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ArcusGruppen

THINK BEFORE
YOU DRINK. MAKE
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ANNUAL REPORT 2018



IN BRIEF[Business Structure](#)[A Leading Nordic Brand Company](#)[Key Figures 2018](#)[Strategy and Key Information](#)[Group CEO](#)

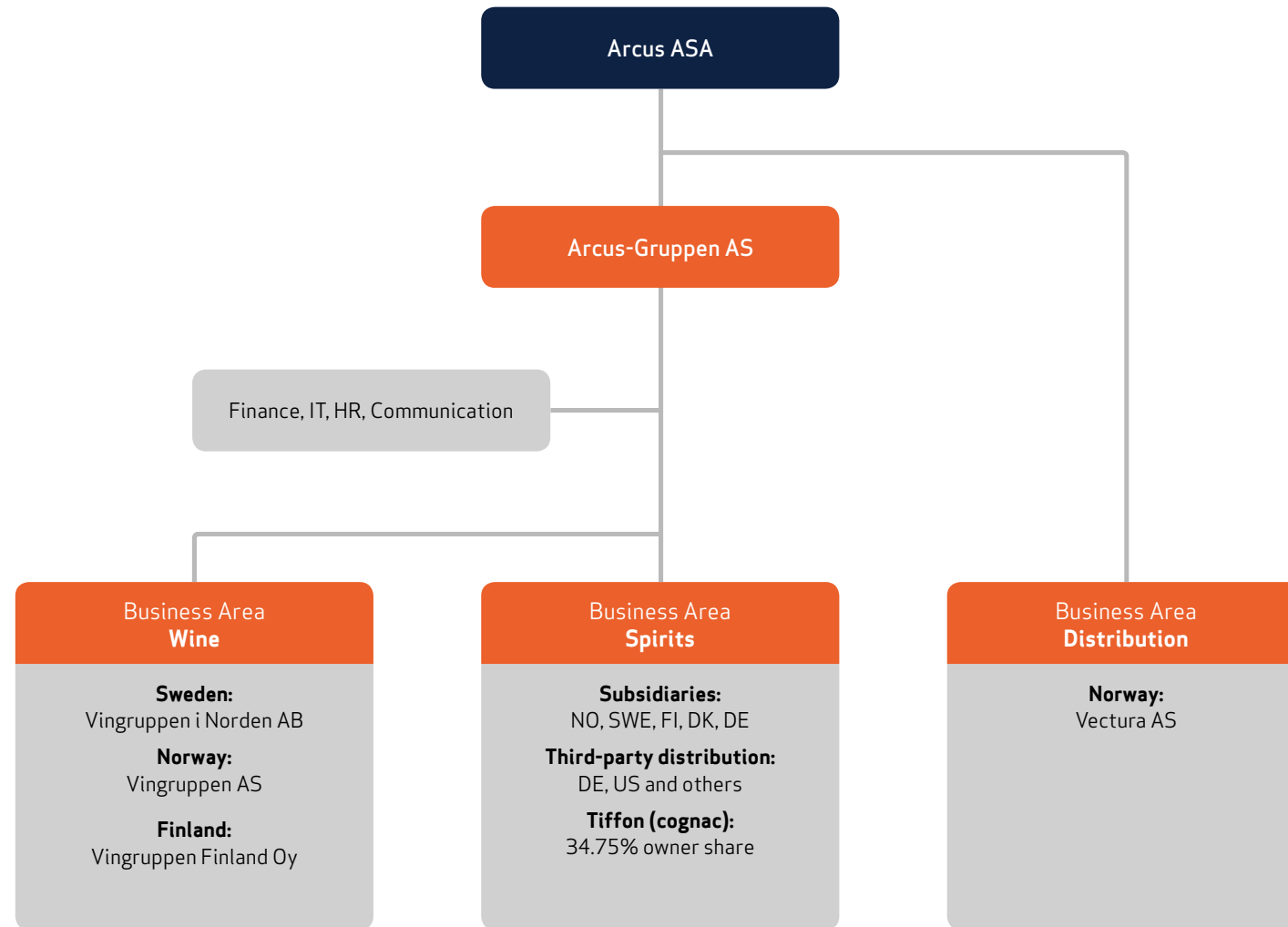
SØREN NIELSEN, SALES MANAGER

Søren is enthusiastic and dedicated, with solid knowledge of Arcus' spirits. He sees what the customer needs, and which spirits and cocktails are right for every occasion.

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BUSINESS STRUCTURE



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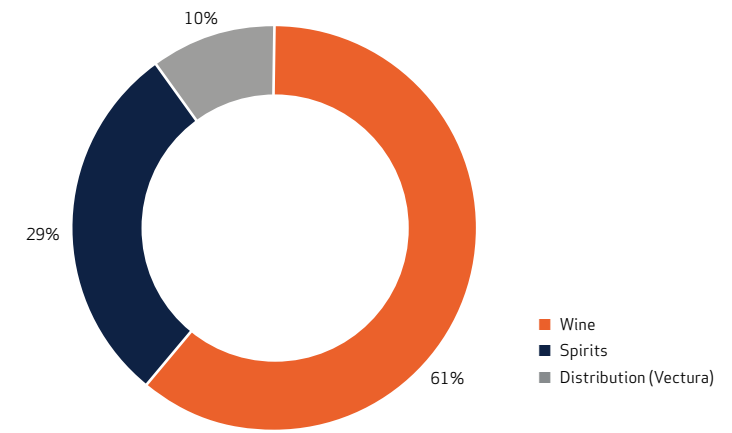
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A LEADING NORDIC BRAND COMPANY

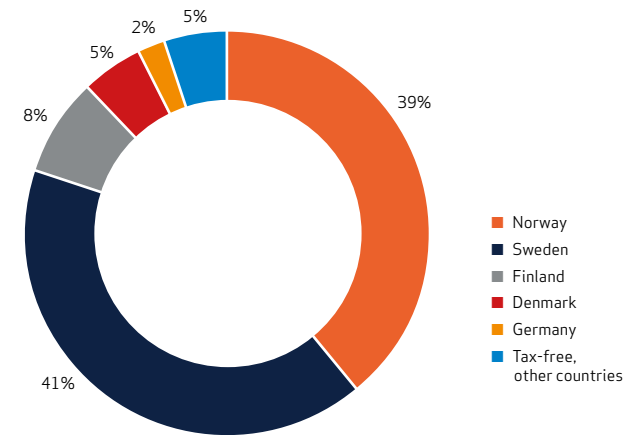
SOLID POSITIONS IN THE NORDIC REGION AND GERMANY



SALES REVENUE BY BUSINESS AREA IN 2018



SALES REVENUE BY COUNTRY IN 2018



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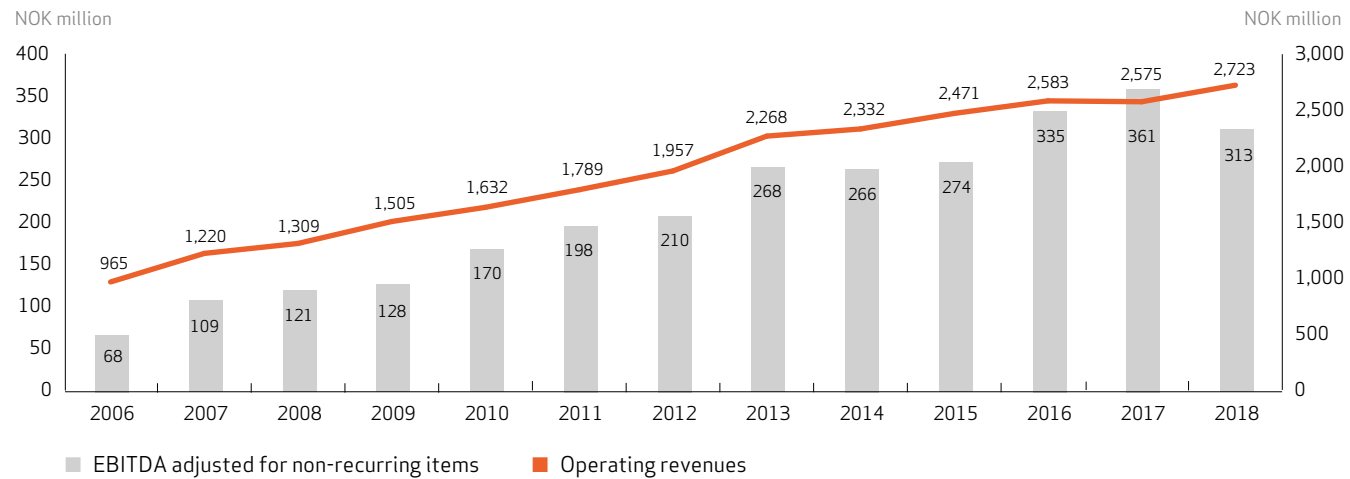
KEY FIGURES 2018

Arcus ASA Group		2018	2017	2016	2015	2014
Operating revenues	NOK million	2,723.2	2,575.1	2,582.5	2,470.9	2,332.4
Of which operating revenues outside Norway	NOK million	1,646.8	1,554.4	1,567.7	1,479.5	1,288.5
EBITDA	NOK million	307.3	347.6	290.5	257.8	272.1
EBITDA adjusted for non-recurring items	NOK million	312.6	360.7	335.3	274.4	266.3
EBITDA margin adjusted for non-recurring items	(%)	11.5%	14.0%	13.0%	11.1%	11.4%
Number of FTEs, 31.12	Persons	435	425	409	422	448

OPERATING REVENUES
NOK million

2,723

GROWTH 2006-2018

EBITDA adjusted for non-
recurring items NOK million

313

NUMBER OF
EMPLOYEES

435

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STRATEGY AND KEY INFORMATION

ARCUS' GROWTH STRATEGY SUMMARISED AS 10 POINTS:

SPIRITS

- Growth in the core categories of aquavit and bitters
- Strengthen position in the Nordic region, revitalise Germany
- Strengthen innovation: New occasions, categories and consumer groups

WINE

- Win tenders in monopoly markets and further develop the current range
- Attract new and complementary agencies
- Strengthen and further develop sales of own brands
- Use the entrepreneurial model, attracting the best to start up new wine companies

DISTRIBUTION

- Sustained focus on cost optimisation
- Increase revenue with new distribution agreements

M&A

- Minor bolt-on acquisitions

FINANCIAL TARGETS

Revenue:

Organic growth of 3–5 per cent per annum, including minor bolt-on acquisitions.

EBITDA:

Growth of 6–9 per cent per annum during the next 3–5 years.

DIVIDEND POLICY

Arcus' ambition is to pay annual dividend of approximately 50–70 per cent of the net annual profit. The proposal to pay dividend and the dividend rate were presented by the Board of Directors and adopted by the Annual General Meeting on 11 April.

FINANCIAL CALENDAR 2019

11 April: Annual General Meeting

10 May: Result, Q1

29 May: Payment of dividend¹

15 August: Result, Q2

6 November: Result, Q3

1. Provided that the dividend proposal is adopted by the Annual General Meeting.

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LIST OF SHAREHOLDERS AS OF 31 DECEMBER 2018

Arcus ASA has issued 68,023,255 shares, distributed to 2,132 shareholders.

Shareholder	Number of shares	Ownership interest
1 Canica AS	28,607,626	42.1%
2 Geveran Trading	6,750,000	9.9%
3 Verdipapirfondet DNB Norge (IV)	3,589,022	5.3%
4 Hoff SA	3,297,000	4.9%
5 Sundt AS	2,710,000	4.0%
6 Centra Invest AS	1,803,818	2.7%
7 Folketrygdfondet	1,750,000	2.6%
8 Danske Invest Norske Instit. (II)	1,715,398	2.5%
9 KLP Aksjenorge	1,326,494	2.0%
10 Goldman Sachs International	1,092,651	1.6%
11 Landkreditt Utbytte	1,000,000	1.5%
12 RBC Investor Services Bank S.A.	949,458	1.4%
13 Verdipapirfondet DNB Norge Selektiv	926,616	1.4%
14 Danske Invest Norske Aksjer Inst.	892,400	1.3%
15 Kommunal Landspensjonskasse	849,707	1.3%
16 Mustad Industrier	400,000	0.6%
17 Danske Invest Norge (II)	363,834	0.5%
18 The Bank of New York Mellon SA	317,243	0.5%
19 Avanza Bank AB	303,933	0.5%
20 Janska Invest AS	260,861	0.4%

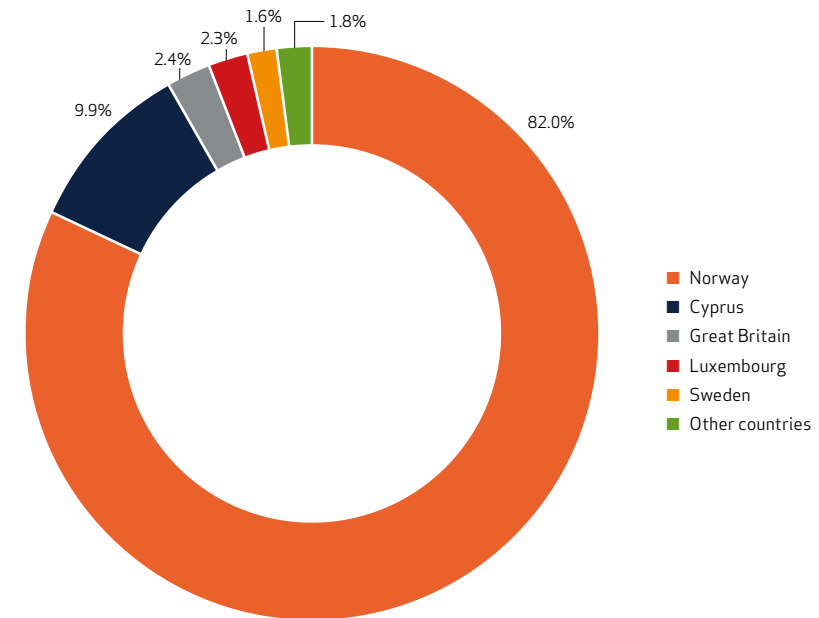
NEWS AND STOCK-EXCHANGE ANNOUNCEMENTS

You can subscribe for stock-exchange announcements and quarterly reports from Arcus via this link:

<https://www.arcus.no/en/subscribe>

Remember to click on "Information type" on the right-hand side.

GEOGRAPHICAL DISTRIBUTION OF SHAREHOLDERS AS OF 31 DECEMBER 2018



YIELD INCLUDING DIVIDEND

	Arcus	Oslo Stock Exchange Main Index	Oslo Stock Exchange Consumer Goods Index
Dec. 2016-2018	2.6%	20.6%	34.1%
2018	-8.3%	-1.9%	28.8%

Arcus ASA was listed on the Oslo Stock Exchange on 01.12.2016.

Source: Oslo Stock Exchange

DIVIDEND PER SHARE

NOK 1.47 paid in 2017.
NOK 1.66 paid in 2018.

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ARCUS SALES IN 2018 AT ALL-TIME HIGH DRIVEN BY WINE

In 2018, Arcus' revenue increased by 5.8 per cent to NOK 2.7 billion, reflecting high wine sales in Sweden and Norway.

We do not want people to drink more alcohol, but we do want consumers to choose our products.

This is precisely what happened in 2018. We have aligned the wine portfolio towards the real basis for our growth, which is the popular categories of rosé wine, white wine and sparkling wine (including champagne, prosecco and cava). Wine sales was also boosted by a hot summer throughout the Nordic region.

Norwegians and Swedes are major buyers of bag-in-box wine, which is one of our most important product groups.

In 2018, 58 per cent of all red wine consumption was from bag-in-box, while for white wine the figure was 55 per cent. For Sweden, the equivalent figures were 48 and 25 per cent.

In 2018, a lot of high quality aquavit was produced (including Gammel Opland, LINIE, Løiten, Gilde and Aalborg), besides bitters (including Gammel Dansk and Balder), and vodka (including Vikingfjord, Amundsen and Dworek). Arcus is a major exporter of spirits, particularly aquavit. In the Nordic region, Germany and the USA, Arcus' aquavits are market leaders. LINIE, Aalborg and

Gammel Dansk are also exported to 30 countries. Arcus also sells brands from leading global producers such as Sazerac (Fireball, Buffalo Trace, etc.) and Proximo (Bushmills, Jose Cuervo, etc.).

Our Norwegian distribution company, Vectura, contributed to the growth in revenue, with new customers and increased sales of logistics services.

The profit before tax in 2018 was NOK 221.2 million. This is a decrease of NOK 37.5 million from 2017. Lower sales of spirits in Denmark and Germany, and a strong EUR vs SEK and NOK that made wine imports more

expensive, are the two key reasons for the decline.

Arcus stands for strong professional expertise, in terms of the markets in which we operate, the products we manufacture and import, and all of our distribution activities. This is the best starting point for 2019 to be a year with good financial performance.

Kenneth Hamnes
Group CEO

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Arcus

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Arcus is one of the Nordic region's largest brand companies within wine and spirits. Sweden, Denmark, Norway, Finland and Germany constitute the home market. Vectura is Norway's leading logistics business for alcoholic beverages.

Arcus ASA owns the brand company Arcus-Gruppen AS and the distribution company Vectura AS. The Group's operational activities are run via the Spirits, Wine and Distribution business areas. All of Arcus' production of spirits, and bottling of wine and spirits, are part of the Spirits business area.

The Spirits and Wine business areas handle product development, imports, sales and marketing within their respective product categories. Spirits is also responsible for

purchasing, production, storage and bottling. Vectura handles all distribution operations in Norway. In other countries, this function is handled by external partners.

Vectura offers logistics services for producers, agents and importers of wine, spirits, beer and other beverages. Their goods are delivered by Vectura to Vinmonopolet's shops, as well as to hotels, restaurants and cafés throughout Norway. Products from Arcus account for around 30 per cent of Vectura's revenue.

WINE

Arcus is the largest importer of wine in Norway, the second largest in Sweden and assumed to be the third largest in Finland. The Group's wine-related operations cover a wide range of agencies, representing all categories in all the important wine producing countries. In addition, Arcus has significant sales of its own brands. These products are imported in bulk and bottled at Gjelleråsen. One example is Falling Feather, a red wine that has been popular for a number of years, and which in 2018 was Vinmonopolet's best-selling product (see the article about Falling Feather).

The wine industry is characterised by personal relationships between producers and agents. This is the background to Arcus' import activities being organised as several smaller

companies – in Sweden, Finland and Norway. Several of them are partly-owned by founders or key persons with strong relationships with attractive suppliers. These wine companies compete, share their professional expertise and benefit from the Group's shared services.

SPIRITS

Arcus is the world's largest producer of aquavit and one of the leading players within production and sale of spirits in the Nordic region. The Group has an extensive brand portfolio and a modern, efficient production facility at Gjelleråsen outside Oslo. The well-known Norwegian aquavit brands such as Gammel Opland, Løiten, LINIE, Gilde and Lysholm are produced here, and also the traditional Danish spirits, such as Aalborg Akvavit and Gammel

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Dansk. Considerable volumes of vodka are also bottled, including Vikingfjord and the popular Dwork vodka, and the Hot n'Sweet vodka shot. Arcus owns 34.75 per cent of the French cognac house, Tiffon, the producer of Braastad cognac. Arcus has the sole rights to sell Braastad in the Nordic region. In addition, Arcus has significant sales of its own brands, blended and bottled according to local consumer preferences.

Just over 90 per cent of Spirits' revenue is from sale of own brands. The business area also has significant agency activities, which expanded further in 2018. As from June, Arcus is responsible for sale of Liviko's products in the Nordic region. Liviko, in Estonia, has a 120-year history and commands a strong position in the Baltic countries and Finland. Liviko has a strong portfolio of premium brands, with the iconic Vana Tallinn as the leading brand.

In 2018, Arcus became responsible for Nordic sales of Proximo's products as from 2019. Proximo is one of the world's leading spirits operators, best known for its Jose Cuervo Tequila – the world's best-selling and oldest tequila brand, with roots going back to 1795. Besides Cuervo, Arcus will also sell Bushmills Irish Whiskey, the world's third-largest whiskey brand, and The Kraken Black Spiced Rum, one of the world's most dynamic and fastest growing rum brands. The agreement with Proximo concerns sale throughout the Nordic region, including tax-free.

DISTRIBUTION

Vectura delivers a full range of inbound logistics services, storage and product distribution in Norway, and achieved sound growth in 2018. Vinmonopolet, the hotel and restaurant industry and wholesalers are the main customers. Its partners include well over a hundred producers/importers of alcoholic beverages, covering the entire range from the largest industry players to small craft

producers. The products handled originate from more than 40 countries.

Vectura AS was established in 1996 and is owned by Arcus ASA. The company is located at Gjelleråsen, outside Oslo, in the same facilities as Arcus, and is closely integrated with this operation. Vectura has state-of-the-art logistics facilities, and handles approximately 10,000 different products.

HISTORY

Arcus, including Vectura, was established as a state-owned enterprise on 1 January 1996. As part of Norway's adaptation to the EEA rules, the operations of Vinmonopolet AS were split. Sales to Norwegian consumers remained the responsibility of the state monopoly, while the newly established commercial enterprise took over the activities related to imports, production, distribution and exports.

The traditional distilleries and recipes, and the rights to the extensive brand portfolio with an emphasis on aquavit, were also included in the commercial enterprise. The company was partly privatised in 2001 and fully privatised in 2003. As from 2005, the investment company Ratos was the largest owner, with an interest of 83.4 per cent, and Hoff was the next largest owner with an interest of 9.9 per cent. On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and by year-end had 2,132 shareholders.

THE NORDIC ALCOHOL MARKET

The Nordic alcohol market is complex, with significant variations in each market. The structure, regulatory regimes, advertising opportunities and pricing mechanisms differ greatly from country to country. Vinmonopolet in Norway, Systembolaget in Sweden and Alko in Finland all have a monopoly on consumer sales. The monopolies are the consequence of health policy considerations, designed to regulate and restrict access to alcohol by

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means of availability, pricing and responsible trading practices. Importers and producers can sell directly to hotels, restaurants and cafés, usually referred to as the HORECA market, as well as to tax-free outlets. Around 90 per cent of the respective domestic volume is sold via monopolies in countries with a monopoly structure. The remaining approximately 10 per cent is sales to hotels, cafés and restaurants.

SALES THROUGH MONOPOLIES

Arcus' companies in Norway, Sweden and Finland each have years of experience from interacting with the retail monopolies in their respective countries, and are highly knowledgeable about how the monopolies work. This

creates an important competitive advantage over other operators, which may be producers or agents.

Sales to the monopolies consist of popular, listed products. In many cases, the monopolies add new products by obtaining bids from several suppliers, in which the price level and characteristics are specified in detail. Finally, blind taste tests are run by the monopoly to determine which bids to accept.

Based on their own assessments of market potential, wine and spirits companies may also introduce products through the catalogues of the monopolies. The sales figures then determine whether a product may be added to the inventory of the monopolies' stores, and in how many stores, depending on each individual store's size and customer base.

The suppliers' wine and spirits knowledge, as well as their insight into the taste preferences of the target customers, are crucial, both in relation to invitations to tender and self-initiated product launches. Arcus' size, its longstanding experience and the systematically accumulated knowledge, have proved highly valuable.

CROSS-BORDER SHOPPING AND TAX-FREE

The cross-border retail trade is a factor influencing all the Nordic markets, particularly Norway, Sweden and Finland, where taxation policies lead to significantly higher prices than in their respective neighbouring countries comprising Sweden, Germany, Denmark and Estonia, respectively.

The volume of tax-free sales is also substantial in the Nordic countries. The operators in this market primarily purchase their goods directly from producers. The tax-free retailers are therefore an important customer group for the Spirits business area. In 2018, the wine companies achieved growth from their tax-free sales, but this is still a small channel compared to sales to the monopolies.



