



# Quarterly Report

Q4 2019



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# Message from the CEO

In the most important quarter of the year, we are pleased to see increased revenue in Spirits, continued growth and increased market shares in the Norwegian wine business, growth in most of the Swedish wine companies and another positive quarter for the topline in Logistics.

## Wine

In Sweden, total sales were down in a growing market, explained by the loss of wine producers announced in March 2019. Apart from this, most of the wine companies have had strong growth, with several new listings. The positive sales trend for Wine in Norway continued during the quarter, resulting in higher market shares. The increased revenue in Norway was driven by higher sales of agency products. Stronger USD and EUR vs NOK, as well as new product launches with relatively low introduction prices, put pressure on margins.

## Spirits

Revenue for Spirits increased in Q4 compared to last year, with especially strong growth in Sweden due to new agency products. Sales growth in Norway was slightly positive, but with negative product-mix within the aquavit category.

## Logistics

Higher volumes increased revenue, continuing the positive trend from previous quarters. The increased volume was mainly driven by new agencies won by existing customers. A breakdown of a critical automated pallet wrapper during the peak delivery period in December led to a need for extra personnel.



Kenneth Hamnes  
Group CEO  
Arcus ASA

# Key figures Q4 2019

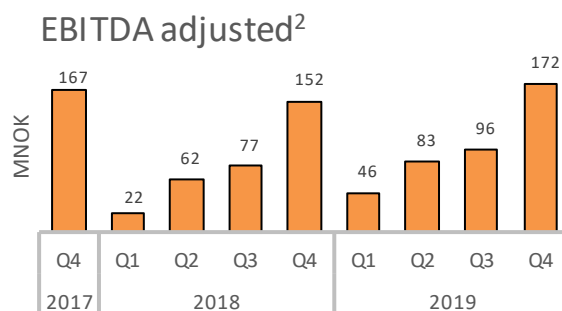
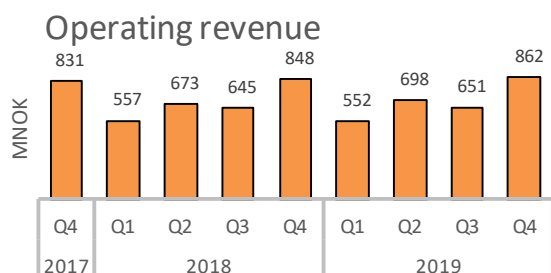
## CONSOLIDATED GROUP FIGURES

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Total operating revenue	861,8	848,1	2 762,8	2 723,2
Gross profit <sup>1)</sup>	378,8	369,0	1 161,7	1 145,9
EBITDA <sup>1) 2)</sup>	167,2	148,7	377,3	307,3
EBITDA adjusted <sup>1) 2)</sup>	172,0	152,1	397,1	312,6
EBITDA adjusted <sup>3)</sup> , restated using old IAS 17 leasing standard	148,8	152,1	304,2	312,6
Pre-tax profit <sup>2)</sup>	116,6	130,7	172,5	221,2
Earnings per share, parentcompany shareholders (NOK)	1,28	1,39	1,88	2,33
<b>Key figures</b>				
Gross margin <sup>1)</sup>	44,0 %	43,5 %	42,0 %	42,1 %
EBITDA margin <sup>1)</sup>	19,4 %	17,5 %	13,7 %	11,3 %
EBITDA margin adjusted <sup>1)</sup>	20,0 %	17,9 %	14,4 %	11,5 %
Equity ratio <sup>1)</sup>	29,7 %	37,3 %	29,7 %	37,3 %
<b>Financial position</b>				
Total equity	1 662,2	1 654,0	1 662,2	1 654,0
Net interest bearing debt (cash) <sup>1)</sup>	1 807,1	615,1	1 807,1	615,1

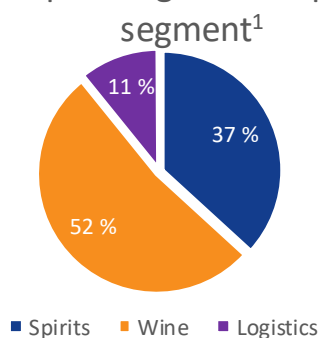
<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

<sup>2)</sup> EBITDA and EBITDA adjusted include a positive IFRS 16 effect of 23.2 MNOK for Q4 and 92.9 YTD. Pre-tax profit includes a negative IFRS 16 effect of -5.1 MNOK for Q4 and -20.6 MNOK YTD.

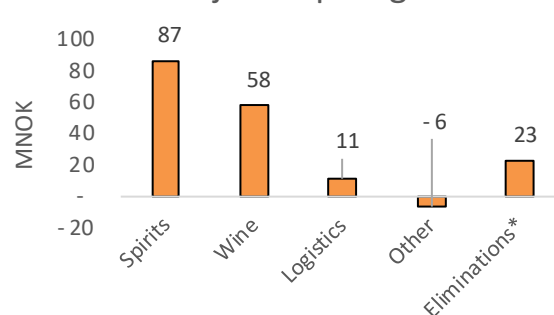
<sup>3)</sup> EBITDA adjusted exclude the positive IFRS 16 effect of 23.2 MNOK for Q4 og 92.9 MNOK YTD. See also note 1 to the Group accounts



**Operating revenue per segment<sup>1</sup>**



**EBITDA adjusted pr segment<sup>1,2</sup>**



<sup>1</sup> Figures for Q4 2019

# Highlights Q4 2019

## OVERALL PERFORMANCE

**Operating revenue** for Q4 2019 was 861.8 MNOK, compared to 848.1 MNOK in Q4 last year (+1.6 percent). Operating revenue increased for Spirits and Distribution, but was flat for Wine. Organic growth for Q4 was -0.7 percent (1.0 percent December YTD), with an estimated positive currency effect of approximately 12.9 MNOK due to stronger SEK, EUR and DKK vs NOK this year.

- **Adjusted EBITDA** for Q4 was 172.0 MNOK, but 148.8 MNOK when adjusted for positive effects from IFRS 16. This is a reduction of 2.2 percent compared to 152.1 MNOK Q4 last year. (IFRS 16 is implemented as of January 1 2019 on group level only, and the results for the segments are therefore comparable. Please see Note 1, page 18, for comparable figures.)

## BUSINESS SEGMENTS

- **Wine** revenues amounted to 448.9 MNOK, compared to 450.8 MNOK in Q4 last year (-0.4 percent). Organic growth was -3.4 percent. Adjusted EBITDA margin was 12.9 percent for Q4 2019, compared to 13.3 percent in Q4 last year.
- **Spirits** revenues amounted to 361.7 MNOK, compared to 337.7 MNOK in Q4 last year (+7.1 percent). Organic revenue grew by 2.7 percent<sup>1</sup>. Adjusted EBITDA margin was 24.0 percent for Q4, compared to 26.1 percent in Q4 last year.
- **Logistics** revenues amounted to 98.5 MNOK compared to 92.0 MNOK in Q4 last year (+7.1 percent). Adjusted EBITDA margin was 10.7 percent for Q4, compared to 11.1 percent in Q4 last year.

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<sup>2</sup> EBITDA adjusted is EBITDA adjusted for non-recurring effects, but is not corrected for foreign exchange effects. See separate chapter/note on APM for reconciliation. "Other" segment represents HQ and eliminations.

\*Segment elimination includes a positive IFRS 16 adjustment of 23.2 MNOK

<sup>1</sup>Calculated on external spirits sales

## Wine: Continued growth in Norway

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
<b>Total operating revenue</b>	<b>448.9</b>	<b>450.8</b>	<b>1 603.4</b>	<b>1 624.7</b>
Gross profit <sup>1)</sup>	107.1	107.5	365.1	380.4
Gross margin <sup>1)</sup>	23.9 %	23.9 %	22.8 %	23.4 %
EBITDA <sup>1)</sup>	56.5	58.3	161.1	169.7
EBITDA adjusted <sup>1)</sup>	58.1	59.8	169.9	181.5
EBITDA margin <sup>1)</sup>	12.6 %	12.9 %	10.0 %	10.4 %
EBITDA margin adjusted <sup>1)</sup>	12.9 %	13.3 %	10.6 %	11.2 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

### OPERATING REVENUE

Total operating revenue for Wine was 448.9 MNOK for the fourth quarter, compared to 450.8 MNOK in Q4 last year. Organic growth was -3.4 percent, while reported growth was -0.4 percent. Reported growth include positive effects from stronger SEK and EUR in translation of revenues in Sweden and Finland to NOK. In addition, reported growth also includes the positive effect from settlement after lost producers in Sweden and the effect from the acquisition of Wongraven Wines in December 2019.

