company, and Arcus Holding AS (the acquiring company in the Merger), as well as no objections being made by the companies' creditors or that such objections have been settled, and that all conditions for completion of the Merger is otherwise satisfied or waived (if the condition is capable of waiver).

6. PROSESS FOR GJENNOMFØRING AV FISJONEN

Fisjonen vil bli behandlet på ekstraordinære generalforsamlinger i det Overdragende Selskapet og det Overtakende Selskapet innen utløpet av november 2020. For at fisjonsplanen skal godkjennes må den vedtas med minst to tredeler av de avgitte stemmer og den representerte kapital på disse generalforsamlingene.

Etter at fisjonsplanen er godkjent av generalforsamlingene vil fisjonsbeslutningen bli meldt til Foretaksregisteret.

Foretaksregisteret vil deretter kunngjøre fisjonsbeslutningen og varsle selskapenes kreditorer om at innsigelse mot fisjonen må meldes innen seks uker fra kunngjøringen i Brønnøysundregistrenes elektroniske kunngjøringspublikasjon. I denne seks ukers kreditorvarselperioden vil selskapenes kreditorer kunne komme med innsigelser mot fisjonen.

Etter utløpet av kreditorvarslingsperioden vil gjennomføringen av fisjonen bli meldt til Foretaksregisteret forutsatt at betingelsene for gjennomføring oppfylt. Gjennomføringen er

6. PROCESS FOR COMPLETION OF THE DEMERGER

The demerger will be considered at the extraordinary general meetings of the Transferring Company and the Acquiring Company on by the end of November 2020. Approval of the demerger plan requires at least two-thirds of the votes cast and the represented share capital at the general meetings.

Subsequent to the general meetings' approval of the demerger plan, the demerger resolution will be filed with the Norwegian Register of Business Enterprises.

The Norwegian Register of Business Enterprises will thereafter announce the demerger resolution and notify the companies' creditors that objections against the demerger must be reported within six weeks from the announcement in the Norwegian Register of Business Enterprises' electronic announcement system. During this six weeks' creditor notice period, the companies' creditors may set forth objections against the demerger.

Following the expiry of the creditor notice period, the completion of the demerger will be filed with the Norwegian Register of Business Enterprises subject to satisfaction of the conditions for anslått å ville finne sted rundt midten av januar 2021.

completion. The completion is expected to take place on or about mid-January 2021.

På tidspunktet for registrering av gjennomføring av fisjonen i Foretaksregisteret vil aksjekapitalen i det Overdragende Selskapet bli nedsatt, de utfisjonerte eiendeler, rettigheter og forpliktelser bli overført til det Overtakende Selskapet, den nåværende aksjekapitalen i det Overtakende Selskapet vil bli innløst, kapitalforhøyelsen i det Overtakende Selskapet vil bli gjennomført og aksjonærene i det Overdragende Selskapet vil motta vederlagsaksjer i det Overtakende Selskapet. Det Overtakende Selskapet vil deretter fusjoneres inn i Arcus Holding AS og opphøre som et selvstendig rettssubjekt.

At the time of registration of completion of the demerger in the Norwegian Register of Business Enterprises, the share capital of the Transferring Company will be reduced, the demerged assets, rights and liabilities will be transferred to the Acquiring Company, the current share capital of the Transferring Company will be redeemed, the share capital increase in the Acquiring Company will be completed and the shareholders of the Transferring Company will receive consideration shares in the Acquiring Company. The Acquiring Company will then be merged with Arcus Holding AS, and cease to exist as an independent legal entity.

7. KONSEKVENSER FOR DE ANSATTE

Det Overdragende Selskapet har på tidspunktet for fisjonsplanen to ansatte. Det er enighet med de ansatte om at de tilkjennes en valgrett og at de forblir ansatt i det Overdragende Selskapet etter gjennomføringen av fisjonen. Fisjonen vil ikke medføre noen endringer i rettighetene eller pliktene til de ansatte i det Overdragende Selskapet.

Overtakende Selskap har ingen ansatte forut for gjennomføringen av fisjonen.

Fisjonen forventes ikke å føre til vesentlige omlegginger av driften som vil medføre vesentlige endringer eller omdisponeringer for arbeidsstyrken i Overdragende Selskap.

De ansatte i Overdragende Selskap er blitt informert om fisjonen i overensstemmelse arbeidsmiljølovens regler, annen lovgivning og gjeldende avtaler.

Fisjonen vil ikke påvirke eksisterende ansatterepresentasjon i det Overdragende Selskapets styre eller styrene i dets datterselskaper.

Denne rapporten og fisjonsplanen vil bli gjort tilgjengelig for de ansatte i overensstemmelse med allmennaksjeloven § 14-4 (3) jfr. 13-11 (2). De ansatte i det Overdragende Selskapet har rett til å uttale seg om fisjonsplanen i henhold til reglene i allmennaksjeloven § 14-4 (3) jfr.§ 13-11 (4).

7. CONSEQUENCES FOR THE EMPLOYEES

As of the time of the demerger plan, the Transferring Company has two employees. There is an agreeance with the employees that they are provided with a right to decide and that they remain employed with the Transferring Company following completion of the demerger. The demerger will not entail any changes of the rights or obligations of the employees in the Transferring Company.

The Acquiring Company has no employees prior to completion of the demerger.

The demerger is not expected to entail any material changes to the business resulting in material changes or rearrangements for the workforce in the Transferring Company.

The employees of the Transferring Company has been informed about the demerger in accordance with the Norwegian Working Environment Act, other legislation or applicable agreements.