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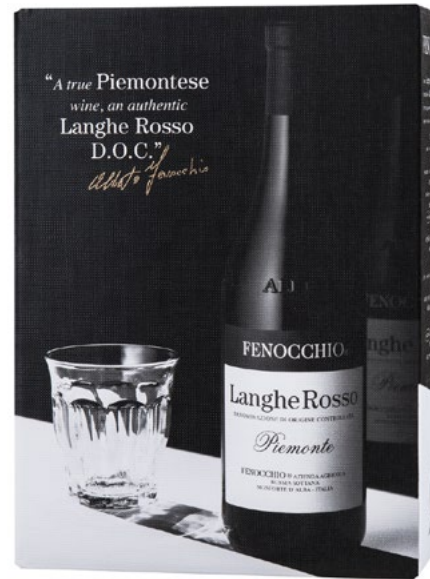
Business Area

WINE

Sales of wine account for around 60 per cent of Arcus' total revenue. Arcus is the largest player in the Norwegian wine market and the second largest in Sweden. There are no exact market statistics for Finland, but Arcus is probably the third largest.

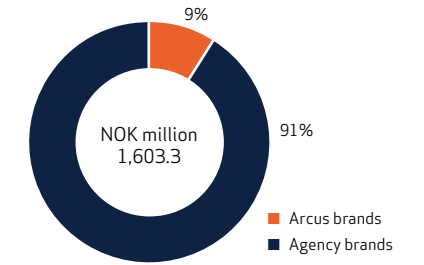
The wine companies in Sweden and Finland are gathered in Vingruppen Norden AB, while the wine companies in Norway are gathered in Vingruppen AS. The wine companies each have their own unique strengths and profiles. They compete with each other – in particular for tenders – and also have a strong professional environment, and access to the Group's support functions. In many of the wine companies, employees are co-owners.

For Norway's largest wine company, Arcus Wine Brands (AWB), proximity to production at Gjelleråsen is important. This is where Arcus Wine Brands fills all of its bag-in-box and bottled wine. Norway is the largest market, but in 2018 AWB also achieved good growth in Sweden and for tax-free. Both Norwegians and Swedes are major consumers of bag-in-box wine. 58 per cent of all red wine sales at Vinmonopolet in 2018 were bag-in-box, and 55 per cent for white wine. For Sweden, the equivalent figures were 48 and 25 per cent.

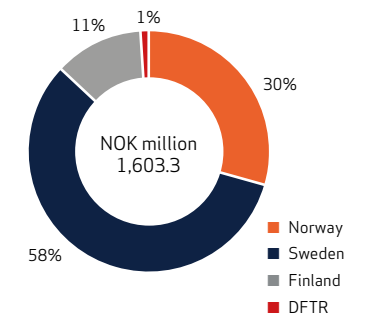


BUSINESS AREA WINE	2018	2017	2016	2015	2014
Total operating revenue (NOK million)	1,624.7	1,540.9	1,552.4	1,466.6	1,281.3
EBITDA (NOK million)	169.7	186.5	194.2	197.1	180.3
EBITDA adjusted for non-recurring items (NOK million)	181.5	191.7	194.2	197.5	179.4
EBITDA margin adjusted for non-recurring items	11.2%	12.4%	12.5%	13.5%	14.0%

External sales revenue by brands



External sales revenue by country



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WINE: SWEDEN AND FINLAND

Vingruppen i Norden is the owner company for all of Arcus' Swedish and Finnish wine companies. In Sweden, Vingruppen i Norden is the second-largest wine importer, with a market share of around 10.4 per cent at year-end. There are no exact statistics for Finland, but Arcus' activities in Finland are probably the company's third largest.



In 2018, Vingruppen i Norden achieved revenue of NOK 1,131 million, an increase of 4.2 per cent from the previous year.

The overall business objective is to create profitable growth, and to quickly adapt to the ongoing market changes. The structure is decentralised, with a clear dynamic nature.

SWEDEN

WINEWORLD

Wineworld is a young and rapidly growing importer in the Swedish wine market. The company was established in 2004 and is among the ten largest wine importers in Sweden. As the name indicates, Wineworld works with wine producers from every corner of the world. The company is distinguished by its creativity and how it is continuously challenging itself and the environment in which it operates.

THE WINEAGENCY

This wine company is one of the leading importers of quality wine in the Swedish market. The company's comprehensive knowledge of the Swedish wine sector makes its employees a driven, experienced team within every aspect of the products' journey from producer to customer. The Wineagency's sales force has extensive, excellent cooperation with some of the best restaurants in Sweden. Product developers, logistics and administration ensure that the wine is at the right place at the right time – and at the right price!

QUAFFABLE WINES

The strength of Quaffable Wines is that its portfolio successfully comprises good wines with a broad appeal, in combination with first-class wines. Quaffable Wines is the company that has won most tenders from 2017 to January 2019, and also lies in the top five for exclusive launches. Quaffable Wines is the youngest company to have won the renowned "Importer of the Year" award from *Allt om Vin* (a trade journal).

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VALID WINES

Valid Wines is dedicated to a love of wine and the delights of the table. The vision is to procure the best wines, with the greatest value, from various parts of the world, primarily from family-owned wine producers. Each bottle must be produced on the basis of responsibility for the environment and sustainability at every stage of production.

VINUNIC

Since 1992, Vinunic has sought to attract the very best producers, with focus on high quality. Every wine from Vinunic must be a pleasure to enjoy. The company has Sweden's largest range of wines from family-owned vineyards, where craftsmanship and expertise have been handed down from one generation to the next.

This targeted strategy has yielded results. In 2018, Vinunic won the "Importer of the Year" award from the renowned trade journal *Allt om Vin* for the fifth time!

FINLAND**WINEWORLD FINLAND**

Wineworld is a new, yet experienced, operator in the Finnish market. Even though the company is new, its employees have been in the market for many years. Its versatile and effective organisation ensure rapid decision making and the drive to find good solutions in order to be successful in a demanding market.

In February 2017, Solo Passione was named as the "Best Italian bag-in-box wine" by Finland's leading newspaper, *Helsingin Sanomat*. The



result was a 90-per-cent increase in annual sales. Sales stayed at the same high level throughout 2018.

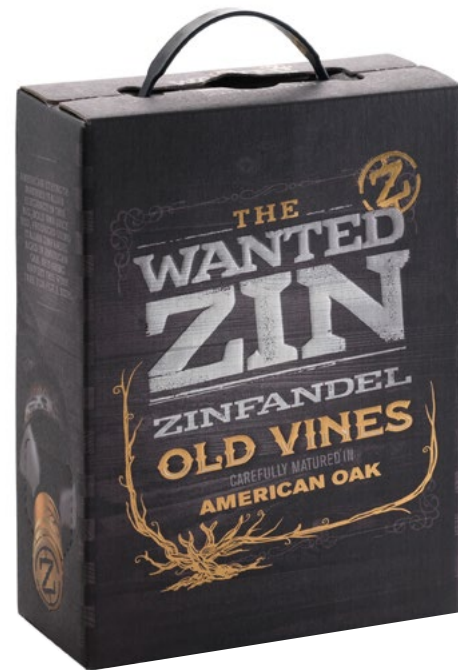
SOCIAL WINES FINLAND

Social Wines was established in 2005, and sells wine to Finnish restaurants and consumers.

The suppliers and wines are among the best known and valued in the world. Social Wines Finland offers the best wine, at a good price, to Finnish wine-lovers, without forgetting that many of them also require specially selected products. The company's constant aim is to strengthen the Finnish wine culture and contribute to making it more versatile and respected.

VINUM IMPORT

Vinum Import leverages its curiosity and knowledge to find the best products from the leading producers – and to make them available to the entire Finnish market. Vinum Import strives continuously for a high degree of satisfaction among both consumers and suppliers.



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WINE: NORWAY

In 2018, Vingruppen (Norge) had a market share of 15.4 per cent of sales to Vinmonopolet. This market share increased throughout the year, making Vingruppen (Norge) the largest operator in the Norwegian market.



Vingruppen comprises import companies that each have their own strategy and business objectives. These wine companies are all located at Arcus' facilities at Gjelleråsen outside Oslo, where they share their expertise and combined resources.

In 2018, Vingruppen achieved revenue of NOK 521.4 million, an increase of 8.2 per cent from the previous year.

ARCUS WINE BRANDS (AWB)

Arcus Wine Brands is the largest wine company not only in Vingruppen, but also in Norway.

Most of AWB's wines are imported in bulk (containers), which are bottled to bag-in-box or bottles at the Gjelleråsen facility.

From its introduction in 1980, bag-in-box wine has become very popular throughout the Nordic region. Bag-in-box wine has many practical advantages, such as low weight, high volume, and unbreakable and recyclable packaging. The wine is of good quality, taste is not affected by the packaging, and the wine can be used for at least six weeks after opening.

Based on extensive market surveys, AWB has procured some of Norway's most popular wines, including from the USA, Australia and Europe. Some of these wines have become so popular that besides high sales in Norway, they are also on the shelves of both Systembolaget in Sweden and Alko in Finland.

Arcus Wine Brands is possibly the country's most ecofriendly wine company. Wine is shipped from foreign producers in tanks before bottling at Arcus. This eliminates unnecessary packaging. The lightweight packaging requires little energy for its production and recirculation.

SYMPOSIUM WINES

This company was established by Master of Wine Sebastian Bredal in 2009 and is Norway's second-largest wine importer. The focus is on

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high-quality wine, called “fine wine” from classical districts such as Bordeaux, Piemonte and Pfalz, but also other wines of high quality compared to their price.

Most of the wine is from Italy, France and Germany, although Symposium Wines also represents important producers from such countries as the USA, Chile, South Africa, Portugal and Spain. Among the best-known wine producers are Masi, Nervi, les Grands Chais de France, Odfjell, Von Winning, Wongraven Wines, Principiano, Mascarello, Conde Valdemar and Schug.

Symposium Wines has extensive expertise, including Sebastian Bredal, who is a Master of Wine, the most renowned qualification in the wine industry. Good relations, long-term cooperation, a focus on quality and a dedicated team have created results and contributed to Symposium Wines' tenth consecutive year of growth.

HEDONI WINES

Hedoni Wines is a team characterised by strong professional strength, experience and curiosity that is actively involved in selecting wines, in close collaboration with producers and wine-makers. Hedoni Wines looks for outstanding quality and price, and aims to make wine available to anyone, on a straightforward basis.

HEYDAY WINES AS

Heyday Wines is the youngest company in Vingruppen, established in August 2015. The company has achieved record-high growth by winning tenders and launching successful products in the commercial segment. Heyday Wines is behind sales successes such as Fredag Rødvin, La Cavera and Pedregosa Cava – all bestsellers in their respective segments.

Heyday Wines focuses on European quality appellations and, in particular, organic wines. One of the company's strengths is to create

innovative bestsellers in a growing number of categories. La Parra Albarino, Cruzado Garnacha and Le Demi are some of the company's own brands. The combination of commercial acumen and oenological expertise has made Heyday Wines unique, and ensured the rapid growth of the company. General manager and co-owner Aina Mee Myhre achieved the renowned Master of Wine qualification in 2017.

VINORDIA

Vinordia is one of Norway's leading wine companies, with a passion for French wines. The dedicated expert team at Vinordia proudly handle wines from Advini, the major French wine producer. Together with Advini, Vinordia develops wines adapted to the Norwegian market. Vinordia dedicates its efforts to renowned producers such as Domaine Laroche, Maison Ogier, Château Gassier, Maison Champy and Domaine Cazes and offers a wide range of France's best known appellations. Quality must be the hallmark of all of Vinordia's activities, with a good dose of “joie de vivre”. Vive la France!

EXCELLARS

In 2011, Excellars became a subsidiary of Vingruppen and has been wholly owned by Vingruppen as from 2017. Excellars has a dedicated team of employees with broad professional expertise. Excellars represents strong brands and favourites such as Les Fumées Blanches, Pietro di Campo and Ch. Bonnet. Excellars also proudly represents classical elegant producers such as Alberto Fenocchio, La Rioja Alta and André Lurton.

Market insight, dedication, knowledge of wine and honesty in everything they do ensures good results for both Excellars and the wine producers – as well as enjoyable wine!



Piemonte Barbera Silenzio was one of the very most popular Italian red wines at Vinmonopolet in 2018.

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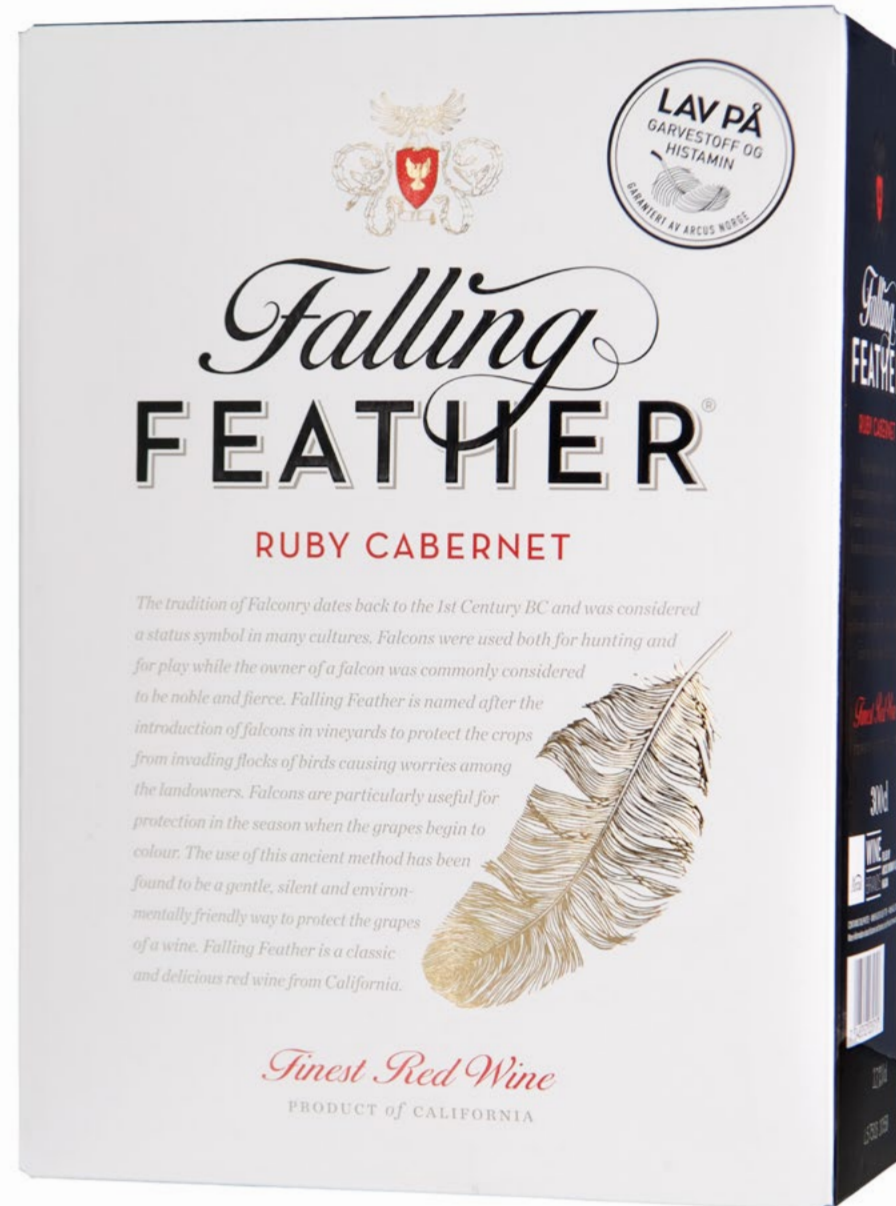
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NORWAY'S MOST POPULAR RED WINE

Norwegians have fallen in love with a wine from California. In 2018, the American wine Falling Feather was the very most popular Vinmonopolet brand. The Swedes have also discovered this successful American wine: as from December, Falling Feather was available in all of Sweden's Systembolag outlets.

Arcus' wine expert Janne Holm is not surprised that this particular wine has become so popular.

"Falling Feather is soft and full of sweetness. It is characterised by dark, red berries and is a very good match for dishes that are very popular in Norway, such as pasta and pizza. This style of wine can easily be enjoyed on its own. It is also low in tannins and histamines, which is something many consider important," Janne Holm says.

In 2018, more than 1.4 million litres of Falling Feather were sold from Vinmonopolet. This represents growth of 6.9 per cent from the previous year.

"The bag-in-box version is particularly popular. It's easy to take on trips, keeps well for at least six weeks after opening, and is also ecofriendly," says Janne Holm.

Falling Feather is shipped in large containers from the USA, and then bottled and tapped as bag-in-box at Arcus' Gjelleråsen facility. This reduces CO₂ emissions by eliminating transport of bottled wine in heavier packaging.

Falling Feather is developed by Arcus Wine Brands, and in 2018 was Norway's best-selling wine. In 2018, Falling Feather also achieved considerable sales volumes in Sweden, as tax-free and on Iceland. Overall, the wine set a new record, with more than 2.2 million litres sold.

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OSLOW – MADE FOR WOMEN BY WOMEN



OSLOW is a crisp and refreshing spritzer as a mixture of organic Italian white wine, organic fruit juice and natural aroma.

OSLOW is a smart and fresher alternative to beer, cider and pre-mixed beverages, with a good taste, low alcohol content (8.5 per cent) and a little sugar (10 g/L).

“Our market surveys showed that women wanted a new alternative beverage at mealtimes, also for low-calorie dishes, as a sparkling drink, in practical packaging,” says Elin-Marie Hasvold, portfolio manager at Arcus Wine Brands.

OSLOW is available in the pink grapefruit and peach flavours, as the perfect accompaniment to many dishes, and can also be enjoyed alone.

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SUCCESSFUL WHITE WINE!

Mosaic Alvarinho in bag-in-box won one of the year's most important Vinmonopolet tenders for white wine. Mosaic Alvarinho was received with great acclaim by both wine journalists and consumers, and soon became a bestseller.

HIGH QUALITY

Mosaic Alvarinho delivers on many success criteria – high quality, as a fresh and aromatic wine style in elegant design, at a good price.

FOR FISH, SHELLFISH, SALADS AND TO SERVE ON THE TERRACE.

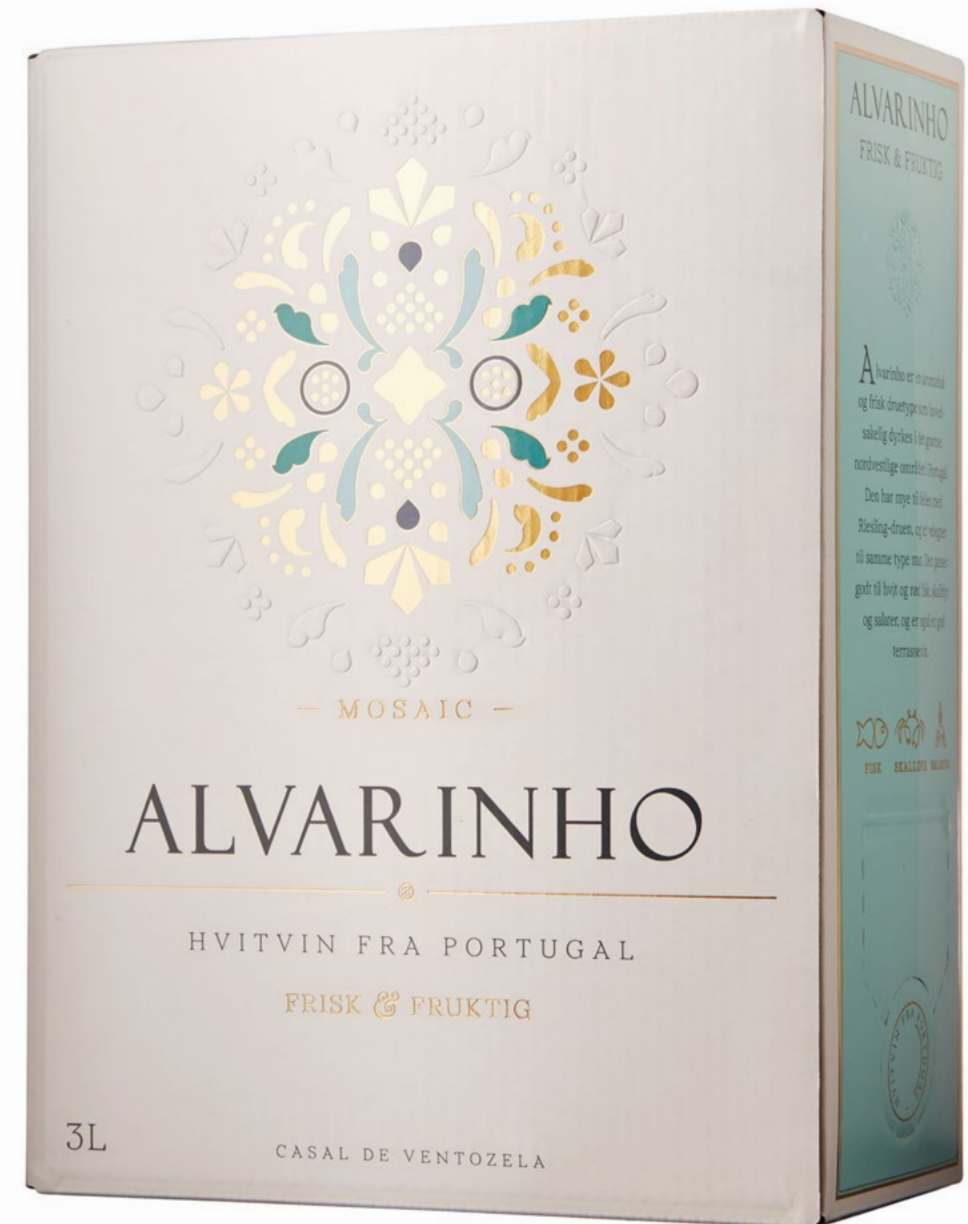
Alvarinho is one of Portugal's finest grapes for white wine. It is a fresh and aromatic grape variety that is mainly cultivated in the green, northwestern region of Portugal. Alvarinho has a lot in common with the Riesling grape, and is perfect for the same types of dishes. This wine is a good choice for most fish dishes, shellfish and salads, and is also fine to serve on the terrace.

PORTUGUESE DESIGN

The design of the box is inspired by the exquisite mosaic tiles for which Portugal has a long and proud history, like its wine production. Mosaics celebrate traditional handiwork, knowledge passed down through generations, and the craftsmanship needed to produce beautiful tiles and good wine.

A 6
magasinet

A-magasinet
graded this
wine a 6.



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MASTER OF WINE x 2

The world's most prestigious wine qualification.

- Around a hundred people take this exam every year, but only 1-4 per cent actually pass.
- Only 370 people have passed the exam so far and earned the title of Master of Wine.
- The study programme takes a minimum of three years, but most people spend longer.
- There are five days of exams, including three days devoted to blind tasting.
- The theoretical part covers every aspect of wine growing, winemaking, tapping, storage, commercial conditions and other current topics.
- Each of the three blind tastings covers 12 wines.
- The candidate must be able to identify the grape varieties, and state which country and region the wine comes from, often right down to commune, village and vineyard level.
- The candidate must specify the vintage, estimate the ageing and commercial potential, and also specify the sugar and alcohol content.

AINA'S BEST TIPS

51,151 BRUT

"My recommendation is a sparkling wine from Trento in northern Italy. This wine is produced by the Moser family and is called 51,151 Brut. It's dry and fresh, made according to the Champagne method, and perfect as an aperitif, and with fish and shellfish. The name 51,151 is Francesco Moser's hour record in the cycling world championships in 1984."

TELESCÓPICO CARIGNAN

"Telescópico Carignan is made by Master of Wine Fernando Mora, Aragon, Spain. This is a fantastic wine from ancient, organic vines far above the sea, aged in the family's garage. An authentic wine from one of Spain's most exciting winemakers! Excellent with red meat."



SEBASTIAN'S BEST TIPS

CHÂTEAU COURONNEAU

"A personal favourite is a fine Bordeaux based on 100 per cent Merlot, Château Couronneau. Organically and biodynamically certified. A super reception from the wine press and a good buy. 2015 is in an excellent phase now, and 2016 will have an invigorating aromatic finesse."

NERVI GATTINARA 2015

"At a slightly higher price level, from Piemonte in Italy, we have the Roberto Conterno-signed Nervi Gattinara 2015. Conterno recently took over Nervi, giving a great boost to its quality. 100 per cent Nebbiolo, extremely elegant and complex."



Master of Wine: Sebastian Bredal qualified as a Master of Wine in 2010, while Aina Mee Myhre qualified in 2017.

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Business Area SPIRITS

Arcus is a leading player in the Nordic spirits market and the world's largest producer and marketer of aquavit.