In Sweden, Arcus' sales at Systembolaget were down in a growing market, explained by the loss of producers in the subsidiary Vinunic. Excluding the lost agencies, Arcus grew sales at Systembolaget.

In Norway, Arcus' sales continued to grow faster than the market and increased the market share during the period. The agency business experienced volume growth almost three times the market development.

In Finland, Arcus' sales to Alko decreased more than the slightly declining market. Arcus' drop in sales is still mainly explained by the loss of producers at the end of 2018. Efforts to renew the portfolio have yet to fully offset the decline.

Sales to Duty Free Travel Retail increased, fuelled by the introduction of the Wongraven brand.

### EBITDA

The adjusted EBITDA-margin for Wine was 12.9 percent in the fourth quarter, down from 13.3 percent same period last year.

Higher indirect costs combined with the flat top-line development explain the reduced EBITDA-margin.

Reported gross margin was flat compared to last year and was strengthened by settlements after loss of producers in Sweden. The underlying reduction in gross margin is explained by negative effects from stronger EUR and USD and growth from new products with low margins in the introduction phase. Price adjustments September 1 in Norway and Sweden contributed to compensate for this effect. Prices were again adjusted January 1 in Norway and will be adjusted March 1 in Sweden.

### WINE

*Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the fifth largest in Finland. Arcus imports and markets agency wines, as well as Arcus brands.*

# Spirits: Increased sales in Sweden

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Sales	310.0	295.6	811.6	762.4
Other revenue	51.7	42.1	164.0	157.2
<b>Total operating revenue</b>	<b>361.7</b>	<b>337.7</b>	<b>975.6</b>	<b>919.6</b>
Gross profit <sup>1)</sup>	177.6	173.4	484.3	471.6
Gross margin <sup>1)</sup>	49.1 %	51.3 %	49.6 %	51.3 %
EBITDA <sup>1)</sup>	85.7	89.6	146.9	142.8
EBITDA adjusted <sup>1)</sup>	86.7	89.9	148.9	144.6
EBITDA margin <sup>1)</sup>	23.7 %	26.5 %	15.1 %	15.5 %
EBITDA margin adjusted <sup>1)</sup>	24.0 %	26.6 %	15.3 %	15.7 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

## OPERATING REVENUE

Total operating revenue for Spirits in the fourth quarter of 2019 was 361.7 MNOK, compared to 337.7 MNOK for the same period last year, an increase of 7.1 percent. Organic growth was 2.7 percent<sup>1</sup>. In all markets revenues increased, or were flat during Q4.

Revenues increased only slightly in Norway, with positive effects from higher sales volumes balanced by negative effects from mix. Sweden and Finland showed strong revenue growth driven by sale of agency products.

Revenue in Denmark was flat compared to last year, although the market continued to decline. Arcus gained market share in Denmark due to introduction of own products, particularly vodka, and a larger agency portfolio.

Sales to Germany and Duty Free Travel Retail remained largely flat. Sales to other markets increased.

## EBITDA

The adjusted EBITDA margin for Spirits was 24.0 percent for Q4 2019, compared to 26.6 percent Q4 2018.

Margins were down due to more agency products, a higher share of A&P expenditures in Q4, increased bottling of internal wine volumes and negative product/country mix.

## SPIRITS

*Arcus is a global leader in aquavit with brands such as Gammel Opland, Linie, Løiten and Aalborg. Other important categories are bitter (Gammel Dansk), vodka (Vikingfjord, Kalinka, Amundsen and Dworek), cognac (Braastad) and gin (Star Gin, Vanlig Gin and Skagerrak). Key markets are Norway, Denmark, Sweden, Finland, Germany and Duty Free Travel Retail (DFTR). Arcus brands are produced and bottled at Gjelleråsen, outside Oslo.*

<sup>1</sup> Calculated on external spirits sales

# Logistics: Continued volume and revenue growth

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
<b>Total operating revenue</b>	<b>98.5</b>	<b>92.0</b>	<b>328.1</b>	<b>307.7</b>
Gross profit <sup>1)</sup>	98.5	92.0	328.1	307.7
Gross margin <sup>1)</sup>	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA <sup>1)</sup>	10.2	10.0	13.8	12.4
EBITDA adjusted <sup>1)</sup>	10.6	10.2	15.4	12.7
EBITDA margin <sup>1)</sup>	10.3 %	10.9 %	4.2 %	4.0 %
EBITDA margin adjusted <sup>1)</sup>	10.7 %	11.1 %	4.7 %	4.1 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

## VOLUME

Distributed volume in the fourth quarter was 14.9 million liters, an increase of 0.6 million liters from the same quarter last year. This equals an increase of 4.4 percent, while Vinmonopolet's total volume in the fourth quarter was up 2.7 percent. The volume growth was mainly driven by new agencies won by existing importers.

Distributed volume in the horeca-channel grew by 9.2 percent, mainly due to increased dropsizes for existing customers, but also some major new customers implemented in the quarter.

Sales to other wholesalers increased by 2.0 percent compared to fourth quarter last year.

volume-driven, as other income was at similar levels as last year.

## EBITDA

Adjusted EBITDA in the fourth quarter was 10.6 MNOK, an increase of 0.4 MNOK compared to the same quarter last year.

The breakdown of an automated pallet wrapper in warehouse in week 51 (absolute peak) led to a significant increase in costs for repairs and personnel-cost in warehouse-production. Costs for both internal and external distribution were also higher, as extra resources were used in order to minimize delays to Vinmonopolet and other customers.

## OPERATING REVENUE

Operating revenue increased by 7.1 percent to 98.5 MNOK in the quarter, compared to 92.0 MNOK in the same period last year. Organic growth was 7.1 percent in fourth quarter and 6.6 percent for the full year. The increase in the fourth quarter is mainly

## LOGISTICS

*Vectura is the leading integrated logistics service provider for alcoholic-beverage importers in Norway. Vectura serves both Arcus-Gruppen AS and external customers. Vectura is located next to Arcus' production facility at Gjelleråsen, outside Oslo.*



# Financial position

## CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q4 2019 was 158.7 MNOK, compared to 294.3 MNOK in Q4 2018 (change of -135.6 MNOK), the change was -158.7 MNOK when adjusted for effects from IFRS 16.

The Q4 cash flow is lower this year than last year partly due to cut-off effects. Some payments arrived later last year, boosting Q4 cash flow in 2018 and Q3 cash flow in 2019. Temporarily higher inventories at year-end 2019 also had an adverse effect on cash

flow this quarter. On average for the year, working capital levels were slightly lower in 2019 than in 2018 both in absolute terms and as a percentage of sales.

Net interest bearing debt was 1,807.9 MNOK, but 665.4 MNOK if adjusted for IFRS 16 effects, compared to 615.1 MNOK as at the end of Q4 2018. The lower cash flow in the period reduced the cash position and increased net debt compared to last year.

# Other information

## DIVIDEND

The Board proposes a dividend of 113 MNOK, equal to 1.66 NOK/share. This is the same dividend as last year. This corresponds to around 69 percent of the pro-forma profit/loss for the year (profit/loss adjusted for non-recurring items and IFRS16 effects).

All the work Sigurd Wongraven does to produce fantastic wines continues as before. Symposium Wines will also continue to be responsible for the sale of the brand in Norway. As part of the agreement, Vingruppen has purchased 90 per cent of the company Wongraven Wines AS.

## WONGRAVEN AND VINGRUPPEN

Since 2010, Sigurd Wongraven has developed and sold quality wines in Norway. From 2014 this has been in collaboration with Vingruppen. This is now being maintained in a new long-term agreement, where the wines also will be launched in new markets.

