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

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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.

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

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.

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**

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

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**

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:	2019	2018
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.

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, 30 April 2020
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

(This translation from Norwegian has been made for information purposes only.)