The Spirits business area develops, produces and markets brands, with an emphasis on brands and categories rooted in Norwegian spirits. Even though aquavit is the largest category, a lot of proprietary vodka, bitters and various other spirits are also sold. Arcus also sells spirits from some of the world's leading international operators in the Nordic market.

Arcus has a sales organisation in all of the Nordic countries and Germany, but exports to many other countries – including the USA.

AQUAVIT

Aquavit is the most Nordic of all spirits, and has been produced throughout Scandinavia and northern Germany since the early 16th century. The various countries in the region have each developed their own special characteristics in terms of spice blends and the special Norwegian tradition to age aquavit in oak casks, giving a mild and complex flavour. In the last few decades, aquavit has enjoyed a renaissance in

the Norwegian market and sales have more than doubled.

The renewed interest in traditional Norwegian dishes has stimulated interest in aquavit. Aquavit is also increasingly enjoyed as a liqueur and has also become popular in drinks and cocktails, as an international trend. Arcus is at the forefront of these changes, through product development, as well as cooperation with bartenders, chefs and interest organisations.

Arcus' most popular aquavits in Norway are Gammel Opland, Løiten and Gilde. The Danish Aalborg aquavit, which is owned and produced by Arcus, is the world's most sold aquavit. The world's second-most sold aquavit is the Norwegian LINIE aquavit. See more at www.aalborgkvavit.dk and www.linie.com.

BITTERS

Bitters are a major international category originating from central Europe and Italy. The category includes Arcus' own brands,

BUSINESS AREA SPIRITS	2018	2017	2016	2015	2014
Total operating revenue (NOK million)	919.6	913.3	904.0	855.0	903.2
EBITDA (NOK million)	142.8	175.6	158.7	112.2	154.3
EBITDA adjusted for non-recurring items (NOK million)	144.6	182.8	162.6	113.0	142.0
EBITDA margin adjusted for non-recurring items	15.7%	20.0%	18.0%	13.2%	15.7%

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Gammel Dansk and Balder, in addition to international brands such as Jägermeister, Fernet Branca and Underberg. In volume terms, the bitters market is reasonably stable in the Nordic region and neighbouring markets, but is affected by strong competition. In recent years, Arcus has launched new varieties of Gammel Dansk in order to increase recruitment from among young adults. Gammel Dansk has a dedicated fan base throughout the Nordic region. This is apparent from significant consumer-driven social media activity.

Did you know that Gammel Dansk's special bitters taste is due to the blending ratio between 29 different herbs, spices and flowers? Read more at www.gammeldansk.dk.

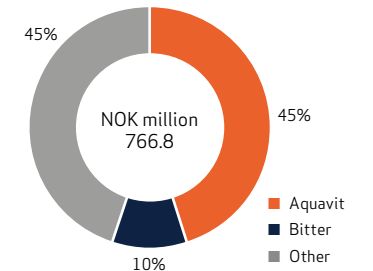
COGNAC

Cognac is a grape spirit or brandy from the region around the town of Cognac in western France. Only grape spirit produced in this geographical area may be called cognac. Cognac is produced by distilling white wine, and everything is distilled twice in "pot stills", so that some of the wine flavour is left in the final product. The cognac must then be aged in oak casks within the region for at least two years, before it can be sold as cognac. The unique qualities of cognac are classified by how long the spirit has matured: VS has matured for at least two years, VSOP for at least four years, and XO for at least ten years. Arcus markets and sells the Braastad brand, which is the largest cognac brand in our region, throughout the Nordic region.

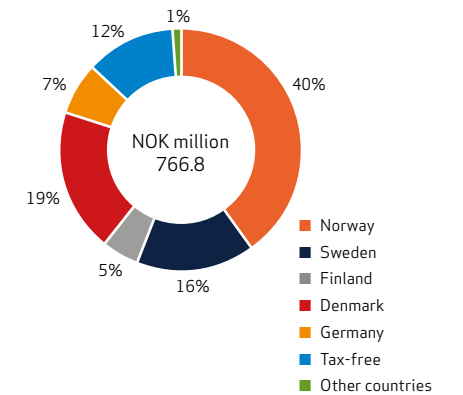
Cognac is actually a highly versatile drink. If you go to Cognac in France in the summer, you will probably be served a cognac with tonic, perhaps garnished with ginger, lime or a slice of cucumber. An extra special drink is a couple of centilitres of cognac topped with champagne. Enjoy! Read more about cognac at www.braastad.com.



External sales revenue by category



External sales revenue by country



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GIN

Gin is spirit spiced with juniper, but may also increasingly include other botanical herbs. Gin is a traditional spirit category that for many years was characterised by little innovation and strong international brands. During the last ten years, the demand for gin has sky-rocketed. Today, there are many hundreds of brands of gin available, and new brands are added every month. Arcus has many strong, well-positioned brands in Sweden and Norway, and is primarily active in the "value segment". The gin segment is expected to continue to grow in the coming years, and Arcus is well-positioned to contribute to this growth by revitalising our traditional markets and cooperating with international players.

VODKA

Vodka is a neutral spirit that can vary in taste according to the type of spirit used and how it was produced. In most of Arcus' markets, vodka is the largest category by volume and is characterised by a large "value segment", a few national brands and strong global brands such as Absolut and Smirnoff. Arcus has a strong position within vodka, especially in Norway and Sweden, and within tax-free. Arcus has a market share exceeding 50 per cent in Norway, and around 20 per cent in Sweden. Arcus' most important brands are Dworek, Vikingfjord, Kalinka, Amundsen and Vanlig. Arcus' ambition is to offer vodka of high quality to the most important segments throughout the Nordic region.

WHISKEY

Whiskey (whisky in Scotland) is spirit produced on the basis of beer without hops and is distilled using a "pot still" whereby the character of the beer is reflected in the spirit, which then ages in oak casks for at least three years. Whiskey is produced all over the world, but has its origins in the British isles. In our



region, Scottish whiskey dominates, but with increasing competition from whiskey produced in Ireland, the USA and Canada. Smaller producers from other countries such as Japan, France and Sweden have also emerged. For Arcus, Sweden is the most important whiskey



market, in which the category accounts for more than one third of all spirits sold. This is one of the highest ratios throughout the world. Arcus sells its own proprietary Scottish whiskey, such as Upper Ten, and a number of international whiskey brands from Ireland, the



USA and Canada. Among the best-known whiskey brands sold by Arcus are Jura, Dalmore, Clontarf, Bushmills and Buffalo Trace.

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PRE-MIXED COCKTAILS

A cocktail is a mixed beverage with at least three ingredients. There is a growing interest in cocktails, and today a lot of newly-opened restaurants have their own bar, in order to offer cocktails to their guests. Many consumers would like to enjoy cocktails or pre-mixed drinks at home, but see making these drinks themselves as a barrier. Arcus has therefore developed pre-mixed cocktails, which are available to consumers in bottles, boxes, or as bag-in-box. Arcus has a strong position in Norway and Sweden, and for Duty Free, with innovative bag-in-box products. During the last two years, Arcus has successfully introduced pre-mixed cocktails in both Finland and Sweden. In addition, for more than ten years these products have been leaders in their category in Norway, with significant Vinmonopolet and tax-free sales.

SHOTS

Shots are not a type of spirit, but a way of drinking spirits. Both in the Nordic region and internationally, a lot of spirits are consumed as shots, including vodka, whiskey and aquavit. A particular category of shots has developed in the Nordic region, featuring relatively sweet spirits that are easy to drink and often have a low alcohol content. One of the first examples of this trend was the Hot n'Sweet Turkish Pepper shots brand launched 25 years ago, which Arcus took over in January 2018. The market for sweet shots has become established as a major category in Denmark. Arcus is active in this segment with the Shoot series, in addition to Hot n'Sweet – a category with a high innovation rate.

Cocktails are becoming more and more popular. Many consumers would like to enjoy cocktails, but see making these drinks themselves as a barrier.



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WHAT IS THE DIFFERENCE BETWEEN VS, VSOP AND XO COGNAC?

1.6 million Norwegians like cognac, but an Arcus survey shows that many would like to learn more about it.

Fifty per cent of all cognac buyers do not know what VS, VSOP or XO signifies. These are quality designations to indicate for how long the youngest element of the blend must have aged.

Even though the minimum ageing requirement may be two, four and ten years, respectively, the average age is usually much higher. An XO cognac may have elements that go 20-30 years back, or even longer.

Cognac is actually a highly versatile drink. If you go to Cognac in France in the summer, you will probably be served a cognac with tonic – neat – or garnished with ginger, lime and/or a slice of cucumber. The youngest qualities are best in cocktails, and an extra special drink is a couple of centilitres of cognac topped with champagne. Enjoy!

VS = Very Special: The youngest element must have matured for at least two years.

VSOP = Very Superior Old Pale: The youngest element must have matured for at least four years.

XO = Extra Old: The youngest element must have matured for at least ten years. This makes it an exclusive cognac of very high quality.



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LINIE – A STORY OF GOOD TASTE

In 1805, the vessel Trondhjems Prøve was sent to the East Indies (Batavia) with dried, salted fish, stockfish and other items to barter for more exotic goods. Five barrels of spirits were also on the vessel.



Trondhjems Prøve arrived safely in Batavia, which the Dutch had colonised. Yet the Norwegian spirits could not compete with the local Batavia Arrack, so they had to carry it home again. Back in Trondheim, they discovered that the spirits carried on both the outward and return voyages had changed character significantly – it had become quite extraordinarily tasty. This was the first “Equator line” aquavit.

Today, all LINIE aquavit is still transported in 500-litre sherry casks. The aquavit matures in the casks and crosses the Equator twice on board the Wallenius Wilhelmsen ships. Each journey takes four months. The voyage through different climate zones, with varying humidity, waves and temperature differences, extracts flavour from the oak staves, as well as sherry left over from the earlier sherry production. The LINIE aquavit's voyage is an advanced form of

accelerated maturing. Arcus always has around 1,000 casks en route on the high seas.

If you visit Arcus, you can see the cask warehouse, with more than 8,000 aquavit casks. All of the sherry casks are purchased from sherry producers in Spain, and port and madeira casks can also be used to mature the aquavit. The casks are used time and time again, and the oldest casks can be up to a century old.

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ARNE-JØRAN ØYEN, COOPER

The cooper trade has been practised for more than 2,500 years. Arne Jøran is keen to retain this craft, handed down through the generations. He also makes sure that our aquavits age in the very best casks.

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DISTRIBUTION

Vectura AS delivers alcoholic drinks from the entire world to the whole of Norway. The company has a 50 per cent share of deliveries to Vinmonopolet. Around 70 per cent of revenue relates to other customers than Arcus. Vectura has a modern logistics facility at Gjelleråsen, outside Oslo.

Vectura delivers a full range of inbound logistics services, storage and product distribution. Vinmonopolet, the hotel and restaurant industry and wholesalers are the main customers. Vectura's partners include well over a hundred producers/importers of alcoholic beverages, covering the entire range from the largest industry players to small craft producers. The products handled originate from more than 40 countries.

Vectura AS was established in 1996 and is owned by Arcus ASA. The company is located at Gjelleråsen, outside Oslo, in the same facilities as Arcus, and is closely integrated with this operation. Vectura has state-of-the-art logistics facilities, and handles approximately 10,000 different products.

Vectura has 166 employees in total and turnover of NOK 307.8 million in 2018.

PURCHASING AND WHOLESALE SERVICES

Vectura's purchasing department is staff with experienced buyers. Proactive advisory services to importers, as well as digital collaboration, help these importers to ensure deliveries of the right quantities at the right time and cost. This provides excellent, consistent results for purchasing portfolios managed by Vectura: increased delivery

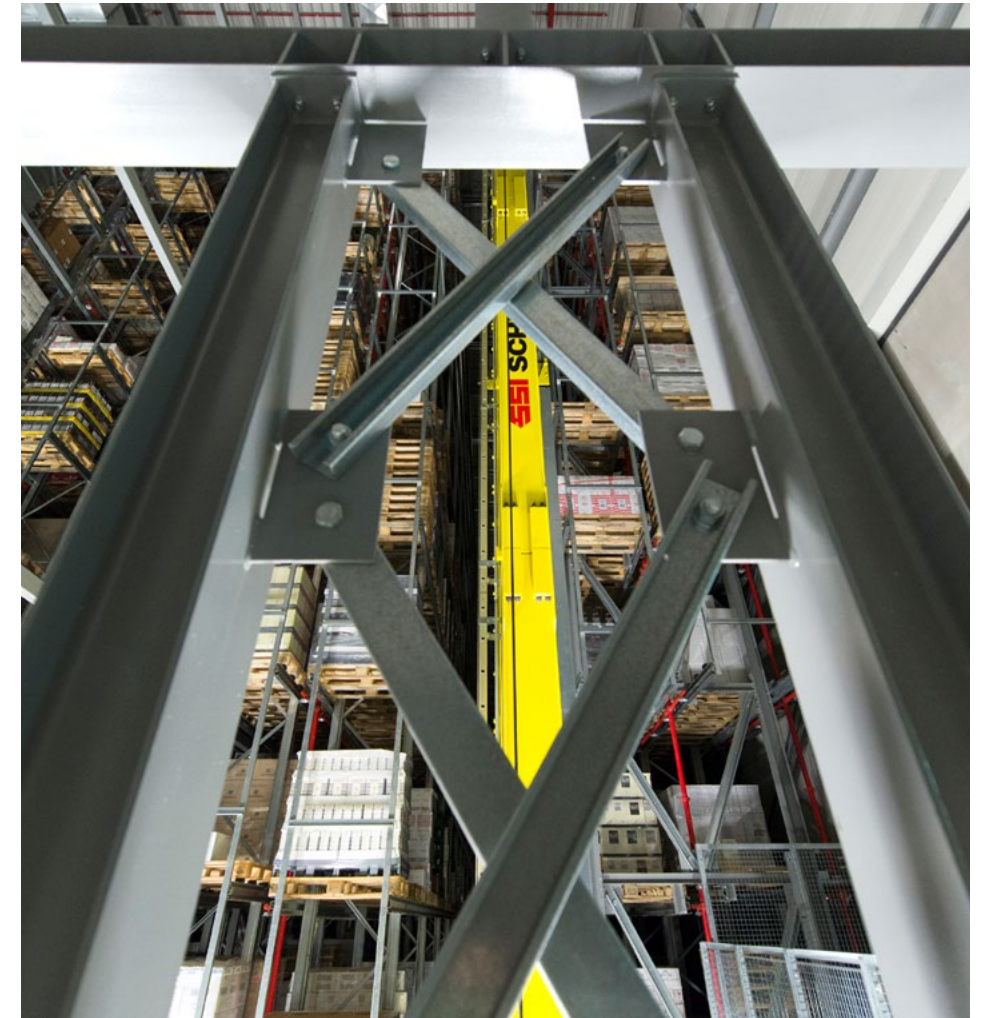
precision, reduced stocks, low costs, high stability and a high degree of predictability. Vectura also offers purchasing forecasts, extensive advisory services and various key performance reports that measure delivery services, circulation and forecasting accuracy. The portfolios of all importers with logistics agreements with Vectura are automatically available to all customers in the hotel and restaurant segment (HORECA customers).

SALES FORCE

The Vectura sales force is the company's point of contact with customers in the HORECA market, and with the purchasing chains and Vinmonopolet. The primary task of the sales force is to meet the customer's wishes and needs, in line with the Vectura business model. Customers can also make their purchases through Vectura's online store.

SHIPPING AND CUSTOMS

Via its network, Vectura offers shipments to Norway from more than 800 suppliers. The size of its network makes it possible to be competitive, both with fully loaded cargoes and singular transports. Vectura has its own customs service for all goods imported via the company's warehouse.



Vectura won market shares in 2018, and at the close of the year had a 50 per cent share of deliveries to Vinmonopolet.

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WAREHOUSING SERVICES

Vectura's modern warehousing facilities at Gjelleråsen can hold a total of 36,000 pallets. The facilities are temperature-controlled and fully automated. A monorail transport system is used for goods restocking from the raised storage platforms to the picking stations. There is also an automated weight control station for pallets with picked goods. This will detect potential errors in the shipment before the goods are transported to the customer.

DISTRIBUTION

Vectura has country-wide distribution to both the HORECA market and all of Vinmonopolet's stores. In the regions close to Oslo (Østlandet), this service is provided via an in-house fleet of trucks. For the rest of the country, distribution is handled via a partnership agreement with postal services, Bring.

ENVIRONMENT

Arcus must be an active contributor to a better environment. One of the goals is to reduce carbon dioxide emissions. Vectura uses lorries to transport goods, and it has been decided to reduce carbon dioxide emissions by 30 per cent from 2017 to 2020. This will be achieved with new and more environmentally-friendly engines in new vehicles, and by ensuring that important subsuppliers such as Bring also reduce their emissions on at least the same scale.

Vectura sorts its waste, ensuring that bottles, plastic, paper and aluminium are sorted at source. The remaining waste fractions that are not sorted at source must be reduced by 30 per cent up to 2020.

Vectura wishes to be the customer's first choice. Richard Poots is focused on efficiency and continuous improvement. Digitised trading is vitally necessary, to be able to consign 48 million litres per year.

BUSINESS AREA DISTRIBUTION

	2018	2017	2016	2015	2014
Volume (millions of litres)	48.4	44.9	43.5	40.6	45.0
Total operating revenue (NOK million)	307.7	284.4	262.9	250.1	272.0
EBITDA (NOK million)	12.4	13.5	2.2	-19.2	-37.2
EBITDA adjusted for non-recurring items (NOK million)	12.7	14.1	2.6	-15.7	-34.6
EBITDA margin adjusted for non-recurring items	4.1%	5.0%	1.0%	-6.3%	-12.7%



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TORBJØRN TEIGEN, PROCESS OPERATOR

With surgical precision, Torbjørn manoeuvres one of Arcus' 9,000 casks into place, 25 metres above the ground. This requires many years' experience. And preferably without any fear of heights.

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EMPLOYEES AND EXPERTISE

At year-end, the Group had 428.9 FTEs (full-time equivalents), distributed on 435 permanent employees, of whom 345 are employed in Norway. Committed employees are crucial to the success of each business area. Research shows that increased mastery encourages greater commitment, improved performance and increased work quality. The Group, therefore, invests in competence development and measures to increase the mastery of those skills.

To streamline and systematise new and existing training and competence development processes at Arcus, e-learning modules were developed in 2018, and more are being developed.

Twice a year, a survey is conducted to assess the commitment of all employees (except employees of Vingruppen i Norden AB). The results for 2018 are at the same level as for 2017, but with considerable variation from department to department, and between business areas.

On a scale of 1-5, where 5 is the best, the result of the survey for Arcus-Gruppen AS with subsidiary was 3.8 in (November 2018). The result for Vectura AS was 3.9, an increase of 0.4 since 2017.

In Arcus' strategy plan, the target is for Arcus to be among the 10 per cent of companies with the highest commitment index. Around 180 companies in Norway perform this measurement, and Arcus must aim for a commitment index of 4.1.

Arcus has established tools and processes for performance management. The aim is to set clear goals for the Group's employees, and to create an understanding of how they relate to the Group's overall objectives and priorities. Performance evaluation, as well as career and succession planning, are important elements.

On the basis of the Group's annual performance management process, an annual Management Audit Report is submitted to the Board of Directors of Arcus ASA, with focus on manager resources and a succession plan.

HEALTH, SAFETY AND THE ENVIRONMENT

Arcus has a strong focus on health, safety and the environment (HSE) and great emphasis is

placed on avoiding accidents and injuries. The Group's goal is zero absence due to injuries.

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. Risk assessments, job safety analyses and root cause analyses are therefore performed on a regular basis at Arcus' facilities in Norway.

Adverse incidents and injuries are reported on a regular basis, with monthly incident reports to the management, employees, working environment committees and safety representatives, and are also presented at department meetings and published on noticeboards.

THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

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

In 2018, there were four injuries resulting in absence due to illness (three in Vectura AS and one in Arcus Norway AS). The injuries were not serious and the persons returned to work after brief periods of absence.

Arcus is a Group that handles flammable liquids. In addition to the high degree of safety embedded in the buildings, production processes and procedures, comprehensive emergency measures are in place to deal with adverse incidents. Key employees in relevant departments attend annual courses and training on how to best handle accidents. A separate rescue staff team, which includes the Group management, undergoes annual training in a hypothetical, but comprehensive, emergency situation. This training is normally conducted with police, fire brigade and ambulance personnel present. This was also the case for the training in 2018, in which Vinmonopolet also participated.

SICK LEAVE

The Group has a strong focus on sick leave. The Norwegian companies in the Group work closely with the occupational health service and NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important elements of this work. For Arcus-Gruppen AS with subsidiary, sick leave was 4.6 per cent in 2018, compared to the target of 4.2 per cent. The target for 2019 is unchanged at 4.2 per cent. For Vectura AS, which has a lot of manual and physical work, sick leave was 8.5 per cent in 2018, which is an improvement of 0.4 percentage points from 2017. The target for 2018 was 7.5 per cent, which is also the target for 2019. Sick leave varies between departments and business areas.

For the overall Group, sick leave amounted to 6.4 per cent in 2018, which is an improvement of 0.2 percentage point from 2017. For comparison, the Confederation of Norwegian Enterprise's sick leave statistics for beverage production in Q3 2018 show doctor-certified

sick leave at 4.6 per cent and own-reported sick leave at an estimated 2 per cent, which gives total sick leave of 6.6 per cent.

Sick leave statistics are reported on a monthly basis to management, employees, working environment committees and safety representatives, and are also presented at department meetings and published on noticeboards.

See the information concerning sick leave under Employees, working environment and sick leave in the Directors' Report.

EQUAL OPPORTUNITIES, DIVERSITY AND DATA PROTECTION

Equal opportunities

Of the Group's 435 employees at year-end, 30.6 per cent were women and 69.4 per cent were men, after a small decrease in the number of women from the preceding year. The management groups of the operating companies all have female members. The Group Management of Arcus ASA solely consists of men, including the CEOs of Vectura AS and Vingruppen i Norden AB, respectively. At the same time, the Group had 32 per cent female managers. The Group's target is to have 40 per cent female managers before 2022. In the longer term, the ratio of female employees must exceed 40 per cent, with at least two female members of the Group Management.

At the end of 2018, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom five were women. Three members of the Board of Directors are representatives elected by the employees, and two of these members are women. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representation on an ASA's board of directors.

In connection with the local salary settlement in 2018 in Norway, the parties reviewed the situation concerning equal opportunities

and equal pay. The local parties agree that satisfactory consideration is made of equal pay and equal opportunities.

Diversity

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

The Group's Work Regulations and Ethical Rules set out guidelines for this, and good reporting procedures have also been established.

In 2018, a new Plan for Diversity and Inclusion was also drawn up. The plan defines concrete targets and activities whereby Arcus ASA as a Group and employer 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.

At the end of 2018, the employees represented around 30 different languages, and approximately 18 per cent of employees did not have a Nordic cultural or ethnic background.

Data protection

On 25 May 2018, the new EU General Data Protection Regulation (GDPR) entered into force. The key aspects of the existing legislation are continued, with the addition of new regulations comprising extensive new requirements of companies which process personal data. For Arcus, this entailed extensive mapping and documentation of personal data, procedures, systems and documentation related to the processing of all personal data, gap analyses, production and documentation, as well as implementation and operation. Procedures for compliance, control and auditing were also drawn up, so that Arcus handles personal data protection in accordance with GDPR.

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**AS BIG AS SIX SOCCER PITCHES**

At Gjelleråsen outside Oslo, all of Arcus' spirits products are produced, and large volumes of wine are bottled. The facilities at Gjelleråsen are one of Europe's newest and most advanced, and one of very few with their own accredited laboratory for quality assurance.

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GROUP MANAGEMENT



Kenneth Hamnes
Group CEO

Master of Business Administration
Group CEO since August 2015.
CEO Maarud 2009-2015, Sales Director at Orkla-owned Stabburet 2006-2009 and Bakers 2004-2006. Consultant/Project Manager, Boston Consulting Group, 2000-2004 and Brand Manager/Key Account Manager, Lilleborg (Orkla), 1997-2000.