## NEW CEO AT VINGRUPPEN OY

As of 1 December 2019 Petra Thorén took on the position as CEO for Vingruppen Oy, Arcus' wine business in Finland. Thorén has wide experience from Finnish industry and commerce. She reports to Arcus Group CEO Kenneth Hamnes.

# Environmental, Social and Governance (ESG)

**ESG is of increasing importance for Arcus. In this section we highlight Arcus' initiatives and achieved results within this area.**

## LIFE-CYCLE ANALYSES

Arcus has initiated a process to analyze three individual products' overall environmental footprint, from origin to final product. This will make it easier to identify environmental measures. The analyses are expected to be ready in June, and will be done by Research Institute of Sweden (RISE), owned by the Swedish state.

## RECYCLING OF WASTE

Arcus is recycling more waste than ever. In 2016, the residual waste was 50 per cent. In 2019, the share of

recycling has increased to 64 per cent, reducing residual waste to 36 per cent. The main reason is that there have been more sorting points, and that the waste is now sorted into several more fractions than before.

## LOW-ENERGY LED LAMPS

Arcus has started work on converting old-fashioned lighting into modern and low-energy LED lamps. The replacement has started at Vectura, and will gradually include other parts of the plant. LED lighting will reduce energy consumption by up to 80 per cent.

# Group consolidated accounts

The interim financial statement has not been audited.

## CONDENSED STATEMENT OF INCOME

MNOK	Note	Fourth quarter		Full Year	
		2019	2018	2019	2018
Sales	2,9	843.2	832.8	2 710.4	2 672.6
Other revenue	2	18.6	15.3	52.4	50.6
<b>Total operating revenue</b>	2,9	<b>861.8</b>	<b>848.1</b>	<b>2 762.8</b>	<b>2 723.2</b>
Cost of goods		-483.0	-479.1	-1 601.1	-1 577.3
<b>Gross Profit</b>		<b>378.8</b>	<b>369.0</b>	<b>1 161.7</b>	<b>1 145.9</b>
Gain on sale of fixed assets		0.0	0.1	0.0	0.4
Salaries and personnel cost		-120.3	-117.8	-439.2	-426.6
Advertising & Promotion expenses (A&P)		-32.7	-28.9	-116.0	-122.5
Other operating expenses		-57.8	-74.2	-213.5	-286.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		4.1	3.9	4.1	2.3
Other income and expenses	3	-4.8	-3.5	-19.7	-5.3
<b>EBITDA</b>		<b>167.2</b>	<b>148.7</b>	<b>377.3</b>	<b>307.3</b>
Depreciation	5,6	-28.1	-10.7	-111.8	-42.3
Amortisations	5,6	-2.0	-1.9	-7.7	-7.7
<b>Operating profit (EBIT)</b>		<b>137.1</b>	<b>136.0</b>	<b>257.8</b>	<b>257.3</b>
Financial income	12	9.6	10.3	25.9	14.5
Financial expenses	7,10,12	-30.2	-15.6	-111.2	-50.6
<b>Pre-tax profit</b>		<b>116.6</b>	<b>130.7</b>	<b>172.5</b>	<b>221.2</b>
Tax		-27.1	-33.8	-39.2	-56.8
<b>Profit/loss for the year</b>		<b>89.5</b>	<b>96.9</b>	<b>133.3</b>	<b>164.4</b>
Profit/loss for the year attributable to parent company shareholders		87.4	94.6	127.7	158.5
Profit/loss for the year attributable to non-controlling interests		2.1	2.2	5.5	6.0
Earnings per share, continued operations		1.28	1.39	1.88	2.33
Diluted earnings per share, continued operations		1.22	1.34	1.79	2.25

<sup>1)</sup> Associated Companies, <sup>2)</sup> Jointly Controlled Entities

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK		Fourth quarter		Full Year	
	Note	2019	2018	2019	2018
<b>Profit/loss for the year</b>		<b>89.5</b>	<b>96.9</b>	<b>133.3</b>	<b>164.4</b>
<b>Items that will not be reclassified against the statement of income</b>					
Change in actuarial gains and losses pensions		-2.0	9.9	-2.0	9.9
Tax on change in actuarial gains and losses pensions		0.4	-2.3	0.4	-2.3
<b>Total</b>		<b>-1.6</b>	<b>7.6</b>	<b>-1.6</b>	<b>7.6</b>
<b>Items that may be reclassified against the statement of income</b>					
Translating differences in translation of foreign subsidiaries		-6.2	43.1	-5.0	7.0
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0
<b>Total</b>		<b>-6.2</b>	<b>43.1</b>	<b>-5.0</b>	<b>7.0</b>
<b>Total other comprehensive income</b>		<b>-7.7</b>	<b>50.7</b>	<b>-6.6</b>	<b>14.6</b>
<b>Total comprehensive income for the year</b>		<b>81.8</b>	<b>147.6</b>	<b>126.7</b>	<b>179.0</b>
Total comprehensive income for the year attributable to parent company shareholders		78.8	144.5	121.6	173.8
Total comprehensive income for the year attributable to non-controlling interests		2.9	3.1	5.2	5.2

## CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Fourth quarter		
	Note	31.12.2019	31.12.2018
Intangible assets	6	1 923.2	1 883.9
Tangible assets	5	1 431.2	315.8
Deferred tax asset		86.1	110.2
Financial assets		65.3	63.1
<b>Total fixed assets</b>		<b>3 505.8</b>	<b>2 373.0</b>
Inventories		486.6	441.1
Accounts receivables and other receivables		1 392.5	1 340.7
Cash and cash equivalents		205.0	282.6
<b>Total current assets</b>		<b>2 084.1</b>	<b>2 064.4</b>
<b>Total assets</b>		<b>5 589.9</b>	<b>4 437.4</b>
Paid-in equity		772.1	772.1
Retained earnings		886.2	879.0
Non-controlling interests		3.9	3.0
<b>Total equity</b>		<b>1 662.2</b>	<b>1 654.0</b>
Non-current liabilities to financial institutions	8	703.8	723.5
Non-current liabilities at fair value through profit or loss	7,10	69.3	74.2
Non-current lease liabilities	8	1 151.0	151.4
Pension obligations		23.7	21.1
Deferred tax liability		101.3	101.8
Other non-current liabilities		0.5	0.7
<b>Total non-current liabilities</b>		<b>2 049.6</b>	<b>1 072.8</b>
Current finance lease liabilities	8	154.2	18.1
Tax payable		5.0	0.0
Accounts payable and other payables		1 718.8	1 692.5
<b>Total current liabilities</b>		<b>1 878.0</b>	<b>1 710.6</b>
<b>Total equity and liabilities</b>		<b>5 589.9</b>	<b>4 437.4</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		31.12.2019			31.12.2018	
		Attributed to equity holders of the parent company	Non- controlling interest	Total equity	Attributed to equity holders of the parent company	Total equity
<b>Statement of changes in equity</b>	<b>Note</b>					
Equity 1 January		1 651.1	3.0	1 654.0	1 650.6	1 669.4
Total comprehensive income for the period		121.6	5.2	126.7	173.8	179.0
Dividends		-112.9	-3.3	-116.2	-112.9	-118.7
Re-purchase of own shares		-0.5	0.0	-0.5	-8.3	-8.3
Sharebased payments	10,11	-2.0	0.0	-2.0	6.7	6.7
Change in non-controlling interest		0.0	0.2	0.2	-61.6	-74.2
Transfer from minority to majority at end of period		1.1	-1.1	0.0	2.8	0.0
<b>Equity at the end of period</b>		<b>1 658.3</b>	<b>3.9</b>	<b>1 662.2</b>	<b>1 651.0</b>	<b>1 654.0</b>

In several of the Group's wine companies, there are managing directors with non-controlling interests. Most of these managing directors have put options associated with their ownership, which they can exercise at a certain point of time in the future.