The demerger will not affect existing employee representation in the Transferring Company's board of directors or the board of its subsidiaries.

This report and the demerger plan will be made available to the employees in accordance with the section 14-4 (3), cf. section 13-11 (2) of the Norwegian Public Limited Liability Companies Act. The employees of the Transferring Company have the right to give a statement regarding the demerger plan in accordance with 14-4 (3), cf. section 13-11 (4) of the Norwegian Public Limited

Liability Companies Act.

8. SKATTEMESSIGE KONSEKVENSER

Fisjonen er antatt å oppfylle vilkårene for skattemessig kontinuitet etter norsk rett. Dette innebærer at fisjonen ikke vil utløse beskatning i Norge for det Overdragende Selskapet eller det Overtakende Selskapet.

For norske aksjonærer i det Overdragende Selskapet vil fisjonen således ikke utløse realisasjonsbeskatning. Inngangsverdien på den enkelte aksjonærs aksjer i det Overdragende Selskapet vil bli fordelt på aksjene i det Overdragende Selskapet og det Overtakende Selskapet.

Utenlandske aksjonærer må selv undersøke de skattemessige konsekvensene fisjonen vil ha i deres hjemland.

I tilfelle motstrid mellom den norske teksten og den engelske oversettelsen, skal den norske teksten gjelde.

[signaturside følger]

8. TAX CONSEQUENCES

The demerger is considered to fulfil the conditions for tax continuity pursuant to Norwegian law. This entails that the demerger will not trigger any taxation in Norway for the Transferring Company or the Acquiring Company.

For Norwegian shareholders in the Transferring Company, the demerger will thus not trigger any taxation of capital gains. The cost price of the shareholders' shares in the Transferring Company will be allocated on the shares in the Transferring Company and the Acquiring Company.

Foreign shareholders must independently examine the tax effects of the demerger in their own jurisdictions.

In case of any discrepancies between the Norwegian text and the English translation, the Norwegian text shall prevail.

[signature page follows]

[signaturside for rapport for fisjon av Arcus ASA med Arcus NewCo AS som overtakende selskap / signature page for report on demerger of Arcus ASA with Arcus NewCo AS as acquiring company]

Styret i / the Board of Directors of

Arcus ASA

MICHAEL HOLM JOAHNSEN	LEENA MARIA SAARINEN
Michael Holm Johansen *Styreleder / Chairman*	Leena Maria Saarinen *Styremedlem / Board member*
ANN-BETH NINA JOHANNESEN FREUCHEN	NILS KLOUMANN SELTE
Ann-Beth Nina Johannesen Freuchen *Styremedlem / Board member*	Nils Kloumann Selte *Styremedlem / Board member*
CARL ERIK HAGEN	INGEBORG FLØNES
Carl Erik Hagen *Styremedlem / Board member*	Ingeborg Flønes *Styremedlem / Board member*
KIRSTEN ÆGIDIUS	ERIK HAGEN
Kirsten Ægidius *Styremedlem / Board member*	Erik Hagen *Styremedlem / Board member* *(ansattrepresentant / employee representative)*
ANN THERESE ELISABETH JACOBSEN	ANNE-MARIE FLÅTEN
Ann Therese Elisabeth Jacobsen *Styremedlem / Board member* *(ansattrepresentant / employee representative)*	Anne-Marie Flåten *Styremedlem / Board member* *(ansattrepresentant / employee representative)*

[signaturside for rapport for fisjon av Arcus ASA med Arcus NewCo AS som overtakende selskap / signature page for report on demerger of Arcus ASA with Arcus NewCo AS as acquiring company]

Styret i / the Board of Directors of

Arcus NewCo AS

KENNETH HAMNES

Kenneth Hamnes
Styreleder / Chairman

Appendix L

Auditor statement on coverage for tied-up equity in the Transferring Company

To the Shareholders' Meeting of Arcus ASA

Statement on coverage for restricted equity at a capital reduction at a demerger

We have reviewed whether there is coverage for the remaining share capital and other undistributable equity in connection with the capital reduction at the demerger in Arcus ASA.

The Board of Directors' responsibility for the reduction
The board is responsible for ensuring that the capital reduction does not exceed an amount that will leave full cover for the company's undistributable equity pursuant to the Norwegian Public Limited Liabilities Companies Act section 12-2.

Auditor's responsibility
Our responsibility is to make a statement on whether theres is adequate coverage for the company's restricted equity pursuant to the Norwegian Public Limited Liability Companies Act section 12-2.

We conducted our review and issue our statement in accordance with the Norwegian standard SA 3802-1 "The auditor's statements and reports pursuant to Norwegian company legislation". The standard requires that we plan and perform our review to obtain reasonable assurance for the fact that there is coverage for the remaining share capital and other undistributable equity, having duly considered events subsequent to the balance sheet date and any loss that can be expected to occur. The work includes a review of the calculations for which the board is responsible and an assessment of whether events subsequent to the balance sheet date that can result in an inadequate coverage have been sufficiently considered.

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

Opinion
In our opinion, there is coverage for the remaining share capital and other undistributable equity subsequent to the capital reduction at the demerger in Arcus ASA of NOK 337 803 484,33, from NOK 340 116 275,00 to NOK 2 312 790,67 is in accordance with the regulations of the Norwegian Public Limited Liability Companies Act.

Oslo, 29. September 2020
ERNST & YOUNG AS

Kjetil Rimstad
State Authorized Public Accountant (Norway)
This is a translation of the original official Norwegian document and is provided for information purposes only.