Erlend Stefansson
Group Director, Spirits

Master of Business Administration
Member of the Group Management since 2012. Sales Director, Ringnes, 2008-2012, CEO Spits ASA, 2006-2008, CEO Virtual Garden/Staal, 2003-2006, between 1993 and 2003 various roles within sales, marketing and consulting (including McKinsey 1993-1996).



Eirik Andersen
Group Director, Wine Norway

Diploma, Wine & Spirit Education Trust
Member of the Group Management since October 2018. General Manager, Symposium Wines 2016-2018, Market and Portfolio Manager, Vinmonopolet 2013-2015, head of special committee, Vinmonopolet 2012-2013, Product Manager, Vinmonopolet 2005-2011.



Svante Selling
CEO, Vingruppen i Norden AB
(Wine Sweden and Finland)

Sommelier
Member of the Group Management since February 2018. Nordic Sales Director, Arcus Brennevin, 2016-2017, Country Manager, Arcus Norge (Brennevin), 2015, Country Manager, Arcus Sweden, 2008-2015, Key Account Manager for Systembolaget, at Pernod Ricard 2005-2008.



Sigmund Toth
CFO, Group Director, Finance/IT

Master, Business Administration (Diplôme ESSEC), ESSEC, France
Member of the Group Management since 2016. Head of Business Controlling & Treasury, Arcus-Gruppen, 2015-2016, Associate and Engagement Manager, McKinsey, 2012-2015, Head of Sales Controlling, Procter & Gamble (P&G), 2010-2011, Head of Corporate Finance, P&G, 2008-2009, Business Controller, P&G, 2002-2008.



Erik Bern
Group Director, Group Technical
Development & Services, CSR

Master in Engineering
Member of the Group Management since 2012. Project Director, Arcus-Gruppen, 2008-2013, Managing Director, Vectura AS, 2012-2013, Factory Manager, 2000-2003, Technical Director, Ringnes, 1999-2008, and Sales Manager, project/process design, Landteknikk, 1986-1999.



Christian Granlund
CEO, Vectura AS

Master of Business Administration
VP Sales, Uteliv Ringnes 2015-2017. Logistics Director, Ringnes 2012-2015. Factory Director, Farris/Imdsdal 2010-2012. Planning Director, Ringnes 2008-2010. Prognosis & Planning, TINE 2003-2008.



Per Bjørkum
Group Director, IR and Communi-
cations

Bachelor of Commerce, Master of Business Administration
Member of the Group Management since January 2013. Partner in First House, 2009-2012, Director of Trolltind Kommunikasjon, 2003-2009, GCI Monsen, 2000-2003, VP Communications NetCom, 1996-2000, journalist and editor, Reuters Norge, 1992-1996.



Bjørn Delbæk
Group Director, HR

Military Academy and Master's Programme in HR & Change Management
Member of the Group Management since June 2015. HR Director, Vectura and Director/Head of Change Programme in Arcus, Program Director NHO, Partner and Adviser, HR Director, Ringnes/Carlsberg 1995-2008. Head of Negotiation, YS 82-94, and army officer 1971-1980.

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Corporate Social Responsibility

Arcus has two overall obligations in its CSR work: to continue to work to reduce the environmental impact of the entire value chain, and to work continuously to ensure responsible alcohol consumption. Arcus set ambitious goals for the 2012–2016 four-year period, and these goals were achieved. In 2017, eleven new concrete goals were set, and these must be achieved in the course of 2020 at the latest.

EXAMPLES OF CSR ACTIVITIES, 2017–2020

- Reduce Vectura's CO₂ emissions by 30 per cent.
- Reduce waste volumes that cannot be recirculated by 30 per cent.
- Reduce energy consumption in the production process by 20 per cent.
- Zero absence related to injuries.

ENTIRE VALUE CHAIN

Arcus' environmental measures focus on the entire value chain, rather than individual elements. Arcus must contribute to a cleaner and better environment. The 11 goals, which are presented on the following pages, relate to all three business areas: Wine, Spirits and Distribution, and also concern employees' safety at the workplace.

RESPONSIBLE ALCOHOL CONSUMPTION

As a major spirits producer and wine importer, Arcus has a special responsibility for contributing to responsible alcohol consumption. Arcus has assumed the active role of promoting responsible alcohol consumption at all times. The "Think

before you drink" campaign is the bearing element of this initiative, both internally and externally. In 2019, for the third consecutive year, Arcus will distribute 7,000 filled bottles of water, labelled "Think before you drink", to graduates. As a trial scheme, 5-10 graduate buses will be equipped with large water drums, to make it as easy as possible to fill the bottles. There is no promotion of Argus in conjunction with these graduate activities.

Information about corporate social responsibility in accordance with paragraph 3-3c in the Norwegian Accounting Act is included in this section.

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GUIDELINES FOR ARCUS' CORPORATE SOCIAL RESPONSIBILITY

To preserve competitiveness and achieve its ambitions, Arcus must have a relationship of trust with its most important stakeholders: employees, customers, suppliers, owners, politicians and government authorities. This entails integrating a responsible approach to alcohol consumption, workers' rights, social issues, the environment and anti-corruption in the day-to-day operations of the company. An annual assessment of the corporate social responsibility report, prepared by management, is made by the Board of Directors.

CODE OF CONDUCT

Arcus supports and participates actively in the CSR initiative of the Nordic alcohol monopolies (NAM) and complies with all requirements made by the NAM Code of Conduct. The Group makes the same requirements of all of our suppliers and partners. This work is monitored through established follow-up systems. Arcus' Code of Conduct must be part of all purchasing contracts and agreements entered into by Arcus.

UN GLOBAL COMPACT

Arcus supports the UN Global Compact initiative for social responsibility work. The Group adheres to the ten principles laid down in the Global Compact for the environment, human rights, standards for working life and anti-corruption. Arcus' annual Global Compact reports are available at www.unglobalcompact.org.

ETHICAL GUIDELINES

The Group's ethical guidelines define, clarify and ensure a common business ethics framework to outline the expectations for the ethical and appropriate behaviour of all employees. The Group's ethical guidelines stipulate that Arcus

has zero tolerance for discrimination, bullying and corruption. All employees are required to sign a declaration stating that they are familiar with the CSR policy and the company's ethical guidelines, and that they understand what it means to comply with these. All managers with personnel responsibility are required to discuss the ethical guidelines with their employees on an annual basis. This will strengthen compliance with the guidelines. As part of the ethical guidelines, provision is also made for the notification of any misconduct within the Group. Whistle-blowers can use a designated phone number, established for this purpose. All employees have been made aware of this, and the fact that their anonymity is guaranteed. In 2018, two whistle-blower reports were made.

EQUAL OPPORTUNITIES AND DIVERSITY

In the autumn of 2018, the Board of Directors of Arcus ASA adopted a new Plan for Diversity and Inclusion. This is described in the Directors' Report, and in the Organisation section. The most important aspect is that no discrimination or harassment may take place, and equal opportunities must be safeguarded. All Arcus



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employees must contribute to a working environment free of discrimination based on religion, race, gender, sexual orientation, age, ethnic origin or disability. Women and men, irrespective of their cultural or ethnic origin, must have the same rights and opportunities. Authority and responsibility must be distributed equally between the genders.

DRUGS AND ALCOHOL POLICY

Arcus has its own drugs and alcohol policy, aiming to combat alcohol abuse among its own employees. All employees are expected to comply with the Group's drugs and alcohol policy. The Group has its own AKAN committee to prevent gambling and/or substance abuse, and to help those who already have an addiction to quit.

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2017–2020:
**PRIORITIES FOR
SUSTAINABLE DEVELOPMENT**

1

Reduce Arcus' environmental impact ▶

2

Increase the number of environmentally-friendly products ▶

3

Promote responsible alcohol consumption ▶

4

Ensure secure and inclusive workplaces ▶

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**2017–2020:
PRIORITIES FOR SUSTAINABLE DEVELOPMENT****1****Reduce Arcus' environmental impact****OUR MISSION**

We must continue the work to reduce our environmental impact.

EXPECTATIONS OF ARCUS**GOOD RESULTS**

In 2012-2016, Arcus achieved important and permanent environmental adjustments:

- Our water consumption in production has decreased by 8 per cent.
- Waste in production per bottled litre of wine has decreased by 40 per cent.
- Use of renewable energy for heating has increased to 100 per cent.

ARCUS' GOALS 2017–2020**1. EMISSIONS**

In 2020, Vectura's CO₂ emissions must be reduced by 30 per cent from the 2017 level.

2. RECIRCULATION

In 2020, the volume of waste that cannot be recirculated must be reduced by 30 per cent from 2017.

3. ENERGY

In 2020, energy consumption in the production process must be reduced by 20 per cent from 2017.

STATUS 2018**1. EMISSIONS**

Three old trucks have been replaced with vehicles with Euro 6 engines. Long-haul transport by Bring, with the goal of a 40-per-cent CO₂ reduction, has a positive impact.

2. RECIRCULATION

During 2018, Arcus achieved a 20-per-cent reduction of waste that cannot be recirculated. As from 2018, Arcus sorts waste into 11 different fractions, which are all recirculated.

3. ENERGY

Energy drivers in production are being surveyed. This will show which measures need to be taken.



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**2017–2020:
PRIORITIES FOR SUSTAINABLE DEVELOPMENT****2****Increase the number of environmentally-friendly products****OUR MISSION**

As a major producer, we are aware of our environmental impact. The packaging we use is one of the most important factors, so that we must continue our systematic efforts to use more environmentally-friendly packaging.

EXPECTATIONS OF ARCUS**ENVIRONMENTALLY-FRIENDLY PRODUCTION**

Arcus will also work to increase its ecologically and organically developed products, thereby contributing to environmentally-friendly production.

ARCUS' GOALS 2017–2020**1. PACKAGING**

In 2020, 35 per cent of our own bottling will be in recirculated plastic bottles.

2. PRODUCTS

In 2020, 15 per cent of all items sold must be produced on an environmentally-friendly basis.

STATUS 2018**1. PACKAGING**

Arcus is challenging the market, together with the Nordic monopolies, and is assessing plastic as a circular-economy material. Arcus can fulfil Vinmonopolet's requirement of "Environmentally-smart packaging", and can provide returnable plastic bottles.

2. PRODUCTS

In Sweden, the ratio is around 20 per cent. In Norway, the ratio is around 3 per cent.



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**2017–2020:
PRIORITIES FOR SUSTAINABLE DEVELOPMENT**

3 Promote responsible alcohol consumption

OUR MISSION

We take a clear stance on responsible alcohol consumption, with special focus on “Think before you drink”.

EXPECTATIONS OF ARCUS

PROACTIVE

We will continuously market the “Think before you drink” awareness campaign towards consumers, employees and other groups in contact with Arcus.

ARCUS' GOALS 2017–2020

1. FOR PRODUCTS

In 2020, “Think before you drink” will be included on 75 per cent of the products bottled by Arcus.

2. EMPLOYEES AS AMBASSADORS

During this period, all employees must be aware of Arcus’ standpoint concerning responsible alcohol consumption.

3. PROFILING

During this period, Arcus will promote “Think before you drink” in all relevant profiling.

STATUS 2018

1. FOR PRODUCTS

Continuously implemented for all new labels, and on redesign of existing labels.

2. EMPLOYEES AS AMBASSADORS

All new employees are informed of Arcus’ “Think before you drink” campaign. The company works systematically with Akan.

3. PROFILING

Sustained internal awareness campaign. The “Think before you drink” message is also highly profiled in all external communication. The most important external initiative is the distribution of water at major graduate events. This is popular among the graduates, and has been praised by both the police and the healthcare services.



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**2017–2020:
PRIORITIES FOR SUSTAINABLE DEVELOPMENT****4****Ensure secure and inclusive workplaces****OUR MISSION**

Our employees are vital to our success. We must have sustained high focus on health, safety and the environment in the workplace, and make a targeted effort to avoid injuries and accidents.

EXPECTATIONS OF ARCUS**SECURITY AND INCLUSION**

We must have an inclusive workplace where people with special challenges can also succeed.

ARCUS' GOALS 2017–2020**1. INJURIES**

Zero absence related to injuries.

2. SICK LEAVE

Arcus must have sick leave below 5.8 per cent, compared to the Norwegian industry average of 6.0 per cent (2016, Confederation of Norwegian Enterprise, Food and Beverages).

3. SOCIAL RESPONSIBILITY

Arcus must have at least four employees who face special challenges, as people who need assistance to be part of the workforce.

STATUS 2018**1. INJURIES**

As at November 2018, three injuries resulting in sick leave had occurred during the last 12 months. There is intensive focus on corrective measures, in order to achieve the objective.

2. SICK LEAVE

As at November 2018, the sick leave rate was 6.5 per cent for the last 12 months. There is great variation, and the organisation is working intensely, and with the Working Environment Committee, to reduce this.

3. SOCIAL RESPONSIBILITY

Throughout 2018, the company had two employees in vocational training positions, in close and fruitful cooperation with NAV (the Norwegian Labour and Welfare Administration). Arcus has adapted workstations for two permanently disabled persons.



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ARCUS DONATED 7,000 BOTTLES OF WATER TO GRADUATES



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Upper-secondary-school-leaving celebrations are a time when many young people consume a lot of alcohol. Many of them have little experience with drinking alcohol, and are often under a lot of pressure to drink. Graduates also have a big influence on other young people and many look up to them. This is the background to Arcus' campaign targeted at graduates. In the spring of 2019, this campaign will take place for the third consecutive year.

ACTIVITIES FOR THE 2018 GRADUATES' CAMPAIGN

- "Think before you drink" on the graduates' popular ID wristband, together with Amnesty's "No is no. Rape = Sex without consent".
- The "Think before you drink" message on graduates' social media.
- Evening before the celebrations: Text message with the "Think before you drink" message to around half of Norway's 45,000 graduates.
- No promotion of Arcus. The sender of the message was "Think before you drink".

CAMPAIGNS AT TRYVANN AND TUSENFRYD

- Distribution of 7,000 filled water bottles: easy to attach to your graduate outfit.
- Water stations for easy filling of empty bottles.
- Free water reduced alcohol sales, especially during the last two hours.
- Very good feedback from the police, medical teams, Oslo municipality, parents and, not least, graduates themselves.



Filled water bottles are popular. In 2019, there will be 5–10 graduate buses equipped with large water drums in their holds. This will make water even more readily available.

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ENVIRONMENTAL MEASURES, 2012-2016

- Renewable energy for heating increased to 70 per cent.
- Energy consumption in the production process decreased by 13 per cent.
- Consumption of water decreased by 8 per cent.
- Waste on bottling of wine decreased by 40 per cent.

EXAMPLES OF CSR ACTIVITIES, 2017-2020

- Reduce Vectura's CO₂ emissions by 30 per cent.
- Reduce waste volumes that cannot be recirculated by 30 per cent.
- Reduce energy consumption in the production process by 20 per cent.
- Zero absence related to injuries.

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PLAN FOR DIVERSITY AND INCLUSION AT ARCUS

- Arcus' goal is to eliminate all forms of discrimination or harassment.
- Arcus will promote equal opportunities.
- All Arcus employees must contribute to a working environment free of discrimination based on religion, race, gender, sexual orientation, age, ethnic origin or disability.
- Women and men, irrespective of their cultural or ethnic origin, must have equal rights and opportunities. Authority and responsibility must be distributed equally between the genders.

OVERALL OBJECTIVE

- To be a Group in which all companies and business areas promote equal opportunities, with zero tolerance of discrimination, racism and bullying.
- To use initiatives and activities to promote diversity, equal opportunities and inclusion.
- To have 40 per cent female managers before 2022. In the longer term, to increase the proportion of female managers from 32 to at least 40 per cent, with at least two female members of the Group Management.

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BAG-IN-BOX IS ENVIRONMENTALLY SMART

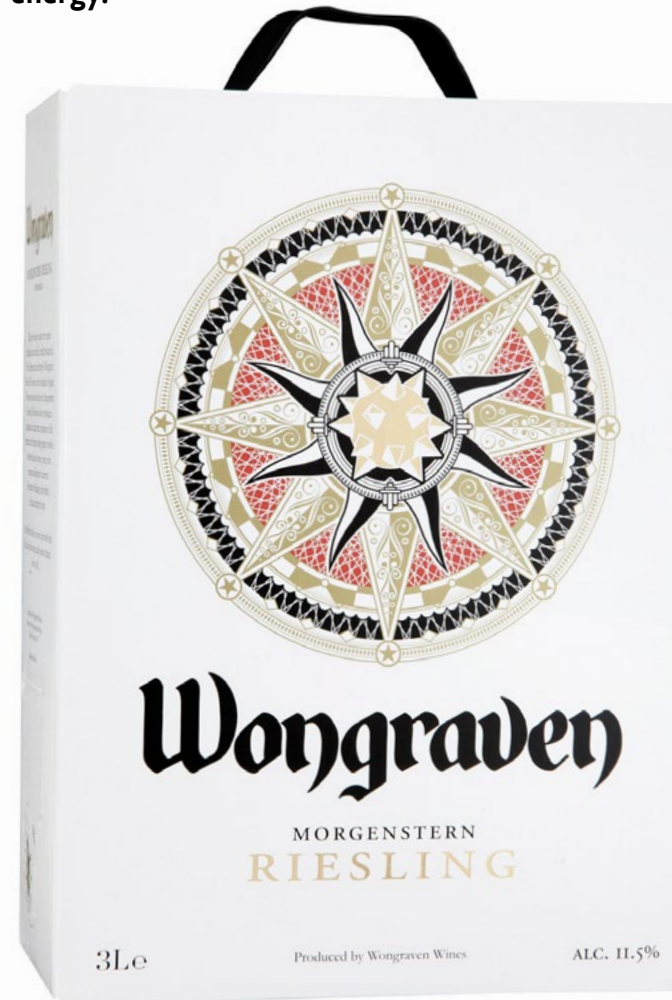
A lightweight packaging type is an environmentally-smart choice. Choosing environmentally-smart packaging means choosing products with a small CO₂ footprint. The less the packaging weighs, the less energy its transport will require. Glass production also requires a lot of energy.

At both Systembolaget and Vinmonopolet, the “environmentally-smart packaging” label can be picked out. All products with packaging weighing less than 450 grammes are defined as environmentally-smart. This makes it easy to pick a green solution.

Bag-in-box wine, tapped at Arcus in Norway, has two clear advantages that reduce the CO₂ footprint:

1. Wine is shipped from foreign producers in 25,000-litre tanks, before bottling at Arcus. This eliminates transport of unnecessary packaging.
2. The wine is bottled into environmentally-smart, lightweight packaging. Bag-in-box packaging requires little energy for production and for recirculation.

The final product's short route to the consumer has a third advantage: the wine stays fresh, which preserves the good taste.



Did you know that 58 per cent of all red wine sales at Vinmonopolet and 48 per cent at Systembolaget come from bag-in-box?

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RENEE BRUDEVOLD, COLUMN COORDINATOR

Arcus has invested in state-of-the-art technology to handle complex tapping processes. But, as Renee knows: no machine can function optimally without human expertise and supervision.

CORPORATE GOVERNANCE

Arcus ASA ("Arcus" or the "Company") considers good corporate governance to be a prerequisite for value creation and trustworthiness, and for access to capital. In order to secure strong and sustainable corporate governance, it is important that the Company ensures good and healthy business practices, reliable financial reporting and an environment that promotes compliance with legislation and regulations. Arcus' Board of Directors (the "Board") actively adheres to good corporate governance standards and will ensure that Arcus at all times complies with "The Norwegian Code of Practice for Corporate Governance", most recently revised on 17 October 2018 (the "Code"), as issued by the Norwegian Corporate Governance Policy Board (NUES), or explain possible deviations from the Code. The Code can be found at www.nues.no.

Arcus has governance documents setting out principles for how business should be conducted, and these also apply to Arcus' subsidiaries (together with Arcus, the "Group"). The Code covers 15 topics, and this statement covers each of these topics. Information concerning corporate governance pursuant to Section 3-3 b of the Norwegian Accounting Standard Act is included in the section below.

Arcus holds the view that its current policies for corporate governance are in accordance with the latest version of the Code. The following sections explain how Arcus has addressed the various issues covered by the Code.

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

A corporate governance policy was adopted by the Board on 10 October 2016 for and on behalf of the Company and is, in all material respects, based on the Code, to which the Board

has resolved that the Company shall adhere. The Board will ensure that the Company has sound corporate governance at all times.

Arcus works continuously to develop attitudes and monitoring systems which live up to the expectations made of a significant Nordic player in the wine and spirits sector. The Group defines its social responsibility through its corporate social responsibility guidelines, which are available at www.arcus.no/investor. The company also sets clear standards for itself and its employees through its ethical standards, environmental and climate policy guidelines, HSE and safety measures, and other internal guidelines. Arcus' values are *Market Focused, Determined and Collective*.

Deviations from the Code: None

2. BUSINESS

Arcus is involved in the production, bottling, import, marketing, sale and distribution of wine and spirits. The Group is represented in all Nordic countries, with subsidiary companies in Norway, Sweden, Denmark and Finland, as well as in Germany. The Group has further exports of spirits to markets outside the Nordic region and Germany, first and foremost to the United States.

Arcus' business is defined in the Company's Articles of Association as follows:

The company's business shall entail 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 interests in other companies that conduct such business.

The Articles of Association are available on the Company's website: www.arcus.no/investor.

To achieve the objective set out in the Articles of Association, the Company has established a strategy for profitable growth, primarily in the Group's home markets, the Nordic countries and Germany, based on its own brands and agency brands within wine and spirits, as well as logistics and distribution in the Nordic region.

Arcus has drawn up clear goals, strategies and a risk profile for the Company, which are matters that are discussed and evaluated annually by the Board of Directors. The Company has guidelines for the integration of environmental considerations in value creation. Specific priorities and goals have been defined, in order to contribute to sustainable development. Arcus supports and participates actively in the Nordic alcohol monopolies' (NAM) CSR initiative and also supports the UN Global Compact initiative. Arcus has its own alcohol and drugs policy, to actively prevent alcohol abuse.

Deviations from the Code: None

3. EQUITY AND DIVIDENDS

The shareholders' equity as of 31 December 2018 was NOK 1,654,034, which represents 37 per cent of the company's total assets. In the opinion of the Board of Directors, Arcus' equity capital is appropriate for its objectives, strategy and risk profile.

The Board of Directors has resolved to target a dividend pay-out ratio of 50–70 per cent of the Company's net profit for each year going forward.

The Board of Directors may obtain authorisation from the Annual General Meeting to buy back Arcus shares in the market. In such cases, the Board of Directors will normally request that the shares be acquired in the open market, and that the authority lasts no longer than until the next general meeting. At the Annual General Meeting on 11 April 2018, the Board of Directors was given authorization to acquire own shares in the Company on behalf of the Company with an aggregate nominal value of up

to NOK 136,000. The authorisation expires at the annual general meeting in 2019.

When the annual general meeting considers whether or not to authorise the Board of Directors to carry out share capital increases for multiple purposes, each purpose must be considered separately by the meeting. Any such authorisation will be limited in time, and will last no longer than until the date of the next general meeting. Authorisation granted to the Board of Directors is restricted to specific purposes.

At the Annual General Meeting on 11 April 2018, the Board of Directors was authorised to increase the share capital of the Company by up to NOK 136,000. The authorisation may only be used to finance further growth and to issue shares as consideration on the acquisition of other companies/activities/assets, or to finance such acquisitions. The authorisation expires at the annual general meeting in 2019.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Arcus has only one class of shares. Each share in the Company carries one vote, and all shares carry equal rights, including the right to attend general meetings of the Company. The nominal value of each share is NOK 0.02.

If the Board of Directors resolves to propose to the general meeting a share issue without pre-emption rights for existing shareholders, the justification shall be publicly disclosed in the notice convening the relevant general meeting.

If the Board of Directors decides to use its current authorisation to re-purchase its own shares, the transactions will be carried out through the stock exchange or at prevailing stock exchange prices if carried out in any other way.

The Board of Directors is currently authorised to waive the pre-emption rights of existing shareholders in capital increases if it exercises

CORPORATE GOVERNANCE

its authority to issue new shares. This is to simplify the procedure in connection with capital increases with the intention to finance further growth and/or the offering of shares as consideration in acquisitions where this is deemed a favourable term of settlement. If the Board of Directors resolves to carry out a share issue without pre-emption rights for existing shareholders on the basis of its authorisation, the justification must be publicly disclosed in a stock exchange announcement issued in connection with the share issue.