Although the Group does not have control of the shares at the end of the reporting period, the Group also does not control the possible exercise of the put-option. Because of this, these non-controlling interests are recognized as though they are owned by the Group, but with partial presentation of the non-controlling interests.

Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, but are not stated in the equity. At period end, the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period, are reclassified from non-controlling interest to the majority's share of equity.

The presented remaining non-controlling interest in the equity is non-controlling interests where there are no put-options associated.

## CONDENSED STATEMENT OF CASHFLOW

MNOK	Note	Fourth quarter		Full Year	
		2019	2018	2019	2018
Pre-tax profit		116.6	130.7	172.5	221.2
Depreciation and amortisations	5,6	30.1	12.7	119.6	50.0
Received dividend from associated companies		0.0	0.0	0.4	0.4
Net interest in period		31.3	11.2	97.5	37.4
Other items without cash effect		-3.9	14.1	-6.3	10.9
Change in inventories		19.3	41.4	-45.5	-30.4
Change in receivables		-460.4	-401.5	-38.9	182.4
Change in payables		425.8	485.8	27.4	-37.4
<b>Cash flow from operating activities before tax</b>		<b>158.7</b>	<b>294.3</b>	<b>326.7</b>	<b>434.5</b>
Tax paid		-5.8	-10.9	-34.9	-40.0
<b>Cash flow from operating activities</b>		<b>152.9</b>	<b>283.4</b>	<b>291.8</b>	<b>394.5</b>
Proceeds from sale of tangible & intangible fixed assets		0.0	0.1	0.1	0.4
Payments on acquisition of tangible & intangible fixed assets	5,6	-7.9	-6.2	-20.0	-23.0
Payments on acquisition of Brands	6	0.0	0.0	-0.3	0.0
Payments on acquisition of operations		-50.7	0.0	-50.7	0.0
Other investments		0.0	-0.1	0.0	-0.1
<b>Cash flows from investment activities</b>		<b>-58.6</b>	<b>-6.2</b>	<b>-70.8</b>	<b>-22.8</b>
Payments - co-investment program	7.12	0.0	0.0	-2.1	0.0
Repayment debt to financial institutions	8	-16.8	-4.4	-66.2	-17.4
Change other long term loans		0.0	-0.5	1.0	-0.4
Interest paid in period		-31.3	-11.1	-97.3	-37.3
Paid dividend and Group contributions		0.0	0.0	-116.2	-118.7
Other financing payments		0.0	-7.1	-2.9	-14.5
<b>Cash flow from financing activities</b>		<b>-48.0</b>	<b>-23.1</b>	<b>-283.7</b>	<b>-188.2</b>
Cash flow from discontinued operations		0.0	0.0		0.0
<b>Total cash flow</b>		<b>46.3</b>	<b>254.1</b>	<b>-62.7</b>	<b>183.5</b>
Holdings of cash and cash equivalents at the beginning of period		150.5	3.1	282.6	111.7
Effect of exchange rate changes on cash and cash equivalents		8.2	25.5	-14.8	-12.6
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>205.0</b>	<b>282.6</b>	<b>205.0</b>	<b>282.6</b>

## Specification of cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the period	205.0	282.6	205.0	282.6
Overdraft cashpool system at the end of the period	0.0	0.0	0.0	0.0
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>205.0</b>	<b>282.6</b>	<b>205.0</b>	<b>282.6</b>

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

The Group's condensed interim financial statements are prepared according to IAS 34 Interim Financial Reporting. The interim reporting does not include all information that is normally prepared in a full annual financial statement, and should be read in conjunction with the Group's annual financial statement as at 31.12.2018.

The Board approved the consolidated financial statement for the year 2018 on March 20th 2019.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard that has been issued but is not yet effective.

### ***New accounting standards***

#### ***IFRS 16 Leases***

IFRS 16 Leases replaced the existing IFRS standards for leases from 1.1.2019. The new standard concerning leases has entailed a significant change in the accounting policy, as all significant leasing agreements now are capitalised. This has given an right-of-use asset on the asset side of the balance sheet, and an equivalent lease liability on the liability side.

#### **Right-of-use asset**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease commitments. The cost of right-of-use assets includes the amount of lease liabilities recognized, and initial direct costs incurred. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease Liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate that is known and measurable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. Lease Liabilities falling due within 12 months are classified as current liabilities and remaining liabilities are classified as non-current.

On the implementation of IFRS 16, the Group had two implementation options: the full retrospective method or the modified retrospective method. The Group has chosen to implement IFRS 16 using the modified retrospective method, which means that the effects calculated on the implementation date were based on the remaining period of the lease as from 1.1.2019, and there was no adjustment to equity at the date of implementation.

The Group, as lessee, had a number of options concerning the use of simplifications. The Group has chosen to use these simplification options, so that:

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

For further information about leasing agreements, please see the annual statement of 2018 note 16.



The Group adopted IFRS 16 using the modified retrospective method of adoption.

The accounting effects YTD for the Group is significant, and has effected in an increase of fixed assets of 1,190 MNOK YTD, and reduced by depreciations during 2019, the fixed asset balance is 1,121.8 MNOK higher at the of end Q4 2019 compared to end of Q4 2018. Correspondingly, the leasing liability increased by 1,190 MNOK YTD, and reduced by leasing payments during 2019, the leasing debt is 1,142.4 MNOK higher at end of Q4 2019 compared to end of Q4 2018 due to this.

The effect on income statement has also been significant, and EBITDA has increased by 23.2 MNOK in Q4 2019, due to the restatement of leasing cost.

Below is a reconciliation, which shows the changes in Q4 and year to date 2019;

MNOK		Fourth quarter			
		2019 as reported, new IFRS 16 standard	2019 IFRS 16 restatement	2019 restated, using old IAS 17 standard	2018
	Note				
Sales	2,9	843.2	0.0	843.2	832.8
Other revenue	2	18.6	0.0	18.6	15.3
<b>Total operating revenue</b>	2,9	<b>861.8</b>	<b>0.0</b>	<b>861.8</b>	<b>848.1</b>
Cost of goods		-483.0	0.0	-483.0	-479.1
<b>Gross Profit</b>		<b>378.8</b>	<b>0.0</b>	<b>378.8</b>	<b>369.0</b>
Gain on sale of fixed assets		0.0	0.0	0.0	0.1
Salaries and personnel cost		-120.3	0.0	-120.3	-117.8
Advertising & Promotion expenses (A&P)		-32.7	0.0	-32.7	-28.9
Other operating expenses		-57.8	23.2	-80.9	-74.2
Share of profit from AC and JCE		4.1	0.0	4.1	3.9
Other income and expenses	3	-4.8	0.0	-4.8	-3.5
<b>EBITDA</b>		<b>167.2</b>	<b>23.2</b>	<b>144.1</b>	<b>148.7</b>
Depreciation	5,6	-28.1	-17.1	-11.0	-10.7
Amortisations	5,6	-2.0	0.0	-2.0	-1.9
<b>Operating profit (EBIT)</b>		<b>137.1</b>	<b>6.0</b>	<b>131.1</b>	<b>136.0</b>
Financial income	12	9.6	0.0	9.6	10.3
Financial expenses	7,10,12	-30.2	-11.1	-19.1	-15.6
<b>Pre-tax profit</b>		<b>116.6</b>	<b>-5.1</b>	<b>121.7</b>	<b>130.7</b>
Tax		-27.1	1.1	-28.2	-33.8
<b>Profit/loss for the year</b>		<b>89.5</b>	<b>-3.9</b>	<b>93.4</b>	<b>96.9</b>