The Board of Directors will arrange for a valuation to be obtained from an independent third party, in the event of a not immaterial transaction between the company and its shareholders, a shareholder's parent company, members of the Board of Directors, executive management or closely-related parties of any such parties.

Deviations from the Code: None

5. FREELY NEGOTIABLE SHARES

All shares are freely negotiable with no form of restriction on ownership, negotiability or voting rights in the Company.

Deviations from the Code: None

6. GENERAL MEETING

The interests of the Company's shareholders are primarily exercised at the Company's general meetings. It is the Company's goal that as many shareholders as possible are given the opportunity to attend its general meetings and that the general meetings are organised so as to ensure that they represent an effective forum for the Company's shareholders to express their views.

Notices of general meetings are made available on the Company's website, www.arcus.no/investor, and through a separate notice to the Oslo Stock Exchange at least 21 days in advance of the general meeting.

The notice contains detailed information on the resolutions proposed and matters to be

considered at the general meeting. It includes the deadline for shareholders to register their intention to attend the general meeting, as well as instructions on how they can cast their votes by proxy. The deadline for registration is set as close to the date of the general meeting as possible. The notice shall also include information regarding the right of shareholders to propose resolutions for consideration by the general meeting.

The general meeting votes for each candidate nominated for election to the company's corporate bodies. To the greatest possible extent, the proxy form will facilitate separate voting instructions for each matter to be considered by the meeting and for each of the candidates nominated for election. It is possible to vote in advance.

When documents concerning matters that are to be dealt with at a general meeting have been made accessible to the shareholders on the Company's website, the Board of Directors may decide that the documents will not be sent to shareholders by ordinary mail. This also applies to documents which, according to law, must be included in or enclosed with the notice of a general meeting. A shareholder can, however, demand that documents concerning matters that are to be dealt with at a general meeting be sent to him or her by ordinary mail.

The notice of a general meeting contains a reference to the Company's website, where shareholders can access relevant documents and, if appropriate, any other information that shareholders may need to gain access to such documents.

The annual general meeting elects a chair, who should preferably be independent, to preside over the meeting, and one person to sign the minutes of the meeting together with the elected chair. The minutes are published on the Company's website and on the Oslo Stock Exchange.

All shares carry an equal right to vote at general meetings. Resolutions at the annual general meeting are normally passed by simple

majority unless otherwise required by Norwegian law.

The Chairman of the Board of Directors, the chair of the nomination committee and the auditor attend the general meeting.

Deviations from the Code: None

7. NOMINATION COMMITTEE

In accordance with Arcus' Articles of Association, the Company shall have a nomination committee consisting of three members. The members of the nomination committee shall be shareholders or representatives of shareholders. The members of the nomination committee, including its chair, are elected by the general meeting. The majority of the nomination committee will be independent of the Board of Directors and the Company's executive management. The members of the nomination committee's period of service shall be two years unless the general meeting decides otherwise. The members of the nomination committee's remuneration shall be determined by the general meeting.

The current members of the nomination committee are Sverre R. Kjær (chair of the nomination committee), Karin Bing Orgland and Jan Ole Stangeland. Kjær and Orgland were elected at the extraordinary general meeting on 2 March 2017, while Stangeland was elected as a new member of the nomination committee at the general meeting on 11 April 2018. At the general meeting on 11 April 2018, the current nomination committee was elected for another year, until the general meeting in 2019. The composition of the nomination committee is intended to promote the interests of the shareholders.

The nomination committee will submit its recommendations to the annual general meeting regarding the election of members to the Board of Directors and the nomination committee, and their respective remuneration.

The nomination committee should have contact with shareholders, the Board of Directors and the company's executive personnel as part of its work of proposing candidates for election to the Board of Directors. The nomination committee shall justify its recommendations on convening the company's annual general meeting, and state deadlines for the proposal of candidates.

On 20 October 2016, the general meeting approved a set of instructions defining the responsibilities of the nomination committee. All shareholders are invited to propose candidates to the Board of Directors and the nomination committee.

Deviations from the Code: None

8. CORPORATE ASSEMBLY AND BOARD OF DIRECTORS: COMPOSITION AND INDEPENDENCE

In accordance with the Company's Articles of Association, the Company shall have a Board of Directors consisting of a minimum of three and a maximum of eight shareholder-elected Board members. The Chairman of the Board of Directors is elected by the general meeting based on a proposal from the nomination committee, as are the other members representing the shareholders. In addition, Board members are elected by and from among the employees, in accordance with applicable company legislation.

Board members are elected for a period of two years at a time.

The Board of Directors consists of ten members, of whom seven are elected by the general meeting and three are representatives of the employees. HOFF SA is the sole provider of Norwegian potato spirit to the Group, and Eilif Due is Chairman of the Board of Directors. With the exception of this, all members of the Board of Directors are deemed to be independent of the Company's executive management and significant business partners. No managers are also members of the Board of Directors.

CORPORATE GOVERNANCE

The employee-elected Board members have seven deputy members. The shareholder-elected Board members have one deputy member.

The members of the Board of Directors, including their CVs, are presented on the Company website. The shareholdings of Board members are listed in Note 8 in the Annual Report for 2018. The Board of Directors is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner. Board members possess strong experience from finance, distribution and retail in general, and wine and spirits in particular.

The Board of Directors has conducted a total of eight ordinary Board meetings, of which two by conference call.

The attendance of Board meetings in 2018 by the present Board of Directors is summarised below:

Name	Number of meetings attended
Michael Holm Johansen	8/8
Stein Erik Hagen	7/8
Hanne Refsholt	6/8
Eilif Due	8/8
Leena Maria Saarinen	8/8
Anne-Beth Freuchen	6/8
Trond Berger	8/8
Erik Hagen	8/8
Kjell Arne Greni (until 01.07.18)	1/4
Ingrid Elisabeth Skistad (until 01.07.18)	4/4
Konstane Martine Kjôle (from 01.07.18)	4/4
Therese Jacobsen (from 01.07.18)	2/4
Arne Larsen (deputy member)	2/8
Torbjørn Hjelle (deputy member)	3/8
Nils Selte (deputy member who can attend without voting rights)	6/6

Deviations from the Code: None

9. THE WORK OF THE BOARD OF DIRECTORS

The Board of Directors has the overall responsibility to oversee the management of the Company, while the Chief Executive Officer is responsible for day-to-day management. The Board of Directors has established instructions for its own work, as well as for the executive management, with particular emphasis on clear allocation of responsibilities and duties. The Board of Directors is responsible for ensuring that the Group's activities are soundly organised and for approving all plans and budgets for the activities of the Group. The Board of Directors approves a statement of the Chief Executive Officer's duties, responsibilities and authorisations.

The Board of Directors keeps itself informed about the Group's activities and financial situation, and is under an obligation to ensure that its activities, financial statements and asset management are subject to adequate control through the review and approval of the Group's monthly and quarterly reports and financial statements. The Board of Directors shall also ensure that the Group has satisfactory internal control systems.

If the Chairman of the Board of Directors is or has been actively involved in a given matter, for example in negotiations on mergers, acquisitions etc., another Board member will normally lead the discussions concerning that particular matter.

Members of the Board of Directors and executive management are obliged to notify the Board if they have a significant, direct or indirect, interest in any transaction carried out by the Company other than by virtue of their position within the Company. The Board of Directors will report in the annual report any transactions with related parties.

The Company has implemented rules of procedure which state that the members of the Board of Directors and the Company's Chief Executive Officer may not participate in

discussions or decisions concerning issues of significant importance to the relevant person or anyone affiliated with him/her.

The Chief Executive Officer is in charge of the day-to-day management of the Group, and is responsible for ensuring that the Group is organised in accordance with applicable laws, the Company's Articles of Association and the decisions adopted by the Board of Directors and the Company's general meeting. The Chief Executive Officer has particular responsibility for ensuring that the Board of Directors receives accurate, relevant and timely information in order to enable it to carry out its duties. The Chief Executive Officer shall also ensure that the Group's financial statements comply with Norwegian legislation and regulations and that the assets of the company are soundly managed.

The Board of Directors has elected an audit committee from among the members of the Board. The committee currently comprises two members: Trond Berger as chair and Lena Maria Saarinen as member. The two members of the audit committee are independent of the Company's largest shareholders.

Pursuant to Section 6-43 of the Norwegian Public Limited Liability Companies Act, the audit committee shall:

- prepare the Board's supervision of the Group's financial reporting process;
- monitor the systems for internal control and risk management;
- have continuous contact with the Group's auditor regarding the audit of the annual accounts; and
- review and monitor the independence of the Group's auditor, including in particular the extent to which services other than auditing provided by the auditor or the audit firm represent a threat to the independence of the auditor.

The Board has established a remuneration committee that consists of two members of the Board. The members of the remuneration committee are and shall be independent of the Group's executive management. The committee currently consists of Michael Holm Johansen as the leader and Hanne Refsholt as member.

The Company has adopted guidelines that describe the responsibility and tasks of the remuneration committee. The remuneration committee will ensure that the Company has a remuneration scheme that contributes to promoting and providing incentives for governance and control of the Company's risks, counteracting a high degree of risk taking, and avoiding conflicts of interest.

The Board of Directors annually evaluates its own work and expertise.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

The management is responsible for risk management and internal auditing of the Company and ensures that business opportunities are used through safe and efficient operations, with reliable reporting in accordance with applicable laws and regulations, as well as compliance with the Group's ethical rules, and that the Board of Directors' goals and plan for corporate social responsibility are adhered to.

The Company has established a risk management programme where the Group's critical risk factors are mapped out and monitored and followed up through a systematic process. The Group's financial risk management programme is carried out by its central treasury department, in cooperation with the various business segments, under policies approved by the Board of Directors. Critical processes with instructions and guidelines for risk management are documented.

CORPORATE GOVERNANCE

The goal of the Group's risk management programme is to minimise potential adverse financial performance effects of these risks which result from unpredictable changes in among other capital markets. To a certain extent, the Group uses financial derivatives to hedge against part of these financial risks.

It is the responsibility of the Board of Directors to ensure that the Company has sound internal controls in place and systems for risk management that are appropriate in relation to the extent and nature of the company's activities. The Board of Directors conducts an annual review of the Company's most important areas of exposure to risk, such as internal auditing arrangements.

The Board of Directors assesses that the Company's risk profile is in accordance with the Company's goals and strategies, and that these support value creation.

Deviations from the Code: None

11. REMUNERATION OF THE BOARD OF DIRECTORS

The remuneration of the Board of Directors is proposed by the nomination committee and decided by the shareholders at the annual general meeting of the company. The level of remuneration of the Board of Directors reflects the responsibility of the Board, its expertise and the level of activity in both the Board and any Board committees. The remuneration of the Board of Directors is not linked to the Company's performance, and there is no option scheme for the members of the Board. All members of the Board of Directors, with the exception of the Chairman of the Board, receive the same remuneration. The members of the audit committee and remuneration committee receive separate, additional remuneration. The remuneration paid to members of the Board of Directors is disclosed in Note 8 to Arcus' financial statements.

Deviations from the Code: None

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board of Directors has established guidelines for the remuneration of the executive personnel. These guidelines are communicated to the annual general meeting and included in the Company's annual report.

The Board of Directors is directly responsible for determining the Chief Executive Officer's salary and other benefits. The Chief Executive Officer is, in consultation with the Chairman of the Board, responsible for determining the salary and other benefits for the Group's other senior executives.

The purpose of Arcus' terms and conditions policy is to attract personnel with the competence that the Group requires, to further develop and retain employees with key expertise, and to promote a long-term perspective and continuous improvement with a view to achieving Arcus' business goals. In general, Arcus' policy shall be competitive but not market-leading in terms of the total compensation package. For further detail of the Group's policy regarding salaries and other remuneration to executive personnel, see Note 8 to the Group's consolidated financial accounts for 2018.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATIONS

The Board of Directors has established guidelines for investor communication. The Company's objective is to ensure that the financial market and the shareholders have sufficient information about the Company to evaluate Arcus appropriately, according to an investment perspective. The Company takes care to ensure the impartial and sober dissemination of information in its dialogue with shareholders and analysts.

All information considered to be relevant and of significance to the valuation of the

company's shares is disseminated and published in English via the disclosure system of the Oslo Stock Exchange, www.newsweb.no, and via the Company's website: www.arcus.no. All financial reports and other information are prepared and disclosed in such a way as to ensure that shareholders, investors and others receive correct, clear, relevant and up-to-date information on an equal basis and in a timely manner. The Company holds public presentations of its results quarterly. The presentation material is made available via the Oslo Stock Exchange's news site, www.newsweb.no, and www.arcus.no.

Any communication with shareholders outside the Company's general meeting will take place in accordance with applicable equal treatment requirements and applicable legislation regarding inside information.

Deviations from the Code: None

14. COMPANY TAKE-OVERS

The Board of Directors has established guiding principles for how it will act in the event of a take-over offer.

In the event of a take-over bid being made for the Company, the Board of Directors will follow the overriding principle of equal treatment for all shareholders, and will seek to ensure that the Company's business activities are not disrupted unnecessarily. The Board of Directors will strive to ensure that shareholders are given sufficient information and time to form a view of the offer.

The Board of Directors will not seek to prevent any take-over bid unless it believes that the interests of the Company and the shareholders justify such actions. The Board of Directors will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless this is approved by the general meeting following the announcement of the bid. There are no defence mechanisms

against take-over bids in Arcus' Articles of Association or in any underlying steering document. Neither has the Company implemented any measures to limit the opportunity to acquire shares in the Company.

If a take-over bid is made, the Board of Directors will issue a statement in accordance with statutory requirements and will state whether the valuation is unanimous or not.

In the event of a take-over bid, the Board will obtain a valuation from an independent expert.

Any transaction that is in effect a disposal of the Company's activities will be submitted to the general meeting for its approval.

Deviations from the Code: None

15. AUDITOR

The Company's elected external auditor is EY. The auditor is independent of Arcus and is appointed by the general meeting. The auditor's fee is approved by the general meeting.

The auditor presents an audit plan to the audit committee, and attends Board meetings concerning the preparation of the annual accounts, at which the audited financial statements are reviewed and approved. The auditor is also present at all meetings with the audit committee. The auditor also participates in meetings of the Board of Directors that deal with the annual financial statements and, at least once a year, carries out a review of the company's internal audit procedures, in collaboration with the audit committee. In addition, the external auditor meets with the Board of Directors, without the management being present, at least once per year.

The Board of Directors reports annually to the annual general meeting on the auditor's overall fees, broken down between audit work and other services.

Deviations from the Code: None

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Directors' Report:

ARCUS ASA

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

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

STRATEGY

The Group has three business areas: Wine, Spirits and Distribution.

For Wine, the domestic market is Sweden, Norway and Finland. There is strong focus on winning tenders and attracting complementing agencies. The further development of our own brands, primarily through Arcus Wine Brands, is important. The opportunity for minority ownership interests must be used actively to attract skilled individuals for starting up wine companies.

For Spirits, the domestic market is defined as the Nordic countries and Germany. A clear objective is to further develop sales in the domestic market, while revitalising the German market. The primary objective is growth in the core categories of aquavit, bitters and cognac. Innovation is key, in terms of categories, consumer groups and occasions.

Concerning Distribution, there is sustained focus on cost optimisation and on increasing revenue, primarily by attracting new customers.

The Group's financial objectives, adopted in conjunction with the Group's IPO on 1 December

2016, are firm. This entails organic growth of 3-5 per cent per annum (including minor bolt-on acquisitions) and EBITDA growth of 6-9 per cent per annum during the next three to five years. The Group's ambition is to pay annual dividend of around 50-70 per cent of the net annual profit.

The consolidated financial statements of Arcus ASA are presented in accordance with IFRS (International Financial Reporting Standards).

FINANCIAL DEVELOPMENT
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In 2018, the Group's total operating revenue was NOK 2,723 million (NOK 2,575 million in 2017). Increased wine sales, primarily in Sweden and Norway, and a higher number of new customers in Vectura, contributed positively to revenue, while sales of spirits showed a weak increase compared to the previous year, due to low market growth and somewhat lower market shares in some markets.

Consolidated operating costs totalled NOK 2,463 million (NOK 2,292 million). The cost

increase is mainly due to a higher cost of sales, which is related to higher sales, but also to a weaker Norwegian krone and Swedish krona against the euro. In addition, logistics costs were somewhat higher, as a consequence of higher Distribution volume. On the other hand, impairment was lower than for the previous year.

In 2018, the Group's operating profit before depreciation (EBITDA) was NOK 307 million, compared to NOK 348 million in 2017. Operating EBITDA (adjusted for non-recurring items) was NOK 313 million, compared to NOK 361 million in 2017. A key reason is the negative currency development, making the Group's purchases denominated in EUR more expensive.

In 2018, the Group's operating profit was NOK 257 million, compared to NOK 273 million in 2017. The decrease is mainly due to the same conditions as described above.

The Group's net financial items amounted to NOK -36 million (NOK -15 million) in 2018. The increase in net financial items is to a great extent driven by revenue recognition of NOK 14 million in 2017 concerning value adjustment of a

remaining liability related to synthetic shares and options from prior to the IPO in 2016.

In 2018, the Group's tax costs amounted to NOK 57 million, compared to NOK 71 million in 2017. The effective tax rate was 26 per cent, compared to 27 per cent for the previous year. The lower effective tax rate is due to a lower actual tax rate in the Norwegian company, and lower non-deductible costs.

The parent company Arcus ASA has no operating revenue. The pre-tax profit of the parent company was NOK 79 million, compared to NOK 48 million in 2017. The increase is mainly due to Group contributions of NOK 106 million from the subsidiary, Arcus-Gruppen AS, compared to NOK 65 million in 2017.

Financial position, investments and liquidity

At the end of the year, the Group had brands and goodwill for NOK 1,857 million (NOK 1,862 million). The decrease is mainly due to depreciation, as well as currency fluctuations, to some extent.

At the close of the year, the Group had investments in fixed assets and software for NOK 343 million (NOK 359 million). In 2018, the Group invested NOK 23 million in fixed assets and software, while depreciation of NOK 42 million resulted in a lower book value at the end of 2018 compared to the end of 2017. No significant investments are expected in the coming years.

The deferred tax assets at the end of the year amount to NOK 110 million, compared to NOK 137 million at the end of 2017. The reduction is mainly due to the utilisation of taxable deficits carried forward in Norway in 2018, while the net deferred tax asset is lower, as a consequence of a reduction of the tax rate from 23 per cent to 22 per cent in Norway as from 2019.

At the end of 2018, financial assets totalled NOK 63 million (NOK 60 million).

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Total current assets amounted to NOK 2,064 million, compared to NOK 2,114 million at the same time last year. Of this amount, receivables at year-end totalled NOK 1,341 million (NOK 1,519 million).

At the end of 2018, cash and bank deposits were NOK 283 million (NOK 184 million).

Group equity was NOK 1,654 million as at 31 December (NOK 1,669 million). Changes in equity are affected positively by the profit for the year, but reduced by the dividend paid to minority shareholders in the Group and shareholders in the parent company. At year-end, the equity ratio was 37 per cent, which is unchanged from the end of 2017.

The Group is financed through non-current loans of NOK 728 million. In addition, the Group has debt of NOK 169 million related to financial leasing, of which NOK 18 million falls due during 2019. At the end of the year, the Group had non-utilised drawing facilities under the Group cash pool system, but had deposits of NOK 149 million. As at 31 December 2018, the Group's total liabilities amounted to NOK 2,784 million (NOK 2,863 million), of which the interest-bearing debt amounted to 32 per cent.

Consolidated net cash flow from operating activities was NOK 395 million (NOK 200 million). The change is influenced significantly by lower trade receivables due from Vinmonopolet at the end of 2018 than at the end of 2017.

Net cash flow from investment activities was NOK -23 million (NOK -144 million). The positive change in cash flow from investment activities is mainly due to the acquisitions of the Vanlig and Hot n'Sweet brands in 2017.

Net cash flow from financing activities was NOK -261 million (NOK -91 million). The change in cash flow from financing activities is to a great extent influenced by the redemption of drawing on the Group cash pool system by NOK 73 million in 2018, compared to an equivalent drawing increase in 2017.



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EVEN BETTER.

Arcus

Holdings of cash and cash equivalents were NOK 283 million (NOK 184 million). Deviations between the company's operating profit and operating cash flow are the Group's financial expenses, changes in working capital and tax paid during the period.

Significant changes in accounting policies

IFRS 15 revenue recognition was introduced as of 1 January 2018. This has entailed insignificant changes to the income statement. See Note 4. IFRS Financial instruments, introduced as of 1 January 2019, has no consequences for Arcus. As from 1 January 2019, IFRS 16, Operational leases is introduced, which entails significant changes in the income statement and statement of financial position. See Note 16 for further information.

Financial risk and risk management

The Board has adopted a financial policy,

defining the framework and guidelines for financial risk management within the Group.

Arcus' principal source of income is the core business. The main risk management strategy for the Group is to limit the financial risk created by the core business.

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

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

Credit risk

The finance policy stipulates that credit risk must be assessed before establishing credit purchase agreements with new customers. The

assessment includes a review of accounting information, as well as other relevant and accessible data, to determine the credit limit and credit terms. Once a relationship has been established with a customer, credit risk and credit limits are continuously assessed in relation to the customer's financial performance and payment history. Outstanding receivables are continuously monitored by the finance department in cooperation with the marketing departments of the individual businesses. A large proportion of the Group's accounts receivable arise from the sale of wines and spirits to the state-owned monopoly outlets in the Nordic region. Credit risk associated with these customers is considered to be non-existent. The Group's credit risk is otherwise spread over a large number of small customers within the hotel, restaurant and café market, as well as a small number of distributors outside the Nordic region.

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The Group is exposed to interest-rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2018, the Group's non-current liabilities consisted of credit facilities at SEB and financial leasing at Nordea Finans and Volvo Finans. The interest-rate hedging policy entails that up to 50 per cent of the base rate on non-current loans can be hedged. At the end of 2018, none of the Group's interest-bearing debt was hedged. The interest-rate margin on credit facilities at SEB is related to the size of the Group's net interest-bearing debt relative to EBITDA, while the agreement with Nordea Finans involves a fixed interest-rate margin.

Liquidity risk

Liquidity risk is the risk that the Group will not be in a position to service its financial liabilities

as they fall due. Arcus must at all times have sufficient liquidity to meet its obligations. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

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

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Arcus Group had no significant investments during 2018, but acquired some minority interests in existing

subsidiaries. This acquisition was financed with own liquidity and existing drawing facilities.

The Group entered into a new financial leasing agreement with Volvo Finans in 2018, in conjunction with the replacement of three trucks in Distribution. This increased the debt by NOK 3 million.

Currency risk

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

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

The risk horizon, i.e. the time it takes to compensate for negative currency movements, is generally controlled by the price-adjustment opportunities in relation to the Nordic state monopolies. In Norway, this takes place every fourth month and in Sweden, every sixth month. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

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

For reporting purposes, receivables and debt, as well as monetary items in foreign currency, are translated at the closing rates in the companies' functional currencies. The Group's presentation currency is Norwegian kroner. The

Group is therefore further exposed to currency risk on translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged.

ABOUT THE COMPANY

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

The Wine business area imports, bottles, markets and sells wine in Norway, Sweden and Finland, as well as within tax-free. In 2018, the Wine business area achieved sales of NOK 1,625 million, compared to NOK 1,541 million in 2017. EBITDA (adjusted) was NOK 182 million in 2018, compared to NOK 192 million in 2017. Sales increased as a consequence of adjusting the portfolio towards lighter wines (significant growth for white wine, rosé wine and sparkling wine), and a hot summer throughout the Nordic region. Profitability was undermined by a sustained high EUR rate. The operating profit for 2018 was NOK 167 million, compared to NOK 185 million for 2017.

The Spirits business area imports, produces, bottles, markets and sells wine and spirits primarily in the Nordic region and Germany, but also in other selected export markets. Bottling services are also undertaken for sister companies at the Gjelleråsen facility. In 2018, the Spirits business area achieved sales of NOK 920 million, compared to NOK 913 million in 2017. EBITDA (adjusted) was NOK 145 million in 2018, compared to NOK 183 million in 2017. Lower sales of spirits in Denmark and Germany, and price competition in the low-price segment of the Norwegian market, affected revenue and the result. The operating profit for 2018 was NOK 118 million, compared to NOK 152 million for 2017.

The Distribution business area (Vectura) distributes alcoholic beverages in the Norwegian

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2018 DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	92	28	3	8	2	133
Men	253	22	13	13	1	302
Total	345	50	16	21	3	435

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2018 DISTRIBUTED BY BUSINESS AREA

	Men	Women	Total
Spirits	95	46	141
Wine	37	46	83
Arcus-Gruppen AS	24	15	39
Arcus ASA	2	0	2
Vectura AS	144	26	170
Total	302	133	435

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market. In 2018, the Distribution business area achieved sales of NOK 308 million, compared to NOK 285 million in 2017. EBITDA (adjusted) was NOK 13 million in 2018, compared to NOK 14 million in 2017. Revenue grew as a consequence of new customers and increased sales of services, while an increased degree of overtime, and leasing of trucks and drivers, reduced the result. The operating profit for 2018 was NOK 1.1 million, compared to NOK 0.7 million for 2017.

The company's registered office is in Nittedal Municipality.

EMPLOYEES AND ORGANISATION**Employees**

At year-end, the Group had 428.9 FTEs (full-time equivalents), distributed on 435 permanent employees, of whom 345 are employed in Norway. The parent company Arcus ASA has two employees. The gender distribution for the overall Group was 69.4 per cent men and 30.6 per cent women.

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

Absence due to illness

The Group has a strong focus on sick leave rates. The Norwegian companies in the Group work closely with the occupational health service and

NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. For Arcus-Gruppen AS with subsidiary in Norway, the sick leave rate was 4.6 per cent in 2018, compared to the target of 4.2 per cent. The target for 2019 is unchanged at 4.2 per cent. For Vectura AS, where a lot of manual and physical work is undertaken, sick leave was 8.5 per cent in 2018, which is an improvement of 0.4 percentage points from 2017. The target for 2018 was 7.5 per cent, which is also the target for 2019. Sick leave varies between departments and among business areas.

For the Arcus ASA Group, total sick leave in Norway amounted to 6.4 per cent in 2018, which is an improvement of 0.2 percentage points from 2017. For comparison, the Confederation of Norwegian Enterprise's sick leave statistics for beverage production in Q3 2018 show doctor-certified sick leave at 4.6 per cent and own-reported sick leave at an estimated 2 per cent, which gives total sick leave of 6.6 per cent.

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

Working environment and HSE

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

To avoid serious injuries and incidents, it is important to have an organisation and culture that can identify hazardous conditions, register adverse incidents and introduce corrective measures on an ongoing basis. In this respect, the operating companies in the Group have

been successful. Adverse incidents are reported regularly. These incidents are reported on a monthly basis to management, employees, working environment committees and safety representatives.

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

In 2018, there were four injuries resulting in absence due to illness (three in Vectura AS and one in Arcus Norway AS). The injuries were not serious and the persons returned to work after brief periods of absence. The Group's goal for 2019 is zero absence due to injuries.

Equal opportunities

Of the Group's 435 employees at year-end, 30.6 per cent were women and 69.4 per cent were men, after a small decrease in the ratio of women from the preceding year. The management groups of the operating companies all have female members, while the Group Management of Arcus ASA solely consists of men, including the CEOs of Vectura AS and Vingruppen i Norden AB, respectively. At the same time, the Group had 32 per cent female managers.

At the end of 2018, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom five were women. Three members of the Board of Directors are representatives elected by the employees, and two of these members are women. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representation on an ASA's board of directors.

In connection with the local salary settlement in 2018 in Norway, the parties reviewed the situation concerning equal opportunities and equal pay. The local parties agree that satisfactory consideration is made of equal pay and equal opportunities.

Diversity

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

At the end of 2018, the employees represented around 30 different languages and approximately 18 per cent of employees did not have a Nordic cultural or ethnic background.

The Group's goal for the operating companies is for them to be workplaces without any form of discrimination or harassment. The Group's Work Regulations and Ethical Rules set out guidelines for this, and good reporting procedures have also been established.

In 2018, a new Plan for Diversity and Inclusion was also drawn up. The plan defines concrete targets and activities. As a Group and employer, Arcus ASA must promote equal opportunities and prevent discrimination of its employees.

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

Ethical guidelines

The Group's ethical guidelines define, clarify and ensure a common business ethics framework to outline the expectations for the ethical and appropriate behaviour of all employees. The Group's ethical guidelines stipulate that Arcus has zero tolerance for discrimination, bullying and corruption. As part of the ethical guidelines, provision is also made for the notification of any misconduct within the Group. Whistle-blowers can use a designated telephone number, established for this purpose. All employees have been made aware of this, and the fact that their anonymity is guaranteed. In 2018, two whistle-blower reports were made.

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On 25 May 2018, the new EU General Data Protection Regulation (GDPR) entered into force. The key aspects of the existing legislation are continued, with the addition of new regulations comprising extensive new requirements of companies which process personal data. For Arcus, this entailed extensive mapping and documentation of personal data, procedures, systems and documentation related to the processing of all personal data, gap analyses, production and documentation, as well as implementation and operation. Procedures for compliance, control and auditing were also drawn up, so that Arcus handles personal data protection in accordance with GDPR.

Environment

Consideration of the external environment is an important aspect of corporate social responsibility at Arcus. The Group's activities affect the external environment via the production and distribution of its products. Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of its activities on the external environment. In 2018, the Group set 11 specific KPIs that are to be achieved before 2020. They include KPIs for reduction of carbon dioxide and increased recirculation of waste.

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

Alcohol

Arcus takes a clear stance on responsible alcohol consumption. Our aim is to raise awareness and understanding among all of the target groups which are relevant for Arcus

about our corporate approach to alcohol and responsible consumption. This is the background to our "Think before you drink" campaign, launched in the autumn of 2015, and which has become an integral aspect of Arcus' communication strategy. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus. In 2017, and again in 2018, Arcus ran a campaign which targeted graduates. The "Think before you drink" message was shared on the graduates' own digital channels. At the celebrations at Tryvann and Tusenfryd in Oslo, 7,000 filled bottles of water were distributed to graduates, with ample opportunity to refill the bottles. This was 1,000 more bottles than in 2017. Arcus was not identified as the originator of the initiative.

As part of the same strategy, in 2018 a decision was taken to fit alcolocks on all lorries and new company cars. AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies.

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

Ownership

On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and at year-end 2017/18 had 2,132 shareholders. At the close of the year, three shareholders each held more than 5 per cent of the company's shares: Canica AS (42.1 per cent), Geveran Trading Co Ltd (9.9 per cent) and Verdipapirfondet DNB Norge (IV) (5.3 per cent). Quarterly results have been presented in Oslo for each quarter. In addition, the result for Q4 2017 was presented to investors in Madrid, London and Frankfurt, and the result for Q1 2018 in Stockholm. In addition, one-to-one investor meetings were held in Oslo

on a regular basis throughout the year, as well as investor meetings via Skype with investors in London.

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

Continued operations

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

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events have occurred after the close of the financial year, between the date of the statement of financial position and the

Board of Directors' consideration of the financial statements for 2018.

APPROPRIATION OF PROFITS

The parent company Arcus ASA reported a profit for the year of NOK 55.4 million in 2018, compared to NOK 31.0 million in 2017. The Board proposes the allocation of dividend of NOK 1.66 per share, in total NOK 113 million, and that the profit of NOK 55.4 million be transferred to other equity.

FUTURE PROSPECTS

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

Gjelleråsen 20 March 2019

Michael Hólmi Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Konstanse M. Kjåle

Ann Therese Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

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BOARD OF DIRECTORS



Michael Holm Johansen
Chairman of the Board



Stein Erik Hagen
Board member



Hanne Refsholt
Board member



Eilif Due
Board member



Trond Berger
Board member



Leena Saarinen
Board member



Ann-Beth Freuchen
Board member



Erik Hagen
Board member



Konstane M. Kjôle
Board member



Ann Therese Jacobsen
Board member

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<i>Figures in NOK 1,000</i>	Note	2018	2017
OPERATING REVENUE AND EXPENSES			
Sales revenue	4,5	2,672,615	2,530,126
Other operating revenue	4,5	50,586	44,934
Total operating revenue	4,5	2,723,201	2,575,060
Net gain on sale of fixed assets	3,14,15	365	30
Cost of sales	6,18	-1,577,306	-1,408,524
Salaries and other personnel costs	8,9,10	-426,644	-417,412
Depreciation and amortization	14,15	-50,005	-51,581
Impairment	14,15	0	-22,700
Other operating expenses	6,7,16	-409,330	-391,699
Share of profit from associated companies and jointly controlled entities	13	2,311	3,286
Operating profit before other income and expenses		262,592	286,460
Other income and expenses	7, APM	-5,296	-13,167
Operating profit		257,296	273,293

<i>Figures in NOK 1,000</i>	Note	2018	2017
FINANCIAL INCOME AND EXPENSES			
Interest income	11	12,906	6,654
Other financial income	11,22	27,740	41,304
Interest costs	11	-39,029	-33,127
Other financial costs	11,22	-37,733	-29,374
Net financial profit/loss		-36,116	-14,543
PROFIT BEFORE TAX		221,180	258,750
Tax	12	-56,763	-70,528
Profit for the year		164,417	188,222
The profit for the year is allocated to			
Non-controlling interests	1	5,954	6,944
Parent company shareholders		158,463	181,278
		164,417	188,222
Earnings per share (NOK)			
Earnings per share	20	2.33	2.66
Diluted earnings per share	20	2.25	2.62

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Statement of other comprehensive income 01.01. -31.12.

<i>Figures in NOK 1,000</i>	Note	2018	2017
Profit for the year		164,417	188,222
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	10	9,900	4,439
Total items that will not be reclassified against the statement of income, before tax		9,900	4,439
Tax on items that will not be reclassified against the statement of income	12	-2,277	-1,065
Total items that will not be reclassified against the statement of income, after tax		7,623	3,374
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		6,967	73,207
Total items that may be reclassified against the statement of income, before tax		6,967	73,207
Tax on items that may be reclassified against the statement of income		0	0
Total items that may be reclassified against the statement of income, after tax		6,967	73,207
TOTAL OTHER COMPREHENSIVE INCOME		14,590	76,581
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		179,007	264,803
The total comprehensive income for the year is allocated as follows			
Non-controlling interests		5,214	8,127
Parent company shareholders		173,793	256,676
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		179,007	264,803
Total comprehensive income per share (NOK)			
Earnings per share	20	2.55	3.77
Diluted earnings per share	20	2.47	3.70

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<i>Figures in NOK 1,000</i>	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	15	1,042,130	1,042,596
Brands	15	815,009	819,702
Software	15	26,752	29,151
Total intangible assets		1,883,891	1,891,449
Tangible assets			
Machinery and equipment	14	293,273	304,534
Fixtures and fittings, tools, office equipment etc.	14	17,652	19,614
Assets under construction	14	4,914	5,678
Total tangible assets		315,839	329,826
Deferred tax assets	12	110,158	136,786
Financial assets			
Investments in associated companies and jointly controlled entities	13	61,291	58,670
Other investments in shares		200	200
Other non-current receivables	17	1,581	1,205
Total financial assets		63,072	60,075
Total fixed assets		2,372,960	2,418,136

<i>Figures in NOK 1,000</i>	Note	2018	2017
Current assets			
Inventories	18	441,117	410,759
Receivables			
Trade receivables	2	1,260,709	1,432,164
Prepayments to suppliers	17	52,999	64,570
Other receivables	12,17	26,983	22,325
Total receivables		1,340,691	1,519,059
Bank deposits	2,19	282,594	184,415
Cash and cash equivalents		282,594	184,415
Total current assets		2,064,402	2,114,233
TOTAL ASSETS		4,437,362	4,532,369

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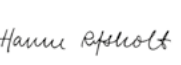

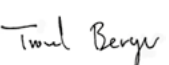





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<i>Figures in NOK 1,000</i>	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	20	1,356	1,360
Share premium		770,743	770,743
Total paid-in equity		772,099	772,103
Retained earnings			
Other equity		878,970	878,489
Total retained earnings		878,970	878,489
Non-controlling interests	1	2,965	18,823
Total equity		1,654,034	1,669,415
Liabilities			
Provisions			
Deferred tax liability	12	101,845	101,032
Pension obligations	10	21,077	30,552
Liabilities at fair value through profit or loss	2,22	74,218	0
Other provisions	23	92	320
Total provisions		197,232	131,904

<i>Figures in NOK 1,000</i>	Note	2018	2017
Other non-current liabilities			
Debt to financial institutions	2,21	874,895	909,218
Other non-current liabilities		647	0
Total other non-current liabilities		875,542	909,218
Current liabilities			
Debt to financial institutions	2,21	18,063	90,071
Trade payables		576,783	603,884
Tax payable	12	0	2,128
Unpaid public duties	24	930,452	928,005
Other current liabilities	23,24	185,256	197,744
Total current liabilities		1,710,554	1,821,832
Total liabilities		2,783,526	2,862,954
TOTAL EQUITY AND LIABILITIES		4,437,362	4,532,369

Gjelleråsen, 20 March 2019

				
Michael Holm Johansen Chairman of the Board	Stein Erik Hagen	Hanne Refsholt	Eilif Due	Trond Berger
				
Leena Maria Saarinen	Erik Hagen	Konstanse M. Kjøle	Ann Therese Jacobsen	Ann-Beth Freuchen
				
Kenneth Hamnes Group CEO				

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Statement of cash flows 01.01. -31.12.

<i>Figures in NOK 1,000</i>	Notes	2018	2017
CASH FLOWS FROM OPERATIONS			
Pre-tax profit		221,180	258,750
Depreciation and amortisation	14,15	50,005	74,281
Share of profit from associated companies and jointly controlled entities	13	-2,311	-3,286
Dividends received from associated companies and jointly controlled entities	13	445	0
Taxes paid	12	-39,991	-33,221
Interest costs during the period		37,406	31,475
Pension costs and other provisions without cash effect	3	197	591
Value changes and other costs without cash effect	3	12,155	-4,444
Profit/loss on sale of fixed assets and intangible fixed assets	3	-365	-30
Unrealised gains	3	1,195	19,195
Change in inventories	3,18	-30,358	-31,781
Change in trade receivables	3	171,455	-43,939
Change in trade payables	3	-27,101	-45,437
Change in other current assets and other liabilities	3	624	-22,256
Net cash flow from operational activities		394,536	199,898
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	15	-3,270	-124,820
Payments on purchase of tangible fixed assets	14	-19,812	-15,894
Proceeds from sale of tangible fixed assets	3,14	365	30
Payments on acquisition of business	26	0	-2,752
Payments on acquisition of other financial investments	3	-119	-454
Net cash flow from investment activities		-22,836	-143,890

<i>Figures in NOK 1,000</i>	Notes	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of non-current interest-bearing debt to financial institutions	2,21	-17,370	-15,719
Change in other non-current loans		-360	0
Change in overdraft facility	21	-72,700	72,700
Interest cost paid during the period	3	-37,302	-31,454
Payments for acquisition of non-controlling interests		-6,150	-12,913
Payment for purchase of own shares		-8,303	0
Payment of dividends	1,3	-118,716	-103,515
Net cash flow from financing activities		-260,901	-90,901
Effect of exchange rate fluctuations on cash and cash equivalents		-12,620	19,923
Effect of exchange rate fluctuations on cash and cash equivalents		-12,620	19,923
Net change in cash and cash equivalents		98,179	-14,970
Holdings of cash and cash equivalents as at 01.01.		184,415	199,385
Holdings of cash and cash equivalents as at 31.12.	19	282,594	184,415

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<i>Figures in NOK 1,000</i>	Share capital	Portfolio of own shares	Share premium	Translation differences	Share-based payment fund	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity as at 31.12.2016	1,360	0	770,743	228,788	606	487,190	1,488,687	13,903	1,502,590
Profit for the year 2017	0	0	0	0	0	181,278	181,278	6,944	188,222
Total other comprehensive income 2017	0	0	0	72,024	0	3,374	75,398	1,183	76,581
Total profit for the year 2017	0	0	0	72,024	0	184,652	256,676	8,127	264,803
Transactions with owners 2017									
Share-based payment	0	0	0	0	7,898	0	7,898	0	7,898
Payment of dividend	0	0	0	0	0	-99,994	-99,994	-3,521	-103,515
Changes in non-controlling interests	0	0	0	0	0	-2,675	-2,675	314	-2,361
Total transactions with owners 2017	0	0	0	0	7,898	-102,669	-94,771	-3,207	-97,978
Equity as at 31.12.2017	1,360	0	770,743	300,812	8,504	569,173	1,650,592	18,823	1,669,415
Profit for the year 2018	0	0	0	0	0	158,463	158,463	5,954	164,417
Total other comprehensive income 2018	0	0	0	7,707	0	7,623	15,330	-740	14,590
Total profit for the year 2018	0	0	0	7,707	0	166,086	173,793	5,214	179,007
Transactions with owners 2018									
Purchase of own shares	0	-4	0	0	0	-8,299	-8,303	0	-8,303
Share-based payment	0	0	0	0	6,722	0	6,722	0	6,722
Payment of dividend	0	0	0	0	0	-112,919	-112,919	-5,797	-118,716
Changes in non-controlling interests	0	0	0	0	0	-61,534	-61,534	-12,557	-74,091
Transfer of profit for the year from minority to majority*	0	0	0	0	0	2,718	2,718	-2,718	0
Total transactions with owners 2018	0	-4	0	0	6,722	-180,034	-173,316	-21,072	-194,388
Equity as at 31.12.2018	1,360	-4	770,743	308,519	15,226	555,225	1,651,069	2,965	1,654,034

Within the Group's wine activities, several of the subsidiaries' managing directors have non-controlling interests. Most of the managing directors have put options regarding their shares, which they may exercise at a given future time. The Group does not have control of these shares at the end of the period, nor does it have control of the possible exercising of the put options. The value of the put options are recognized as liabilities at fair value at the end of the year, and has reduced the non-controlling interest. The share of profit of the year is presented as profit to the non-controlling interest in the statement of income. Due to the fact that the value of the put options are recognized as liabilities at fair value, the share share of profit to the non-controlling interest, adjusted for any distributed dividend and exchange rate translation differences, are transferred from the non-controlling interests' share of equity to the owners of the parent company's share of equity at the end of every reporting period.

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

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

Historical development

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

2018

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

2017

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

2016

- In February, the Group increased its ownership of Excellars AS from 51.0 per cent to 90.1 per

cent by the subsidiary Vingruppen AS' acquisition of minority shares.

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

2015

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

2014

- Established Vingruppen AS as new holding structure for the wine business in Norway.

2013

- In January, acquired all the shares in Arcus Denmark A/S from Pernod Ricard, which included the Aalborg Aquavit and Gammel Dansk brands, and all the shares in Arcus Deutschland GmbH, which owns the Malteserkreutz brand.

2012

- Completed the new production and distribution facility and head office at Gjelleråsen, and moved the business there.

2011

- Acquired 28.2 per cent of the shares in Vingruppen i Norden AB, increasing the holding from 62.5 per cent to 90.7 per cent. At the same time, entered into an option agreement for the remaining 9.3 per cent.
- Acquired 51 per cent of the shares in Excellars AS, with an option for the remaining 49 per cent.
- Swapped 34 per cent of the shares in SAS de L'île Madame for 32.6 per cent of the shares in Tiffon SA. Acquired a further 106 shares and increased the holding in Tiffon SA to 34 per cent.

2010

- Implemented an agreement on sale of Gjelleråsen Prosjekt 1 AS.
- Started construction of a new production and distribution facility and head office at Gjelleråsen.

2009

- Acquired the brands Star Gin, Red Port and Dry Anise from Pernod Ricard.
- Acquired 80 per cent of the company Symposium Wines AS.

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The consolidated financial statements for 2018, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2018, and as described in the note on the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board of Directors on 20 March 2019. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core activities are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA is listed on the Oslo Stock Exchange. The price on 31 December 2018 was NOK 41.00 per share, compared to NOK 46.50 per share at the end of 2017.

NEW ACCOUNTING STANDARDS

During the year, adjustments to framework conditions from IFRS related to revenue recognition (IFRS 15) affected the Group's accounts to a certain degree. See further details of this in Note 4 to the consolidated financial statements. In addition the Group has from 2018 implemented IFRS 9. The implementation of IFRS 9 has not led to any significant changes for the Group.

The most significant changes in future accounting standards that will affect the Group, is presented below.

Adopted IFRS and IFRIC with future effective dates:

The standards and interpretations adopted up to the date of presentation of the consolidated financial statements, but where the effective date is in the

future, are shown below. The Group's intention is to implement the relevant changes on the effective date, on the assumption that the EU approves the changes before the presentation of the consolidated financial statements.

CHANGES RELEVANT TO THE ARCUS GROUP:

IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases. IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of leasing agreements for both parties to a leasing agreement, i.e. the customer (lessee) and provider (lessor). The new standard requires the lessee to recognise the assets and liabilities under most leasing agreements, which is a significant change from current principles. The standard came into force on 1 January 2019.

See further details of how IFRS 16 will affect the Group's accounts in Note 16 to the consolidated financial statements.

Other changes

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

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Consolidation principles

The consolidated financial statements comprise Arcus ASA and subsidiaries in which Arcus ASA has control, and present the overall financial results, the overall financial position, and the overall cash flows, as one financial entity. Control takes place when the Group is entitled to variable returns from an investment object, and can also influence relevant activities which affect the returns on the investment object. Normally this will be the company in which Arcus ASA,

either directly, or indirectly via subsidiaries, owns more than 50 per cent of the shares with voting rights. In the consolidated financial statements, this Group is referred to as Arcus or the Arcus Group.

See Note 1 for an overview of all the companies included in the consolidation.

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

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

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

Non-controlling interests

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

In some of the subsidiaries with non-controlling interests, there are put options related to the non-controlling interests, where the Group does not have control of the non-controlling interests

before the options are exercised, nor does it have control of whether the options are exercised, or when this may have taken place. The value of such put options is recognized as liabilities at fair value in the statement of financial position, and reduces the non-controlling interests' share of equity.

The profit is presented as the non-controlling interests' share of profit in the statement of income, but since the Group has recognized the liability on the put options against the minority's share of equity, the profit, adjusted for distributed dividend and translation differences, is transferred to the majority's share of equity at the end of each reporting period.

Currency

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

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

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

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of entities with another functional currency are attributed to equity and presented as other comprehensive income in the consolidated statement of other comprehensive income. On disposal of subsidiaries, accumulated translation differences associated with the subsidiary are charged to the statement of income.

Investments in associated companies and jointly controlled entities

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

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

As of 31/12/2019, the following exchange rates have been used when translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2018	2017
EUR average rate	Income statement items	9.6033	9.3326
EUR closing rate	Financial position items	9.9448	9.8510
SEK average rate	Income statement items	0.9365	0.9684
EUR closing rate	Financial position items	0.9711	0.9992
DKK average rate	Income statement items	1.2885	1.2546
DKK closing rate	Financial position items	1.3319	1.3231

Business mergers

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

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

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

Income recognition principles

The Group's income recognition principles are presented in a separate note (Note 4) to the consolidated financial statements.

Other income and expenses

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

Inventories

Inventories are valued at the lower of acquisition cost/production cost and net selling value, where net selling value is calculated as the selling price in a transaction with market participants on the

measurement date less selling expenses. Purchased inventories are valued at acquisition cost according to the principle of weighted average, with deduction for obsolescence, while inventories produced in-house are valued at production cost according to the principle of full costing, with deduction for obsolescence.

Prepayments to suppliers

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

Cash and cash equivalents

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

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

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

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Property, plant and equipment

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

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

Intangible assets

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

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

The capitalised value of goodwill, brands and other intangible assets with indeterminate lifetime is tested for impairment at least once a year, or more often if there are indications that the value of the

asset has decreased. This requires estimates of the recoverable amount to cash-generating units to which goodwill and other intangible assets are attributed.

To determine the recoverable amount, the Group estimates expected future pre-tax cash flows from the cash-generating unit and applies appropriate discount rates in order to calculate the present value of future cash flows. Cash flows for brands are calculated on the basis of a market-based "relief from royalty" method before tax. See Note 15 for a more detailed description of this model.