MNOK		Full Year			
	Note	2019 as reported, new IFRS 16 standard	2019 IFRS 16 restatement	2019 restated, using old IAS 17 standard	2018
Sales	2,9	2 710.4	0.0	2 710.4	2 672.6
Other revenue	2	52.4	0.0	52.4	50.6
<b>Total operating revenue</b>	2,9	<b>2 762.8</b>	<b>0.0</b>	<b>2 762.8</b>	<b>2 723.2</b>
Cost of goods		-1 601.1	0.0	-1 601.1	-1 577.3
<b>Gross Profit</b>		<b>1 161.7</b>	<b>0.0</b>	<b>1 161.7</b>	<b>1 145.9</b>
Gain on sale of fixed assets		0.0	0.0	0.0	0.4
Salaries and personnel cost		-439.2	0.0	-439.2	-426.6
Advertising & Promotion expenses (A&P)		-116.0	0.0	-116.0	-122.5
Other operating expenses		-213.5	92.9	-306.3	-286.8
Share of profit from AC and JCE		4.1	0.0	4.1	2.3
Other income and expenses	3	-19.7	0.0	-19.7	-5.3
<b>EBITDA</b>		<b>377.3</b>	<b>92.9</b>	<b>284.5</b>	<b>307.3</b>
Depreciation	5,6	-111.8	-68.7	-43.2	-42.3
Amortisations	5,6	-7.7	0.0	-7.7	-7.7
<b>Operating profit (EBIT)</b>		<b>257.8</b>	<b>24.2</b>	<b>233.5</b>	<b>257.3</b>
Financial income	12	25.9	0.0	25.9	14.5
Financial expenses	7,10,12	-111.2	-44.9	-66.3	-50.6
<b>Pre-tax profit</b>		<b>172.5</b>	<b>-20.6</b>	<b>193.1</b>	<b>221.2</b>
Tax		-39.2	4.5	-43.7	-56.8
<b>Profit/loss for the year</b>		<b>133.3</b>	<b>-16.1</b>	<b>149.4</b>	<b>164.4</b>

The Group's ability to fulfil the loan terms is not affected by the introduction of IFRS 16, as the loan agreement with SEB specifies that the loan terms must be calculated according to GAAP measures as of before introduction of IFRS 16. Further information on how the new standard will affect the Group is presented in note 15 in the Group's annual statement for 2018.

There are no other material changes with significant accounting effects since the annual statement of 2018.

As of 31.12.2019, the following exchange rates have been used in translation of income and financial position figures from subsidiaries with functional currency other than NOK:

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

## NOTE 2 REVENUES

The following table present the Group's total external revenues by market:

<b>Group</b>				
MNOK	<b>Fourth quarter</b>		<b>Full Year</b>	
<b>Total operating revenues</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Norway	369.8	356.1	1 124.7	1 076.4
Sweden	286.6	296.3	1 074.9	1 105.4
Denmark	68.0	64.3	156.0	145.0
Finland	74.1	70.7	227.7	225.5
Germany	30.1	29.1	56.9	55.7
USA	2.0	1.7	4.6	6.8
DFTR <sup>1)</sup>	28.0	28.3	111.7	104.3
Other	3.1	1.6	6.3	4.2
<b>Total operating revenues</b>	<b>861.8</b>	<b>848.1</b>	<b>2 762.8</b>	<b>2 723.2</b>

The following tables present the segments' total external and internal revenues by market:

<b>Spirits</b>				
MNOK	<b>Fourth quarter</b>		<b>Full Year</b>	
<b>Total operating revenues</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Norway	175.3	162.6	463.1	451.3
Sweden	42.8	40.3	142.2	129.7
Denmark	66.6	63.5	153.5	143.1
Finland	16.5	13.7	46.3	34.3
Germany	30.1	29.1	56.9	55.7
USA	2.0	1.7	4.6	6.8
DFTR <sup>1)</sup>	25.3	25.3	102.7	94.6
Other	3.1	1.6	6.3	4.2
<b>Total operating revenues</b>	<b>361.7</b>	<b>337.7</b>	<b>975.6</b>	<b>919.6</b>

<b>Wine</b>				
MNOK	<b>Fourth quarter</b>		<b>Full Year</b>	
<b>Total operating revenues</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Norway	152.7	142.4	510.5	479.9
Sweden	230.6	249.4	898.3	948.2
Finland	57.0	55.9	179.6	186.9
DFTR <sup>1)</sup>	2.7	3.0	9.1	9.7
<b>Total operating revenues</b>	<b>448.9</b>	<b>450.8</b>	<b>1 603.4</b>	<b>1 624.7</b>

<b>Logistics</b>				
MNOK	<b>Fourth quarter</b>		<b>Full Year</b>	
<b>Total operating revenues</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Norway	98.5	92.0	328.1	307.7
<b>Total operating revenues</b>	<b>98.5</b>	<b>92.0</b>	<b>328.1</b>	<b>307.7</b>

<sup>1)</sup> DFTR; Duty Free Travel Retail

**NOTE 3 OTHER INCOME AND EXPENSES**

Other income and expenses comprises significant positive and negative non-recurring items and restructuring costs. The main purpose of this item is to show these significant non-recurring and non-periodic items, so that the development and comparability of the ordinary items presented in the statement of income are more relevant for the activities.

Other income and expenses during Q4 are mainly related to termination payment agreements and other projects.

**Group**

MNOK	Fourth quarter		Full Year	
Other income and expenses	2019	2018	2019	2018
Salary & personnel cost	-0.7	-2.1	-9.1	-14.5
Other operating expenses	-4.1	-1.4	-10.6	9.2
<b>Other income and expenses</b>	<b>-4.8</b>	<b>-3.5</b>	<b>-19.7</b>	<b>-5.3</b>

**Spirits**

MNOK	Fourth quarter		Full Year	
Other income and expenses	2019	2018	2019	2018
Salary & personnel cost	-0.6	-1.0	-0.7	-1.7
Other operating expenses	-0.4	0.7	-1.3	-0.1
<b>Other income and expenses</b>	<b>-1.0</b>	<b>-0.3</b>	<b>-2.0</b>	<b>-1.8</b>

**Wine**

MNOK	Fourth quarter		Full Year	
Other income and expenses	2019	2018	2019	2018
Salary & personnel cost	-0.4	-0.5	-6.5	-10.6
Other operating expenses	-1.2	-1.0	-2.3	-1.2
<b>Other income and expenses</b>	<b>-1.6</b>	<b>-1.5</b>	<b>-8.8</b>	<b>-11.8</b>

**Logistics**

MNOK	Fourth quarter		Full Year	
Other income and expenses	2019	2018	2019	2018
Salary & personnel cost	0.0	-0.2	-1.2	-0.4
Other operating expenses	-0.4	0.0	-0.4	0.0
<b>Other income and expenses</b>	<b>-0.4</b>	<b>-0.2</b>	<b>-1.6</b>	<b>-0.4</b>

**Other**

MNOK	Fourth quarter		Full Year	
Other income and expenses	2019	2018	2019	2018
Salary & personnel cost	0.4	-0.4	-0.7	-1.9
Other operating expenses	-2.1	-1.0	-6.6	10.6
<b>Other income and expenses</b>	<b>-1.8</b>	<b>-1.4</b>	<b>-7.3</b>	<b>8.7</b>

## NOTE 4 SEGMENT INFORMATION

MNOK	Fourth quarter		Full Year	
External sales	2019	2018	2019	2018
Spirits	309.5	297.0	811.9	766.8
Wine	435.6	445.5	1 574.1	1 603.3
Logistics	86.5	78.6	283.0	261.1
Other	11.6	11.7	41.4	41.5
<b>Total external sales</b>	<b>843.2</b>	<b>832.8</b>	<b>2 710.4</b>	<b>2 672.6</b>

MNOK	Fourth quarter		Full Year	
Sales between segments	2019	2018	2019	2018
Spirits	0.5	-1.4	-0.3	-4.3
Wine	2.1	-0.1	3.7	1.5
Logistics	2.9	2.9	10.6	11.3
Eliminations	-5.4	-1.4	-14.0	-8.4
<b>Total sales revenue between segments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

MNOK	Fourth quarter		Full Year	
External other revenue	2019	2018	2019	2018
Spirits	3.4	3.4	9.7	8.3
Wine	9.8	4.6	19.9	17.2
Logistics	4.6	6.7	20.2	23.6
Other	0.8	0.6	2.6	1.5
<b>Total external other revenue</b>	<b>18.6</b>	<b>15.3</b>	<b>52.4</b>	<b>50.6</b>