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

Pensions

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

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

Restructuring

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

Taxes

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

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

when the probability exists that future taxable income will enable utilisation of the asset.

Share-based payment

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

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

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

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

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

Classification principles

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

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

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

Measurement and classification of financial assets and liabilities

IFRS 9 (Financial instruments) replaces IAS 39 (Financial instruments – recognition and measurement) from the annual financial statements as from 1 January 2018. This new standard has combined all three aspects concerning recognition of financial instruments in the accounts: classification and measurement; impairment and hedge accounting.

The Group has implemented IFRS 9 prospectively, as from 1 January 2018. This means that the Group has not reviewed the comparable information, which is still reported in accordance with IAS 39. No differences have arisen on the introduction of IFRS 9, so that nothing is carried directly to equity. The change in IFRS 9 has entailed that financial instruments have been classified in accordance with new categories, and the nature of these changes is described below.

(a) Classification and measurement

In accordance with IFRS 9, debt instruments are measured at fair value through profit or loss, amortised cost, or fair value through total comprehensive income (OCI). The classification is based on two criteria: the Group's business model for management of assets; and whether the instrument's contractual cash flows solely represent "payment of principal and interest". This assessment was made as at 1 January 2018.

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

Financial instruments at fair value via profit or loss

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

Debt instruments at amortised cost

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

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

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

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities are recognised at amortised cost based on an effective interest-rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and depreciated over the term of the loan (amortised cost). Borrowing in currencies other than the functional currency is translated at the exchange rate at the close of the financial year. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

New guidelines for classification and measurement of financial instruments in accordance with IFRS 9 did not have any significant impact on the Group. The Group continued to apply fair value measurement to all financial assets previously recognised at fair value through profit or loss, in accordance with IAS 39. The following changes have been made to the classification of the Group's financial assets:

- Trade receivables and other non-current financial assets classified as Lending and receivables as at 31 December 2017 are recognised in order to gather contractual cash flows and lead to cash flows that solely concern payment of principal and interest. As from 1 January 2018, these are classified and measured as Debt instruments at amortised cost.

- Equity investments in non-listed companies classified as assets available for sale as at 31 December 2017 are classified and measured as financial instruments at fair value through other comprehensive income (OCI) as from 1 January 2018. The Group chose to classify its non-listed equities investments in accordance with this category, since the intention is to hold these investments for the foreseeable future. No impairment was recognised for these investments in earlier periods.

There are no changes in classification and measurement for the Group's financial liabilities.

(b) Write-down of expected losses on receivables and debt.

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

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

(c) Hedge accounting

At the time of the introduction of IFRS 9, all of the Group's existing hedging qualified for treatment as continuing hedging. The Group has derivatives that are defined for hedging purposes, but does not use the hedge accounting rules.

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Since IFRS 9 is to be implemented prospectively, the Group's previous accounting policies according to IAS 39 apply to 2017 as the comparison year, and these policies are stated below.

The Group classifies financial instruments in the following categories: financial instruments at fair value via profit or loss, loans and receivables, financial assets available for sale and financial liabilities. The classification depends on the purpose of the asset or liability. Management classifies financial assets and liabilities on acquisition.

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

Financial instruments at fair value via profit or loss are either financial instruments held for trading purposes or financial instruments earmarked at fair value. A financial instrument is classified in the category "held for trading purposes" if it is primarily acquired with a view to producing profit from short-term price fluctuations. Derivatives are classified as held for trading purposes unless they form part of a hedge. Assets and liabilities in this category are classified as current assets or short-term debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

Loans and receivables
Loans and receivables are financial assets that are not derivatives, that have fixed or determinable

payments and that are not traded in an active market. They are classified as current assets unless they fall due more than 12 months after the close of the financial year. Loans and receivables comprise accounts receivable and other receivables, as well as cash and cash equivalents in the statement of financial position.

Loans and receivables are measured at amortised cost, and value changes resulting from interest-rate changes are not recognised.

Financial assets available for sale
Financial assets available for sale are financial assets that are not derivatives and that have been placed in this category, or that do not belong to any other category. They are classified as fixed assets provided that the investment does not fall due or the management does not intend to sell the investment within 12 months from the close of the financial year.

Other financial liabilities
Financial liabilities not falling into the category of "financial instruments at fair value via profit or loss" are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Financial liabilities are recognised at amortised cost based on an effective interest-rate method. Transaction costs (arrangement charges) are capitalised in the statement of financial position as part of the book value of the loan, and depreciated over the period of the loan.

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

Categorisation of financial assets and debt

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

Level 1: Listed (unadjusted) prices in active markets.

Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.

Level 3: Techniques for calculation of fair value based on other than observable market data.

Leases

Leases where a significant part of the risk and return associated with ownership continues to lie with the lessor are classified as operational leases. Lease payments from operational leases (with deduction for any financial incentives from the lessor) are charged as expenses using the straight-line method over the period of the lease.

Leases with regard to property, plant and equipment in which the Group principally holds all risks and rewards are classified as financial leasing. Financial leasing is capitalised at the start of the lease period at the lower of fair value of the leased fixed assets and the present value of the total minimum lease amount. Each lease payment is allocated between a repayment element and an interest element. The lease cost is charged to profit or loss as financial expenses. The lease liability, less the cost of interest, is classified as other current liabilities and other non-current liabilities. Property, plant and equipment acquired through a financial lease agreement is depreciated over the expected life or the period of the lease if this is shorter.

As from the 2019 financial year, the accounting policies for lease agreements are amended after the introduction of new IFRS 16, which will have a significant impact on the Group's accounts. Further details are given in Note 16 to the consolidated financial statements.

Statement of cash flows

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

Segment information

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

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

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

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

The Distribution business area comprises Vectura AS.

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

The Group presents no segment assets or liabilities, as this is not done in the Group's internal reporting

For further information about the Group's operating segments, see Note 5.

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Areas in which estimates have major significance will be:

Figures in NOK 1,000

Accounting item	Note	Assumptions	Book value 2018	Book value 2017
Goodwill	15	Present value of future cash flows	1,042,130	1,042,596
Brands	15	Present value of future cash flows	815,009	819,702
Other intangible assets	15	Recoverable amounts and correct useful life	26,752	29,151
Property, plant and equipment	14	Recoverable amounts and correct useful life	315,839	329,826
Deferred tax assets	12	Assessment of the ability to exploit tax assets in the future	110,158	136,790
Pension obligations	10	Economic and demographic assumptions	21,077	30,552
Liabilities at fair value through profit or loss	22	Present value of future cash flows	74,218	0
Provisions	23	Correct basis for estimate calculations	9,008	12,478

Related parties

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

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

Important accounting estimates and discretionary assessments

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

Future events and changes in the regulatory framework may mean that estimates and

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

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

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

Estimates and assumptions are described in the various notes.

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NOTE 1 COMPANIES IN THE GROUP

The consolidated financial statements for 2018 cover the following subsidiaries and associated companies:

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

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

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<i>Figures in 1,000 (local currency)</i>	Registered office	Currency	Nominal share capital	Group holding and voting share
Shares owned by Social Wines Oy				
Vinunic Oy	Helsinki	EUR	3	94%
Shares owned by Quaffable Wines Sweden AB				
New Frontier Wines AB	Stockholm	SEK	50	72%
Associated company				
Tiffon SA	Jarnac	EUR	1131	35%
Smakeappen AS	Oslo	NOK	100	50%

Profit, dividends and equity attributable to non-controlling interests

<i>Figures in NOK 1,000</i>	Profits attributable to non-controlling interests in 2018	Accumulated non-controlling interests 31 December 2018 (assuming that put options are not exercised)*	Accumulated non-controlling interests 31 December 2018 (assuming that put options are exercised)*	Dividend distributed to non-controlling interests in 2018
Symposium Wines AS	515	1,259	0	-920
Heyday Wines AS	548	1,004	0	-68
Wineworld Sweden AB	1,643	5,674	0	-3,177
The WineAgency Sweden AB	1,381	4,619	0	-1,367
Social Wines OY	337	1,428	0	-95
Vinum Import Oy	351	1,435	1,435	-170
Other companies with minority interests	1,179	2,822	1,530	0
Total	5,954	18,241	2,965	-5,797

* Several of the subsidiaries managing directors have non-controlling interests, and most of the managing directors have put options regarding their shares which they may exercise at a given future time. The Group does not have control of the shares at the end of the period, nor does it have control of the possible exercising of the put options. The table above show accumulated non-controlling interest for both assuming that the put options are exercised and assuming the put options are not exercised.

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

<i>Figures in NOK 1,000</i>	Profits attributable to non-controlling interests in 2017	Accumulated non-controlling interests 31.12.2017	Dividend distributed to non-controlling interests in 2017
Symposium Wines AS	1,089	2,290	-1,337
Heyday Wines AS	213	459	0
Wineworld Sweden AB	3,161	7,583	-693
The WineAgency Sweden AB	1,454	4,777	-1,098
Social Wines OY	150	1,357	0
Vinum Import Oy	501	1,280	-335
Other companies with minority interests	376	1,077	-58
Total	6,944	18,823	-3,521

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

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

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2017*Figures in NOK 1,000*

	Symposium Wines AS	Heyday Wines AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenue	103,301	17,799	231,364	196,074	124,805	53,147
Other operating revenues	0	0	-4,994	-3,130	190	-143
Operating expenses excluding depreciation	-96,413	-16,735	-185,768	-174,269	-120,314	-47,731
Depreciation	0	0	-9	-19	-1,483	0
Operating profit	6,888	1,064	40,592	18,656	3,198	5,273
Net financial profit	319	-118	0	91	-53	-12
Tax	-1,760	-237	-8,981	-4,203	-694	-1,054
Profit for the year	5,447	709	31,611	14,544	2,451	4,207
Fixed assets	158	7	2,950	475	1,079	440
Current assets	36,139	8,100	129,095	97,556	58,472	32,636
Total assets	36,297	8,107	132,045	98,031	59,551	33,075
Equity	3,722	1,530	75,838	47,763	20,701	10,206
Liabilities	32,575	6,577	56,207	50,269	38,850	22,870
Equity and liabilities	36,297	8,107	132,045	98,031	59,551	33,075

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NOTE 2 MANAGEMENT OF FINANCIAL RISK

Financial risk

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

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

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

Credit risk

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

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

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

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

On a monthly basis, and on the basis of the Group's template rules, the credit department calculates the loss provisions required. The Group's matrix for loss provisions is presented below.

Due date distribution of trade receivables	Assessment of provision requirements
Receivables with reminder level 1 (notice of collection sent)	10.0%
Receivables with reminder level 2 (ready for collection)	15.5%
Receivables with reminder levels 5, 8 and 9 (collection sent)	20.0%
Specific provisions on accounts receivable	Individual assessment

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

At the end of 2018 the Group had no significant factoring agreements.

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

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	31.12.18	31.12.17
Nominal accounts receivable	1,261,888	1,432,873

The provision for bad debt on accounts receivable as at 31 December 2018 was TNOK 1,179 (2017: TNOK 709). Losses on accounts receivable are classified as other operating expenses in the statement of income.

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

31.12.2018 ³⁾	Total	Not due	Due in 0-60 days	Due in 61-365 days	Due date after more than 1 year
Figures in NOK 1,000					
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

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Figures in NOK 1,000	Total	Not due	Due in	Due in	Due date
			0-60 days	61-365 days	after more than 1 year
Nominal accounts receivable	1,432,873	1,274,624	158,242	7	0
Provision for losses on accounts receivable	-709	0	-702	-7	0
Book value, accounts receivable	1,432,164	1,274,624	157,540	0	0

1. Receivables as at 31 December 2018 include significantly fewer accounts receivable that have fallen due for the Group than at the end of 2017. At the end of 2018, approximately NOK 1 million was related to accounts receivable that had fallen due from Vinmonopolet in relation to receivables which fell due during the New Year period in December 2018, and these were paid on the first banking day in 2019, i.e. 2 January 2019. In the same way, NOK 127 million was items receivable from Vinmonopolet at the end of 2017.

Interest-rate risk

The Group is exposed to interest-rate risk through financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2018, the Group's non-current liabilities were associated with credit facilities at SEB and financial leasing at at Nordea Finans and Volvo Finans. Group policy is to hedge up to 50 per cent of the base interest rate on non-current loans. The Group assesses the policy on an ongoing basis, and as at 31 December 2018 all interest rates were variable. The margin on credit facilities at SEB is related to the ratio of net interest-bearing debt in relation to EBITDA, while the margin at Nordea Finans and Volvo Finans is fixed.

Figures in NOK 1,000	Currency	Interest-rate profile	Due date	2018	2017
Current interest-bearing debt					
Drawing on the Group's overdraft facility	NOK	Variable	2019	0	72,700
Current liabilities related to financial leasing	NOK	Variable	2019	18,063	17,371
Non-current interest-bearing debt					
Non-current loan to financial institutions	SEK	Variable	2021	728,325	749,400
Non-current liabilities related to financial leasing	NOK	Variable	2020	151,394	166,395

Sensitivity analysis, interest 2018

Figures in NOK 1,000	Increase/reduction in base points	Effect on pre-tax profit
Loans in NOK	50	-4,489
Loans in NOK	-50	4,489

Liquidity risk

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

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

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

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

2018	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	728,325	0
Debt to financial institutions – leasing*	18,063	150,101	1,293
Liabilities at fair value	0	0	0
Other provisions	0	92	0
Trade payables	576,783	0	0
Current liabilities**	1,115,710	0	0
Interest related to mortgage loans	10,925	21,850	0
Interest related to financial leasing debt	4,194	3,301	66
Total	1,725,675	903,669	1,359

2017	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	749,400	0
Debt to financial institutions – leasing*	17,371	166,395	0
Other provisions	0	320	0
Trade payables	603,884	0	0
Current liabilities**	1,125,747	0	0
Interest related to mortgage loans	11,241	33,723	0
Interest related to financial leasing debt	4,316	6,809	0
Total	1,762,559	956,647	0

* Read more about the maturity profile of financial leases in Note 16 concerning Leasing agreements.

** Current liabilities include collected alcohol taxes.

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The Group is exposed to currency risk as it has operations in several different countries. The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in NOK. Changes in purchase costs from suppliers in functional currency due to exchange rate changes are continuously offset by changes of sales prices to customers and through renegotiation of purchase prices from suppliers. The most significant currencies are EUR, USD, SEK and DKK. The risk horizon, i.e., the time it takes to compensate for negative exchange rate fluctuations, is to a great extent controlled by price-adjustment opportunities in the state monopolies in the Nordic region. In Norway this takes place every four months and in Sweden every six months. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

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

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

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk when translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31 December 2018, the net translation difference associated with the majority's equity was positive at NOK 308.5 million, corresponding to a positive change in 2018 of NOK 7.7 million (positive by NOK 300.8 million at the end of 2017).

The table below shows the Group's purchase of non-functional foreign exchange during 2018.

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

Purchase of currency 2017

Figures in 1,000 (in the relevant currency)	Spot	Forward	Total	Proportion hedged via forward contracts
EUR	85,554	15,885	101,439	15.7%
USD	10,092	390	10,482	3.7%
AUD	1,048	230	1,278	18.0%
GBP	2,215	80	2,295	3.5%
DKK	70,000	0	70,000	0.0%
SEK	40	0	40	0.0%

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

31.12.18**Forward contracts**

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

31.12.17**Forward contracts**

Figures in NOK 1,000	Currency	Currency amount	Value in NOK - end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	2,000	19,702	18,783	919	2018
Purchase contracts	USD	110	907	856	51	2018
Purchase contracts	AUD	60	385	373	12	2018
Purchase contracts	GBP	20	222	211	11	2018
Total					993	

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

Sensitivity to exchange rate fluctuation:

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

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31 December 2018 in foreign currency (non-functional currency). This includes hedging derivatives recognised at fair value with value changes through profit or loss.

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The effect on other comprehensive income (OCI) is calculated as the effect of the translation differences associated with subsidiaries in foreign currency as at 31/12/2018.

<i>Figures in NOK 1,000</i>	Change in exchange rate	Effect on pre-tax profit	Total effect on OCI before tax
EUR	5%	-1,419	3,554
EUR	-5%	1,419	-3,554
SEK	5%	-2,326	1,562
SEK	-5%	2,326	-1,562
DKK	5%	6,016	41,012
DKK	-5%	-6,016	-41,012

The Group's exposure to other currencies is insignificant as at 31/12/2018.

Categorisation of financial assets and liabilities:
Assets

<i>Figures in NOK 1,000</i>	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value through total comprehensive income (OCI).	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	200	0	200	0	200
Other non-current receivables	0	1,581	0	1,581	0	1,581
Trade receivables	0	1,260,709	0	1,260,709	0	1,260,709
Other receivables	624	59,966	0	60,590	20,231	80,821
Bank deposits	0	282,594	0	282,594	0	282,594
Total financial assets 31.12.2018	624	1,605,050	0	1,605,674	20,231	1,625,905

<i>Figures in NOK 1,000</i>	Financial instruments at fair value with value changes through profit or loss	Loans and receivables	Assets available for sale	Total book value of financial assets, 31.12.	Prepaid costs	Total in the statement of financial position 31.12.
Other investments in shares	0	0	200	200	0	200
Other non-current receivables	0	1,205	0	1,205	0	1,205
Trade receivables	0	1,432,164	0	1,432,164	0	1,432,164
Other receivables	993	70,981	0	71,974	14,921	86,895
Bank deposits	0	184,415	0	184,415	0	184,415
Total financial assets 31.12.2017	993	1,688,765	200	1,689,958	14,921	1,704,879

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	Financial instruments at fair value with value changes through profit or loss	Financial instruments at amortised cost	Financial instruments at fair value through total comprehensive income (OCI).	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
<i>Figures in NOK 1,000</i>						
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

	Financial instruments at fair value with value changes through profit or loss	Financial liabilities	Total book value of financial liabilities, 31.12	Provision for accrued costs and statutory obligations	Total in the statement of financial position 31.12.
<i>Figures in NOK 1,000</i>					
Debt to financial institutions	0	999,289	999,289	0	999,289
Liabilities at fair value	0	0	0	0	0
Other non-current liabilities	0	0	0	0	0
Trade payables	0	603,884	603,884	0	603,884
Other current liabilities	0	14,916	14,916	182,828	197,744
Total financial liabilities 31.12.2017	0	1,618,089	1,618,089	182,828	1,800,917

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Fair value hierarchy

The Group uses the following hierarchy to determine and report the fair value of financial instruments:

Level 1: Listed (unadjusted) prices in active markets

Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.

Level 3: Techniques for calculation of fair value based on other than observable market data.

As at 31 December 2018, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.18	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	624	0	624
Total assets	0	624	0	624

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

31/12/2017	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	993	0	993
Total assets	0	993	0	993

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

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

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Reconciliation of liabilities (Level 3):

Commitments classified at Level 3 are related to options for the purchase of non-controlling interests. Further information on these commitments is presented in Note 22.

	Book value 31.12.2017	Used/exercised 2018	Provision made/ issued 2018	Value changes 2018	Recognised interest 2018	Translation differences	Book value 31.12.18
Liabilities at fair value	0	0	67,874	2,560	104	3,680	74,218
Total	0	0	67,874	2,560	104	3,680	74,218

	Book value 31.12.2016	Used/exercised 2017	Provision made/ issued 2017	Value changes 2017	Recognised interest 2017	Translation differences	Book value 31.12.2017
Liabilities at fair value	24,135	-10,483	0	-13,673	21	0	0
Total	24,135	-10,483	0	-13,673	21	0	0

Capital management

The Group's overall objective is that the Group at all times has sufficient liquidity to fulfil its obligations in both the short and long term. At the same time, the aim is to minimise the Group's surplus liquidity. The Group will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance. Unutilised credit opportunities are described in Note 19.

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31 December 2018 is managed by Arcus ASA.

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

There were no changes in the Group's non-current debt financing during 2018. At the end of 2018, the agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this loan clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio. In connection with the introduction of IFRS 16 concerning leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to the current model, regardless of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

The Group also has financial leasing agreements for major investments in production equipment.

<i>NOK million</i>	2018	2017
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	874,895	909,218
Current interest-bearing debt to credit institutions	18,063	90,071
Capitalised front-end fees	4,824	6,577
Bank deposits and other cash and cash equivalents	-282,594	-184,415
Net interest-bearing debt	615,188	821,451

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NOTE 3 INFORMATION ON CASH FLOWS

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

CASH FLOWS FROM OPERATIONS:

Pension costs and other provisions without cash effect

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value pension obligations at the beginning of the year	10	-30,552	-34,092
Estimate deviations booked to the total comprehensive income	10	9,900	4,438
Book value pension obligations at the end of the year	10	21,077	30,552
Pension costs without cash effect		425	898
Book value other provisions for obligations at the beginning of the year	23	-320	-627
Book value other provisions for obligations at the end of the year	23	92	320
Costs from other provisions without cash effect		-228	-307
Total pension costs and other provisions without cash effect		197	591

Value changes without cash effect

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Value change in options for the purchase of non-controlling interests	11,22	2,560	147
Value change in previous co-investment programme for senior executives	11,22	0	-13,821
Costs related to share-based remuneration without cash effect	9	7,603	9,415
Amortization of front-end fees for interest-bearing debt	21	1,623	1,652
Value change, forward contracts	11	369	-1,837
Total value changes without cash effect		12,155	-4,444

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

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value of sold fixed assets and intangible fixed assets	14,15	0	0
Sales proceeds from sold fixed assets and intangible fixed assets		365	30
Profit (-) / loss (+) on sale of fixed assets and intangible fixed assets		-365	-30

Unrealised gains

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Translation differences for working capital items		1,195	19,195
The effects on the result of the translation of loans booked in another currency than the functional currency		0	0
Total unrealised gain		1,195	19,195

Changes in working capital

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value of inventories at the beginning of the year		410,759	378,777
Addition of inventories on acquisition of companies during the year		0	201
Book value of inventories at the end of the year		-441,117	-410,759
Change in inventories		-30,358	-31,781

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<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value of trade receivables at the beginning of the year		1,432,164	1,344,067
Addition of trade receivables on acquisition of companies during the year		0	44,158
Book value of trade receivables at the end of the year		-1,260,709	-1,432,164
Change in trade receivables		171,455	-43,939

<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value of trade payables at the beginning of the year		-603,884	-628,347
Addition of trade payables on acquisition of companies during the year		0	-20,974
Book value of trade payables at the end of the year		576,783	603,884
Change in trade payables		-27,101	-45,437

<i>Figures in NOK 1,000</i>	Note	2018	2017
Book value of other current receivables at the beginning of the year	17	85,902	78,996
Addition of other current receivables on acquisition of companies during the year		0	845
Book value of other current receivables at the end of the year	17	-74,958	-85,902
Change in other current receivables		10,944	-6,061

Book value of other current liabilities at the beginning of the year	24	-1,124,105	-1,108,674
Addition of other current liabilities on acquisition of companies during the year		0	-31,626
Book value of other current liabilities at the end of the year	24	1,113,785	1,124,105
Change in other current liabilities		-10,320	-16,195
Change in other current assets and other liabilities		624	-22,256

CASH FLOWS FROM INVESTMENT ACTIVITIES:**Payments on acquisition of other financial investments**

In 2018, the entire amount concerns a payment related to an ownership interest in a new associated company, Smakeappen AS. In 2017, the payment was related to an increased ownership interest in an existing associated company, Tiffon SA.

<i>Figures in NOK 1,000</i>	Note	2018	2017
Increased ownership interest in an associated company (Tiffon SA)	13	0	-454
Ownership interest in Smakeappen AS	13	-119	0
Payments on acquisition of other financial investments		-119	-454

CASH FLOWS FROM FINANCING ACTIVITIES:**Interest cost paid during the period**

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

<i>Figures in NOK 1,000</i>	Note	2018	2017
Interest paid to credit institutions	11	-37,302	-31,454
Interest cost paid during the period		-37,302	-31,454

Payment of dividend

Dividend paid in 2018 is mainly related to dividend to shareholders in Arcus ASA (TNOK 112,919). Other dividend is to minority shareholders in individual subsidiaries within the wine business. This dividend is specified in Note 1.

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NOTE 4 REVENUE

Sales revenue is the primary income source for the Group and related segments.