MNOK	Fourth quarter		Full Year	
Other revenue between segments	2019	2018	2019	2018
Spirits	48.3	38.7	154.3	148.9
Wine	1.4	0.8	5.7	2.8
Logistics	4.5	3.9	14.3	11.8
Other	44.3	44.0	176.8	175.1
Eliminations	-98.5	-87.3	-351.1	-338.6
<b>Total other revenue between segments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

MNOK	Fourth quarter		Full Year	
EBITDA	2019	2018	2019	2018
Spirits	85.7	89.6	146.9	142.8
Wine	56.5	58.3	161.1	169.7
Logistics	10.2	10.0	13.8	12.4
Other	-8.2	-9.2	-37.1	-17.5
Eliminations	23.1	0.0	92.7	0.0
<b>Total EBITDA</b>	<b>167.2</b>	<b>148.7</b>	<b>377.3</b>	<b>307.3</b>

MNOK	Fourth quarter		Full Year	
EBIT	2019	2018	2019	2018
Spirits	79.3	83.5	121.6	118.1
Wine	55.7	57.5	158.0	167.1
Logistics	7.1	7.1	2.4	1.1
Other	-9.6	-10.8	-43.1	-23.8
Eliminations	4.6	-1.3	18.8	-5.2
<b>Total EBIT</b>	<b>137.1</b>	<b>136.0</b>	<b>257.8</b>	<b>257.3</b>

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
<b>Total profit for the year</b>				
Spirits	55.6	112.8	74.7	89.0
Wine	40.5	39.4	113.8	116.3
Logistics	5.7	1.5	2.5	-3.1
Other	-11.4	-18.0	-42.8	-30.7
Eliminations	-8.7	11.8	-21.4	7.5
<b>Total profit for the year</b>	<b>81.8</b>	<b>147.6</b>	<b>126.7</b>	<b>179.0</b>

## NOTE 5 FIXED ASSETS

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
<b>Fixed Assets</b>				
Purchase cost at beginning of period	1 831.3	652.8	658.0	643.7
Additions tangible fixed assets	8.2	4.9	19.1	19.8
Additions user rights through lease	17.1	3.1	1 185.0	3.1
Transferred from assets under construction	0.0	-1.2	-0.3	-2.0
Value changes	16.3	0.0	16.3	0.0
Reclassifications	-0.3	0.0	-0.3	0.0
Purchase price, disposed assets	-9.8	-2.2	-14.6	-6.1
Translation differences	0.2	0.6	-0.1	-0.4
<b>Purchase cost at end of period</b>	<b>1 863.1</b>	<b>658.0</b>	<b>1 863.1</b>	<b>658.0</b>
Accumulated depreciation at beginning of period	-414.8	-335.0	-342.2	-313.8
Accumulated depreciation, disposed assets	9.7	2.2	14.5	6.1
Ordinary depreciation in period	-26.5	-8.8	-104.7	-34.8
Reclassifications	0.3	0.0	0.3	0.0
Translation differences	-0.6	-0.5	0.2	0.4
<b>Accumulated depreciation at end of period</b>	<b>-431.9</b>	<b>-342.2</b>	<b>-431.9</b>	<b>-342.2</b>
<b>Book Value at end of period</b>	<b>1 431.2</b>	<b>315.8</b>	<b>1 431.2</b>	<b>315.8</b>

*Specification of fixed assets*

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
<b>Fixed Assets</b>				
Land, buildings and other real estate	1 107.2	0.0	1 107.2	0.0
Machinery and equipment	293.4	293.3	293.4	293.3
Fixtures and fittings, tools, office equipment etc.	16.9	17.7	16.9	17.7
Assets under construction	13.6	4.9	13.6	4.9
<b>Book Value at end of period</b>	<b>1 431.2</b>	<b>315.8</b>	<b>1 431.2</b>	<b>315.8</b>

Fixed assets are significantly influenced by the new IFRS 16 standard. The addition of tangible assets via financial lease, is most due to calculated leasing rights, based on the new accounting principles from the new standard.

The most significant lease agreement is the leasing of property at Gjelleråsen, which is depreciated over 19 years (until end of 2037). The other right-of-use assets are depreciated over 1-33 years.

## NOTE 6 INTANGIBLE ASSETS

MNOK	Fourth quarter		Full Year	
Intangible assets	2019	2018	2019	2018
<b>Purchase cost at beginning of period</b>	2 070.4	2 024.9	2 074.1	2 066.4
Addition of intangible assets	0.0	1.1	1.5	3.2
Aquisition of business	61.5	0.0	61.5	0.0
Transferred from assets under construction	0.0	1.2	0.3	2.0
Translation differences	-3.7	46.8	-9.3	2.4
<b>Purchase cost at end of period</b>	<b>2 128.2</b>	<b>2 074.1</b>	<b>2 128.2</b>	<b>2 074.1</b>
Acc. depreciation and amortizations at beginning of period	-201.4	-186.1	-190.2	-175.0
Depreciation in period	-1.6	-2.0	-7.2	-7.5
Amortisations in period	-2.0	-1.9	-7.7	-7.7
Translation differences	-0.1	-0.2	0.0	0.0
<b>Acc. depreciation and amortizations at end of period</b>	<b>-205.0</b>	<b>-190.2</b>	<b>-205.0</b>	<b>-190.2</b>
<b>Book Value at end of period</b>	<b>1 923.2</b>	<b>1 883.9</b>	<b>1 923.2</b>	<b>1 883.9</b>

*Specification of intangible assets*

MNOK	Fourth quarter		Full Year	
Intangible assets	2019	2018	2019	2018
Goodwill	1 048.2	1 042.1	1 048.2	1 042.1
Brands	854.0	815.0	854.0	815.0
Software	21.0	26.8	21.0	26.8
<b>Book Value at end of period</b>	<b>1 923.2</b>	<b>1 883.9</b>	<b>1 923.2</b>	<b>1 883.9</b>

## NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Fourth quarter		Full Year	
Liabilities at fair value through profit and loss	2019	2018	2019	2018
Book value at beginning of period	69.3	69.5	74.2	0.0
Additions in period	0.0	0.0	0.0	67.9
Changes in value during period	-1.0	1.6	-3.4	2.6
Interest during period	0.0	0.1	0.2	0.1
Translation differences	0.9	3.0	-1.7	3.7
<b>Book value at end of period</b>	<b>69.3</b>	<b>74.2</b>	<b>69.3</b>	<b>74.2</b>
<i>From this;</i>				
Current liability	0.0	0.0	0.0	0.0
Non-current liability	69.3	74.2	69.3	74.2
<b>Total liabilities through profit and loss</b>	<b>69.3</b>	<b>74.2</b>	<b>69.3</b>	<b>74.2</b>

Liabilities at fair value through profit and loss consist of put options regarding minority shares in companies included in the Wine business, held by non-controlling interests.

**NOTE 8 INTERESTBEARING DEBT**

Interest bearing liabilities, including leasing

MNOK	Fourth quarter		Full Year	
<b>Interest bearing debt</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Debt at beginning of period	1 983.4	861.4	897.8	933.2
New debt in period	17.4	3.1	1 185.4	3.1
Value changes	16.3	0.0	16.3	0.0
Repayments in period	-16.8	-4.4	-66.2	-17.4
Translation differences	11.7	37.7	-21.1	-21.1
<b>Interest bearing debt at end of period</b>	<b>2 012.2</b>	<b>897.8</b>	<b>2 012.2</b>	<b>897.8</b>
Capitalized borrowing costs at beginning of period	-3.5	-5.0	-4.8	-6.5
Amortized borrowing costs during period	0.4	0.4	1.6	1.6
Translation differences	0.0	-0.1	0.1	0.1
<b>Capitalized borrowing costs at end of period</b>	<b>-3.1</b>	<b>-4.8</b>	<b>-3.1</b>	<b>-4.8</b>
<b>Book value interest bearing debt at end of period</b>	<b>2 009.0</b>	<b>893.0</b>	<b>2 009.0</b>	<b>893.0</b>

Current interest bearing, including leasing and bank overdraft

MNOK	Fourth quarter		Full Year	
<b>Interest bearing liabilities</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Current portion of non-current loans	0.0	0.0	0.0	0.0
Current portion of non-current financial leasing	154.2	18.1	154.2	18.1
Bank overdraft	0.0	0.0	0.0	0.0
<b>Current interest bearing liabilities at end of period</b>	<b>154.2</b>	<b>18.1</b>	<b>154.2</b>	<b>18.1</b>

New debt in the period is all due to calculated leasing liabilities, based on the new accounting principles from the new IFRS 16 standard.



**NOTE 9 TRANSACTIONS WITH RELATED PARTIES**

In addition to subsidiaries and associated companies, the Group's related parties are defined as the owners, all members of the Board of Directors and Group senior management, as well as companies in which any of these parties have either controlling interests, board appointments or are senior staff. All transactions with related parties that are not eliminated in the Group accounts are presented below:

MNOK	Fourth quarter		Full Year	
<b>Purchase of goods and services</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Tiffon SA	10.9	11.5	57.5	45.5
Hoff SA	4.8	3.2	21.0	21.2
Destilleriveien 11 AS	0.0	0.0	0.0	27.6
Draav Konsult AB	0.0	0.0	0.0	0.8
<b>Total purchase transactions</b>	<b>15.7</b>	<b>14.7</b>	<b>78.5</b>	<b>94.9</b>

MNOK	Fourth quarter		Full Year	
<b>Sale of goods and services</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Tiffon SA	0.0	2.1	1.2	5.9
<b>Total sale transactions</b>	<b>0.0</b>	<b>2.1</b>	<b>1.2</b>	<b>5.9</b>

***Receivables and debt at end of period***

MNOK	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Current receivables from related parties</b>		
Tiffon SA	0.0	2.0
<b>Total current receivables from related parties</b>	<b>0.0</b>	<b>2.0</b>

MNOK	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Non-current receivables from related parties</b>		
Smakeappen AS	0.5	0.5
<b>Total non-current receivables from related parties</b>	<b>0.5</b>	<b>0.5</b>

MNOK	<b>31.12.2019</b>	<b>31.12.2018</b>
<b>Current debt to related parties</b>		
Tiffon SA	4.4	7.1
Hoff SA	0.5	0.5
<b>Total current debt to related parties</b>	<b>4.9</b>	<b>7.7</b>

## NOTE 10 FINANCIAL INSTRUMENTS

MNOK	Financial instruments at fair value through profit and loss	Financial instruments at amortized cost	Financial instruments at fair value through OCI	Total book value at end of period
<b>Assets</b>				
Other investments in shares	0.0	0.2	0.0	0.2
Other long term receivables	0.0	0.5	0.0	0.5
Accounts receivables	0.0	1 278.5	0.0	1 278.5
Other receivables <sup>1)</sup>	0.0	71.2	0.0	71.2
Cash and cash equivalents	0.0	205.0	0.0	205.0
<b>Total financial assets as of fourth quarter 2019</b>	<b>0.0</b>	<b>1 555.5</b>	<b>0.0</b>	<b>1 555.5</b>
<b>Total financial assets as of fourth quarter 2018</b>	<b>0.6</b>	<b>1 605.0</b>	<b>0.0</b>	<b>1 605.7</b>
<b>Liabilities</b>				
Liabilities to financial institutions	0.0	703.8	0.0	703.8
Leasing commitments	0.0	1 305.2	0.0	1 305.2
Liabilities at fair value through profit and loss	69.3	0.0	0.0	69.3
Other non-current term debt	0.0	0.0	0.0	0.0
Accounts payable	0.0	570.5	0.0	570.5
Other current debt <sup>2)</sup>	0.4	15.0	0.0	15.5
<b>Total financial liabilities as of fourth quarter 2019</b>	<b>69.8</b>	<b>2 594.6</b>	<b>0.0</b>	<b>2 664.4</b>
<b>Total financial liabilities as of fourth quarter 2018</b>	<b>74.2</b>	<b>1 485.7</b>	<b>0.0</b>	<b>1 559.9</b>

<sup>1)</sup> Prepayments are not defined as financial assets according to IFRS, and hence not included in the figures.

<sup>2)</sup> Accrued costs and public taxes are not defined as financial liabilities according to IFRS, and hence not included in the figures.

**Fair value hierarchy**

<b>Assets</b>				
MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.0	0.0	0.0	0.0
<b>Total financial assets</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>Liabilities</b>				
MNOK	Level 1	Level 2	Level 3	Book Value
Liabilities at fair value through profit and loss	0.0	0.0	69.3	69.3
Currency derivatives	0.4	0.0	0.0	0.4
<b>Total financial liabilities</b>	<b>0.4</b>	<b>0.0</b>	<b>69.3</b>	<b>69.8</b>

There has not been any transfers of financial assets or liabilities between levels during the period.

**Changes financial liabilities, level 3**

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Financial liabilities, level 3, at beginning of period	69.3	69.5	74.2	0.0
Fair value at the first time of recognition	0.0	0.0	0.0	67.9
Changes in value during the period	-1.0	1.6	-3.4	2.6
Interest during period	0.0	0.1	0.2	0.1
Translation differences	0.9	3.0	-1.7	3.7
<b>Financial liabilities, level 3 at end of period</b>	<b>69.3</b>	<b>74.2</b>	<b>69.3</b>	<b>74.2</b>

At the end of the period, liabilities measured at fair value, categorized at level 3 in the fair value hierarchy is related to put-options held by non-controlling interests in wine companies in Norway and Sweden. The liabilities for these put-options are estimated on the basis of pricing mechanisms that underlie the shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms share value development measured by EBIT (earnings) until the estimated due date, multiplied by a marketbased multiple. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

**NOTE 11 OPTIONS**

The General Meeting has granted options to the Group Executive Management and a few other key employees. The table below show outstanding options from 2018 and 2019. All options from 2017 have been cancelled at the end of Q4, due to vesting conditions not being met.

As of end of Q4 2019, the Group Executive Management holds 2,331,705 options. The share options has a vesting period of three years and the options can be exercised during the next two years. The options will expire after five years.

Changes in outstanding options are shown in the table below;

Number of options	Fourth quarter		Full Year		Full Year
	2019	2018	2019	2018	2018
<b>Change in number of options:</b>					
Outstanding options beginning of period	4 245 746	2 417 500	2 417 500	1 229 304	1 229 304
Issued during period	0	0	2 195 086	1 484 923	1 484 923
Forfeited during the period	-1 149 853	0	-1 516 693	-296 727	-296 727
<b>Outstanding options end of period</b>	<b>3 095 893</b>	<b>2 417 500</b>	<b>3 095 893</b>	<b>2 417 500</b>	<b>2 417 500</b>

Option calculation assumptions:		Options #2017	Options #2018	Options #2019
Grant date		May 4th 2017	April 11th 2018	April 11th 2019
Total outstanding options at end of period:		0	1 062 091	2 033 802
Vesting period - Start		May 2017	April 2018	April 2019
Vesting period - End		May 2020	April 2021	April 2022
Redemption period - Start		May 2020	April 2021	April 2022
Redemption period - End		May 2022	April 2023	April 2024
Share price on the allocation date	NOK	40.05	43.70	38.80
Share price on the balance sheet date	NOK	36.50	36.50	36.50
Redemption price - minimum	NOK	51.53	45.22	40.52
Redemption price - maximum	NOK	143.70	131.10	116.40
Risk-free interest rate	%	1.38 %	1.38 %	1.38 %
Volatility	%	20.0 %	20.0 %	20.0 %
Expected dividend	%	3.6 %	3.6 %	3.6 %

**NOTE 12 FINANCIAL INCOME AND EXPENSES**

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Interest income	7.5	4.3	22.5	12.9
Other financial income	2.1	6.0	3.4	1.6
<b>Total financial income</b>	<b>9.6</b>	<b>10.3</b>	<b>25.9</b>	<b>14.5</b>
Interest cost	-26.7	-11.2	-94.1	-37.4
Other financial expenses	-3.4	-4.4	-17.0	-13.2
<b>Total financial expenses</b>	<b>-30.2</b>	<b>-15.6</b>	<b>-111.2</b>	<b>-50.6</b>
<b>Net financial profit/loss</b>	<b>-20.5</b>	<b>-5.3</b>	<b>-85.3</b>	<b>-36.1</b>

The significant increase of interest costs during Q4 2019 is due to calculated interest cost from capitalized leasing rights according to the new leasing standard (IFRS 16).

Other financial expenses during Q3 is mainly consisting of amortized borrowing costs and agio effects.

**NOTE 13 OTHER EVENTS****Purchase of Wongraven Wines**

On December 2<sup>nd</sup> 2019, Vingruppen AS purchased the majority of the shares in Wongraven Wines AS (90%). Wongraven Wines has since 2014 collaborated with Vingruppen to sell quality wines in Norway, through its subsidiary Symposium Wines AS. In cooperation with founder and minority shareholder Sigurd Wongraven, the Group plans to expand the company's business to other markets outside Norway where the Group is already represented.

The excess values related to the purchase has effected in a Brand value of 49.7 MNOK and Goodwill of 11.8 MNOK.

**Events after the close of Q4 2019**

No significant events have occurred between the close of Q4 and the date on which Arcus's interim financial statements for Q4 2019 were approved. This applies to events that would have provided knowledge of factors present at the close of Q4 2019, or events concerning matters that have arisen since the close of Q4 2019.

## Alternative Performance Measures (APM)

In the discussion of the reported operating results, financial position, cash flows and notes, the Group refers to certain alternative performance measures (APM), which are not defined by generally accepted accounting principles (GAAP) such as IFRS.

Arcus ASA management makes regular use of these alternative performance measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

### Gross Profit

*Gross profit* is defined by Arcus ASA as total operating revenue minus the cost of goods sold.

*Gross margin* = Gross profit / Total revenue

#### Group

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Total operating revenues	861.8	848.1	2 762.8	2 723.2
Cost of goods	-483.0	-479.1	-1 601.1	-1 577.3
<b>Gross Profit</b>	<b>378.8</b>	<b>369.0</b>	<b>1 161.7</b>	<b>1 145.9</b>

#### Spirits

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Total operating revenues	361.7	337.7	975.6	919.6
Cost of goods	-184.1	-164.3	-491.3	-448.0
<b>Gross Profit</b>	<b>177.6</b>	<b>173.4</b>	<b>484.3</b>	<b>471.6</b>

#### Wine

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Total operating revenues	448.9	450.8	1 603.4	1 624.7
Cost of goods	-341.8	-343.3	-1 238.3	-1 244.3
<b>Gross Profit</b>	<b>107.1</b>	<b>107.5</b>	<b>365.1</b>	<b>380.4</b>

#### Logistics

MNOK	Fourth quarter		Full Year	
	2019	2018	2019	2018
Total operating revenues	98.5	92.0	328.1	307.7
Cost of goods	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>98.5</b>	<b>92.0</b>	<b>328.1</b>	<b>307.7</b>

### Other income and expenses

To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also detailed specifications of what these items include in note 3 relating to the individual line items.

## EBITDA and EBITDA Adjusted

EBITDA is defined by Arcus ASA as operating profit before depreciation, write down and amortisation.

EBITDA adjusted is defined by Arcus ASA as operating profit before depreciation, amortisation and other income and expenses.

EBITDA-margin = EBITDA/Total operating revenue

EBITDA-margin adjusted = EBITDA adjusted /Total operating revenue

Below is a reconciliation from EBIT to EBITDA adjusted:

### Group

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2019	2018	2019	2018
EBIT	137.1	136.0	257.8	257.3
Depreciation, amortisations and write downs	30.1	12.7	119.6	50.0
EBITDA	167.2	148.7	377.3	307.3
Other income and expenses	4.8	3.5	19.7	5.3
EBITDA adjusted	172.0	152.1	397.1	312.6

### Spirits

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2019	2018	2019	2018
EBIT	79.3	83.5	121.6	118.1
Depreciation, amortisations and write downs	6.4	6.1	25.3	24.7
EBITDA	85.7	89.6	146.9	142.8
Other income and expenses	1.0	0.3	2.0	1.8
EBITDA adjusted	86.7	89.9	148.9	144.6

### Wine

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2019	2018	2019	2018
EBIT	55.7	57.5	158.0	167.1
Depreciation, amortisations and write downs	0.8	0.7	3.1	2.6
EBITDA	56.5	58.3	161.1	169.7
Other income and expenses	1.6	1.5	8.8	11.8
EBITDA adjusted	58.1	59.8	169.9	181.5

### Logistics

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2019	2018	2019	2018
EBIT	7.1	7.1	2.4	1.1
Depreciation, amortisations and write downs	3.1	2.9	11.5	11.3
EBITDA	10.2	10.0	13.8	12.4
Other income and expenses	0.4	0.2	1.6	0.4
EBITDA adjusted	10.6	10.2	15.4	12.7

### Parent Company

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2019	2018	2019	2018
EBIT	-9.6	-10.8	-43.1	-23.8
Depreciation, amortisations and write downs	1.3	1.6	6.0	6.2
EBITDA	-8.2	-9.2	-37.1	-17.5
Other income and expenses	1.8	1.4	7.3	-8.7
EBITDA adjusted	-6.4	-7.8	-29.8	-26.2

**Other definitions alternative performance measures shown in key figures table:****Equity ratio**

Equity ratio = Total equity/Total equity and liabilities

**Net interest bearing debt**

Net interest bearing debt = Liabilities to financial institutions + finance lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Fourth quarter	
<b>Net interest bearing debt</b>	<b>31.12.2019</b>	<b>31.12.2018</b>
Non-current liabilities to financial institutions	703.8	723.5
Book value of Capitalized arrangement fees	3.1	4.8
Non-current lease liabilities	1 151.0	151.4
Current lease liabilities	154.2	18.1
Cash and cash equivalents	-205.0	-282.6
<b>Net interest bearing debt</b>	<b>1 807.1</b>	<b>615.1</b>

The increase of Net Interest Bearing Debt is due to calculated leasing liabilities according to the new leasing standard, IFRS 16.

## Organic growth

Organic revenue growth represent the Segment's and the Group's revenues, adjusted for currency effects and structural changes, such as acquisitions or divestitures.

### Group

MNOK	Fourth quarter		Full Year	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	861.8	848.1	2 762.8	2 723.2
Currency effects	0.0	12.9	0.0	4.7
Structural changes	-7.1	0.0	-7.1	0.0
<b>Baseline organic growth</b>	<b>854.7</b>	<b>861.0</b>	<b>2 755.7</b>	<b>2 727.9</b>
Growth	1.6 %		1.5 %	
Organic Growth	-0.7 %		1.0 %	

### Spirits

MNOK	Fourth quarter		Full Year	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	361.7	337.7	975.6	919.6
Currency effects	0.0	5.9	0.0	5.5
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>361.7</b>	<b>343.6</b>	<b>975.6</b>	<b>925.1</b>
Growth	7.1 %		6.1 %	
Organic Growth	5.3 %		5.5 %	

### Wine

MNOK	Fourth quarter		Full Year	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	448.9	450.8	1 603.4	1 624.7
Currency effects	0.0	6.7	0.0	-0.8
Structural changes	-7.1	0.0	-7.1	0.0
<b>Baseline organic growth</b>	<b>441.8</b>	<b>457.5</b>	<b>1 596.3</b>	<b>1 623.9</b>
Growth	-0.4 %		-1.3 %	
Organic Growth	-3.4 %		-1.7 %	

### Logistics

MNOK	Fourth quarter		Full Year	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	98.5	92.0	328.1	307.7
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>98.5</b>	<b>92.0</b>	<b>328.1</b>	<b>307.7</b>
Growth	7.1 %		6.6 %	
Organic Growth	7.1 %		6.6 %	



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## ANNUAL REPORT

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Arcus ASA

## INSTAGRAM

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## FACEBOOK:

ArcusGruppen

THINK BEFORE  
YOU DRINK. MAKE  
GREAT MOMENTS  
EVEN BETTER.

*Arcus*