Spirits

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

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

Wine

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

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

Distribution

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

Other operating revenues

Other operating revenues primarily comprise revenues other than the primary source of income. For the Spirits segment this consists mainly of contract bottling, and for the Wine segment glass sales, while for the Distribution segment this consists mainly of other activity-based income, including pallet location hire, export handling, destruction handling and quarter pallet production.

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

Sales revenue by market - Group:	2018			2017		
	Sales revenue	Other operating revenue	Total	Sales revenue	Other operating revenue	Total
Norway	1,048,786	27,615	1,076,401	996,050	24,568	1,020,618
Sweden	1,089,855	15,582	1,105,437	1,006,576	12,944	1,019,520
Finland	221,790	3,674	225,464	221,385	4,610	225,995
Denmark	145,077	-116	144,961	146,109	0	146,109
Germany	54,238	1,484	55,722	59,940	1,504	61,444
USA	6,729	31	6,760	3,238	580	3,818
DFTR	104,287	0	104,287	94,870	0	94,870
Other international	1,853	2,316	4,169	1,958	728	2,686
Total operating revenue	2,672,615	50,586	2,723,201	2,530,126	44,934	2,575,060

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

Sales revenue by market - Spirits:	2018			2017		
	Sales revenue	Other operating revenue	Total	Sales revenue	Other operating revenue	Total
Norway	302,073	149,186	451,259	301,579	141,306	442,885
Sweden	125,130	4,589	129,719	126,469	5,455	131,924
Finland	34,313	0	34,313	32,711	289	33,000
Denmark	143,220	-116	143,104	146,109	0	146,109
Germany	54,238	1,484	55,722	59,940	1,504	61,444
USA	6,729	31	6,760	3,238	580	3,818
DFTR	94,552	0	94,552	91,417	0	91,417
Other international	2,192	1,977	4,169	1,958	728	2,686
Total operating revenue	762,447	157,151	919,598	763,421	149,862	913,283

Sales revenue by market - Wine	2018			2017		
	Sales revenue	Other operating revenue	Total	Sales revenue	Other operating revenue	Total
Norway	479,936	0	479,936	448,477	360	448,837
Sweden	932,148	16,018	948,166	882,085	13,509	895,594
Finland	183,235	3,674	186,909	188,674	4,321	192,995
DFTR	9,396	339	9,735	3,453	0	3,453
Total operating revenue	1,604,715	20,031	1,624,746	1,522,689	18,190	1,540,879

Revenue by market - Distribution:	2018			2017		
	Sales revenue	Other operating revenue	Total	Sales revenue	Other operating revenue	Total
Norway	272,378	35,361	307,739	251,332	33,071	284,403
Total operating revenue	272,378	35,361	307,739	251,332	33,071	284,403

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Significant customer relationships

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

Total operating revenue from Vinmonopolet was approximately NOK 711 million in 2018, of which NOK 281 million in Spirits and NOK 430 million in Wine. In 2017 the corresponding total was approximately NOK 689 million, of which NOK 286 million in Spirits and NOK 403 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 932 million in 2018, of which NOK 115 million in Spirits and NOK 817 million in Wine. In 2017 the corresponding total was approximately NOK 905 million, of which NOK 116 million in Spirits and NOK 789 million in Wine.

IMPLEMENTATION OF IFRS 15 REVENUE FROM CONTRACTS WITH CUSTOMERS

As from 2018, the Group has implemented IFRS 15 Revenue from contracts with customers. IFRS 15 is implemented based on the modified retrospective method, without adjustment of the comparative figures. Reconciliation of previous effects is presented in a separate table under this note. The implementation of IFRS 15 has not led to any significant changes in the Groups principles for revenue recognition. New revenue recognition principles and an overview of the most significant assessments made at implementation of IFRS 15 is described below.

Revenue recognition principles

Sale of goods (wine and spirits)

The Group's sales revenues mainly consist of revenues to the Scandinavian retail monopolies for sale of alcohol, which are the wine and spirits business's largest customers. The Group also has sales to Horeca customers (Hotel, Restaurant, Catering), wholesalers and sales to DFTR customers (Duty Free Travel Retail).

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

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of goods.

Sale of distribution services

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

- Incoming goods flow (ordering, customs clearance and control on receipt of goods).
- Collaboration with Vinmonopolet, Horeca and wholesalers on distribution solutions and negotiations with customers.
- Arranging market activities for partners, in consultation with these.

- Outgoing goods flow (Customer handling, order receipt, license control, processing of excise duties, filing orders from customers, goods picking and assembling, physical distribution or preparation for pickup).
- Invoicing to customers, credit assessments and follow-up, system for discounts and bonuses from / to the partners to customers.
- Invoicing and reporting of excise duties
- Stock accounts

The revenues from distribution services are recognized at a given point in time when the fulfillment of the related delivery obligations has taken place, which corresponds to the time of fulfillment of the delivery obligations related to the sale of products in the wine and spirits business. Revenues from distribution services are presented as sales revenue within the Distribution segment.

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of distribution services.

Sale of other activity-based revenue

The Distribution business area also provides other activity-based services that consist of;

- Inbound transport from producer to country
- Storage for unsold goods
- Pallet building (conversion from large EUR pallets to smaller pallets)
- Destruction services

The revenues are presented as other operating revenues and are recognized over time in line with the fulfillment of the delivery obligations that correspond to when the services are delivered to the customer.

Implementation of IFRS 15 has not led to changes in accounting for revenue from sale of other activity-based revenues.

Sale of contract bottling services

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

Revenues related to external wine companies are presented as other operating revenues and are recognized at a given point in time when the delivery obligations are met. The timing corresponds to when the risk and control of lost products is transferred to the customer.

Implementation of IFRS 15 has not led to changes in accounting for revenues from sale of bottling services.

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Discounts

Most of the customer agreements, apart from the agreements with the monopolies, also includes clauses of retrospective variable transfers back to the customers after the actual delivery date. This can be volume-based discounts and bonuses that the customer receives based on the customer's sale to the end customer over a given period, or other contractual variable bonuses to a member-based Group of customers based on either sold volume or sales amount for the member companies. Such retrospective variable transfers are estimated and recognized in the income statement when the delivery obligation is fulfilled, and presented as a reduction of the sales revenues.

Implementation of IFRS 15 has not led to changes in accounting for discounts.

SIGNIFICANT CHANGES IN REVENUE RECOGNITION PRINCIPLES AS A CONSEQUENCE OF THE INTRODUCTION OF IFRS 15

Costs for outgoing freight

The group has previously recognized costs relating to outgoing freight (shipping costs for the delivery of goods sold to customers) as reduced sales revenues. IFRS 15 stipulates that outgoing freight costs must either be accounted for as a reduction of sales revenues or as an operating cost based on a principal versus agent assessment, depending on if sales companies are principals or agents for the outgoing freight. The group's assessment is that the wine and spirits businesses are principals, since most of their contracts with customers require delivery to the customers' warehouse. This corresponds to the group's assessment that the distribution business is agent in this respect, and thereby recognize its distribution revenue on a net basis.

On the basis of these assessments, the Group has changed its accounting principle for outgoing freight costs as of 2018, so that freight costs are recognized as a cost of goods. The change does not affect the calculation of gross profit, as revenues increase correspondingly as the increase in cost of goods. The change is not implemented in the segment reporting to ensure consistency between segment note and internal reporting to the Group's decision makers.

Distribution services and presentation

The Group has made significant assessments related to the timing of the distribution services. The assessments have included analysis of whether the underlying service elements are met over time or whether these are fulfilled at a given point in time. The group's assessment is that the service elements do not meet the criteria for revenue recognition over time, and consequently must be recognized as revenues at a given point in time that corresponds to the time when the risk and control of the goods delivered is transferred to the customer. The distribution business's date of revenue recognition consequently coincides with the revenue date of recognition for sale of goods.

Principal vs. Agent (Gross vs. Net Revenue Accounting)

The Distribution business area recognizes its revenues on a net basis after deduction of special taxes, cost of goods and inventory handling costs. The assessment is based on an overall assessment that Vectura's source of income relates to the delivery of total logistics services and that the risk of the flow of goods is the partner's (supplier's) responsibility.

<i>Figures in NOK 1000</i>	Reported 2018	IFRS 15 effects 2018	2018 without IFRS 15 effects	2017
Sales revenue	2,672,615	-41,499	2,631,116	2,530,126
Other operating revenue	50,586	0	50,586	44,934
Total operating revenue	2,723,201	-41,499	2,681,702	2,575,060
Cost of sales	-1,577,306	41,499	-1,535,807	-1,408,524
Gross profit	1,145,895	0	1,145,895	1,166,536

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NOTE 5 SEGMENT INFORMATION

2018	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
<i>Figures in NOK 1,000</i>						
Sales revenues – external	766,774	1,603,260	261,082	0	41,499	2,672,615
Sales revenue between the segments	-4,327	1,455	11,296	0	-8,424	0
Other operating revenue – external	8,294	17,185	23,576	1,531	0	50,586
Other operating revenue between the segments	148,857	2,846	11,785	173,533	-337,021	0
Total operating revenue	919,598	1,624,746	307,739	175,064	-303,946	2,723,201
Net profit on sale of fixed assets	185	0	180	0	0	365
Cost of sales	-447,962	-1,244,346	0	0	115,002	-1,577,306
Salaries and other personnel costs	-123,803	-96,882	-146,321	-59,638	0	-426,644
Other operating expenses	-205,756	-102,011	-148,861	-141,646	188,944	-409,330
Share of profit from TS and FKV	2,311	0	0	0	0	2,311
EBITDA, adjusted	144,573	181,507	12,737	-26,220	0	312,597
Other income and expenses	-1,768	-11,838	-381	8,691	0	-5,296
Depreciation and amortization	-24,744	-2,586	-11,261	-6,235	-5,179	-50,005
Operating profit	118,061	167,083	1,095	-23,764	-5,179	257,296
Net financial profit/loss	-7,938	-18,595	-221	-8,993	-369	-36,116
PROFIT BEFORE TAX	110,123	148,488	874	-32,757	-5,548	221,180

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Figures in NOK 1,000

	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenue – external	767,591	1,521,529	241,006	0	0	2,530,126
Sales revenue between the segments	-4,170	1,160	10,326	0	-7,316	0
Other operating revenue – external	6,669	15,072	22,741	452	0	44,934
Other operating revenue between the segments	143,193	3,118	10,330	173,730	-330,371	0
Total operating revenue	913,283	1,540,879	284,403	174,182	-337,687	2,575,060
Net profit on sale of fixed assets	30	0	0	0	0	30
Cost of sales	-404,928	-1,154,411	0	0	150,814	-1,408,524
Salaries and other personnel costs	-122,269	-100,122	-134,419	-60,602	0	-417,412
Other operating expenses	-206,650	-94,678	-135,852	-141,392	186,873	-391,699
Share of profit from TS and FKV	3,286	0	0	0	0	3,286
EBITDA, adjusted	182,753	191,668	14,132	-27,812	0	360,741
Other income and expenses	-7,142	-5,166	-647	-212	0	-13,167
Depreciation and amortization	-24,117	-1,794	-12,825	-7,666	-5,180	-51,581
Impairment	0	0	0	0	-22,700	-22,700
Operating profit	151,494	184,709	660	-35,690	-27,880	273,293
Net financial profit/loss	2,988	-18,103	480	-1,577	1,669	-14,543
PROFIT BEFORE TAX	154,482	166,606	1,140	-37,267	-26,211	258,750

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

For information regarding pricing associated with sales between the segments, see Note 6.

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NOTE 6 TRANSACTIONS WITH RELATED PARTIES

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

The Group's transactions with related parties:

Purchase of goods and services:

<i>Figures in NOK 1,000</i>	Relationship	Delivery	2018	2017
Hoff SA	Owner	Raw materials	21,156	22,386
Tiffon SA	Associated company (34.75%)	Raw materials and consumables	45,456	52,746
Gjelleråsen Eiendom AS1)	Owned by shareholder (Canica AS)	Rent	0	79,150
Destilleriveien 11 AS1)	Owned by shareholder (Canica AS)	Rent	27,570	0
Thomas Patay	Former General manager of Vingruppen AS	Minority shareholder in Vinordia AS, Symposium Wines AS and Vinuniq AS	0	2,741
Draaav Konsult AB	Owned by a Board member of Vingruppen i Norden AB (Claes Lindquist)	Consulting services	767	0
Total purchase of goods and services			94,949	157,023

Sales of goods and services:

<i>Figures in NOK 1,000</i>	Relationship	Delivery	2018	2017
Tiffon SA	Associated company (34.75%)	Market support	5,880	3,714
Total sales of goods and services			5,880	3,714

Receivables from related parties as at 31.12.:

<i>Figures in NOK 1,000</i>	Relationship	Nature of receivable	2018	2017
Tiffon SA	Associated company (34.75%)	Current receivables	1,997	170
Hoff SA	Owner (10%)	Current receivables	0	0
Smakeappen AS	Associated company (50%)	Non-current receivables	506	0
Total receivables from related parties as at 31.12			2,503	170

Liabilities to related parties as at 31.12.:

<i>Figures in NOK 1,000</i>	Relationship	Nature of liability	2018	2017
Hoff SA	Owner	Current liabilities	492	1,147
Tiffon SA	Associated company (34.75%)	Current liabilities	7,145	10,821
Draaav Konsult AB	Owned by a Board member of Vingruppen i Norden AB (Claes Lindquist)	Current liabilities	32	0
Total liabilities to related parties as at 31.12			7,669	11,968

All transactions with related parties are on market terms.

1. The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destilleriveien 11 AS as from 1 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.

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Transactions between Group companies:

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

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

NOTE 7 OTHER OPERATING EXPENSES

Figures in NOK 1,000	2018	2017
Sales and marketing costs	-122,518	-122,678
Logistics costs	-64,531	-56,331
Rent	-88,692	-86,706
Property operation	-23,099	-27,950
Repair, maintenance and non-capitalised equipment	-40,307	-37,094
Travel expenses	-15,874	-16,991
Consultants and external outsourcing of services	-46,949	-39,543
Other costs	1,858	-12,650
Total other operating expenses	-400,112	-399,944
Of which effects which are included in Other income and expenses in the financial statements	-9,218	8,245
Total other operating expenses as presented in the statement of income	-409,330	-391,699

Other income and expenses:

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

Figures in NOK 1,000	2018	2017
Personnel policy and other organisational measures ¹	-14,514	-4,922
Other transaction costs	-1,246	-502
Other non-recurring items ²	10,464	-7,743
Total other income and expenses	-5,296	-13,167

1 **Personnel policy and other organisational measures:** Costs related to organisational and staffing adjustments in order to meet the restructuring need with new work processes and improved profitability, as well as costs related to a temporary incentive programme with matching shares to selected key employees in conjunction with the IPO in 2016. This programme expires in Q1 2019, and further information about the programme is presented in Note 9.

2 **Other non-recurring items:** Other non-recurring items consist of both positive and negative items. In 2017, this mainly concerned costs related to a dispute with the Swedish customs authorities and a customer concerning a contract-bottling delivery. These costs primarily comprise Swedish customs and VAT charges levied on the Group in conjunction with the delivery, and related legal fees. In 2018, the Group recovered value added tax (1 MNOK) that had been paid, but is still working to also recover customs expenses. Further, the positive non-recurring effect in 2018 mainly concerns the reversal of a non-utilised provision for an estimated liability related to the previous sale of a property some years back in time.

Auditors' remuneration

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

Figures in NOK 1,000	2018	2017
Statutory audit	2,926	3,100
Other financial auditing	91	171
Other certification services	139	69
Tax consultancy services	1,055	170
Other non-audit services	24	42
Total remuneration to the auditors	4,235	3,552

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to parties other than the Group auditor of TNOK 1,252 for 2018 and TNOK 1,243 for 2017.

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NOTE 8 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	2018	2017
Salaries including holiday pay	-296,535	-280,838
Social security costs	-61,005	-58,434
Pension costs including social security costs	-32,057	-32,406
Other personnel costs	-51,561	-50,656
Total salaries and other personnel costs	-441,158	-422,334
Of which effects included under Other income and expenses in the statement of income (see Note 7)	14,514	4,922
Total salaries and personnel costs as presented in the statement of income	-426,644	-417,412
Average number of FTEs employed during the year	424	420

Remuneration to senior executives

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

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

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

Salaries and other remuneration to the Group Management is shown in the table below. Benefits from sharebased payments to the Group Management is shown in Note 9.

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

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

Salaries and other remuneration to the Group Management in 2017:

Figures in 1000 Local currency	Currency	Salary	Bonus earned in 2017	Benefits in kind	Pension costs
Kenneth Hamnes	NOK	3,031	286	227	386
Sigmund Toth	NOK	1,728	147	146	84
Erlend Stefansson	NOK	2,033	139	179	84
Erik Bern	NOK	1,780	132	190	84
Bjørn Delbæk	NOK	1,572	103	191	84
Per Bjørkum	NOK	1,523	107	137	84
Thomas Patay	NOK	2,288	144	195	84
Lorna Stangeland ¹	NOK	900	0	50	21
Christian Granlund ²	NOK	870	290	90	45
Claes Lindquist	SEK	2,193	1,031	102	862

- ¹ Lorna Stangeland resigned on 31 March 2017 and the benefits stated represent three months in the Group Management.
- ² Christian Granlund was appointed on 12 June 2017 and the benefits stated represent 6.5 months in the Group Management.

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

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

Concerning the other Group Management members, Erik Bern and Eirik Andersen are subject to a 12-month non-competition clause, while Sigmund Toth, Bjørn Delbæk, Per Bjørkum, Erlend Stefansson, Svante Selling and Christian Granlund are subject to a six-month non-competition clause. They all have an agreement concerning severance pay during the period to which the non-competition clause applies.

Thomas Patay resigned from the Group Management at the end of Q3 2018. He had a 12-month non-competition clause, which was activated, and which entails that in 2019 he receives monthly salary compensation for this at TNOK 2,133. In addition, in 2019 Thomas Patay will receive payments related to earned rights concerning matching shares, options and severance pay totalling TNOK 3,526.

Claes Lindquist resigned from the Group Management at the end of January 2018. He had a non-competition clause whereby he received severance pay of 60 per cent of 12 monthly salaries after his resignation, in total TNOK 1,497.

Both of these severance agreements were considered and approved by the Group's remuneration committee.

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

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 20.

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

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

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

(i) Salaries and other remuneration to executive personnel

Salaries and other remuneration to executive personnel for the preceding financial year are presented in Notes 8, 9 and 10 to the annual financial statements for Arcus ASA.

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

With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2019 for an advisory vote:

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

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

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

Arcus has a defined contribution occupational pension plan for employees in Norway. The contribution rate is 5 per cent for salaries up to 7.1G and 11 per cent for salaries between 7.1G and 12G (as from 1.5.2018 1G is NOK 96,883). The CEO is the only employee who currently has an occupational pension for salaries above 12G and the contribution rate is 15 per cent. There are no arrangements or agreements regarding an early retirement age for the Group Management other than the national insurance scheme and the AFP arrangement, which allow all employees a flexible retirement age starting at the age of 62. All employees in Norway are subject to a statutory age limit of 72, but the age limit in the Norwegian part of the Group is contractually set at 70, which also applies to the Group Management.

The CEO of Vectura AS has the same pension scheme as the Group Management. The CEO of Vingruppen i Norden AB adheres to the Swedish regulations. The pension scheme in Sweden has different rules and higher contribution rates than in Norway.

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

(b) Variable elements – annual bonus

Arcus ASA has an annual bonus system. The bonus system for the Group Management consists of a financial component (70 per cent) tied to a performance-related target for the Group, and an individual component (30 per cent) tied to concrete and defined KPIs for the individual. For other executive positions, the financial element is 50 per cent tied to a performance-related target for the Group or company, and the individual element is 50 per cent.

All bonuses are self-financed. The maximum bonus achievable for Group executives is 30 per cent of their annual salary (four monthly salaries), although the Group CEO may receive a maximum annual bonus of five monthly salaries. In addition to the Group Management, approximately 70 managers and key staff participate in an annual bonus programme, but the criteria vary. These staff members may receive a bonus of between one and three monthly salaries.

The bonus programme for 2019 will consist of the same components, and its primary target will be the Group's and/or the company's earnings (financial element of 70 per cent). Individual bonuses (personal targets), with a maximum percentage of 30 per cent for Group Management, are also a key element of the programme.

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Executives of Vectura AS adhere to the same guidelines as the Group Management, but based on the company's EBIT.

Executives of Vingruppen i Norden AB currently adhere to a staggered bonus model, based on the company's EBIT, with maximum five monthly salaries.

(iii) Share-based incentive programmes

In conjunction with the IPO in 2016, the Group Management (nine persons) and an additional 33 managers/key staff were offered the opportunity to invest in shares in exchange for "matching shares" on conditions specified in the prospectus. In total, eight people from the Group Management and a further 29 managers subscribed to the offer. The matching programme was concluded and matching shares were granted to seven persons in the Group Management and 24 persons in addition to the Group Management, after presentation of the result for Q4/2018 in 2019.

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

Arcus ASA has managers/key persons in several wine companies in which it has invested as a minority owner, and this mainly concerns the general manager. This model has been a success for the Group, in the form of well-motivated managers who have achieved good results. It is appropriate to continue to allow the general manager of a subsidiary, based on an individual assessment, to be a minority owner, with an ownership interest limited to 9.9 per cent.

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

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

(iv) Executive salary policy in previous financial years

The guidelines for salaries and other remuneration to executive personnel described in item (ii) also served as guidelines for fixing executive salaries and other remuneration in 2018. No bonus was paid for 2018, except for some of the wine companies.

(v) Changes in contractual agreements

CEO Claes Lindquist of Vingruppen i Norden AB resigned in order to take retirement, and was succeeded by Svante Selling, who came from an internal position as sales director in the Spirits business area. Selling

took up the position on 1 February 2018. Claes Lindquist continued as an external member of the Board of Directors of Vingruppen i Norden AB as from 1 April 2018, and has also worked on a consultant basis.

CEO Thomas Patay of Vingruppen AS i Norge resigned from his position on 1 October 2018. He was succeeded by Eirik Andersen, who came from a position as general manager of Symposium Wines AS.

The remuneration of the Board of Directors is as follows, as from 11.04.18

Chairman of the Board of Directors	NOK 510,000 p.a.
Board members elected by the shareholders	NOK 230,000 p.a.
Board members elected by the employees	NOK 154,000 p.a.
Deputy member elected by the employees	NOK 7,500 per meeting

Audit Committee

Chair of the committee	NOK 87,000 p.a.
Member	NOK 41,000 p.a.

Remuneration Committee

Chair of the committee	NOK 41,000 p.a.
Member	NOK 26,000 p.a.

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

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

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

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

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

Remuneration to the members of the Board of Directors in 2017:

<i>Figures in NOK 1000</i>		Board fees including committee work	Number of shares on 31.12.2017
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	480	150000
Mikael Norlander	Resigning Board member in 2017	177	0
Hanne Refsholt		222	0
Leena Maria Saarinen		227	1860
Trond Berger		301	17441
Eilif Due ¹		275	3299325
Isabelle Ducellier	Resigning Board member in 2017	0	0
Stein Erik Hagen ²	Newly-elected Board member in 2017	150	22670000
Ann-Beth Freuchen	Newly-elected Board member in 2017	150	0

Board members elected by the employees

Erik Hagen	See the Table below	566
Ingrid E. Skistad ³	See the Table below	1368
Kjell Arne Greni	See the Table below	0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board of Directors.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board of Directors.
3. Ingrid E. Skistad owns 322 shares on a personal basis. Other declared shareholdings are held via the company Ibrygging Invest AS, of which she is Chair of the Board of Directors.

<i>Figures in NOK 1000</i>	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	495	157	6	25
Ingrid E. Skistad	617	150	4	31
Kjell Arne Greni	185	155	6	9

NOTE 9 SHARE-BASED REMUNERATION**Share-based incentive schemes**

Both before and after the IPO the Group has had long-term incentive programmes for managerial employees, which are related to the Group's value added. The Group also has a share savings programme in which all employees can participate.

Matching shares for senior executives and other key persons

Before the Board of Directors in 2017 adopted a new long-term incentive scheme for senior executives, in conjunction with the IPO in 2016 a temporary two-year incentive scheme (interim retention plan) was adopted, in which 37 employees, including the Group Management, were awarded matching shares. These matching shares are granted to recipients in Q1 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time. Of the nine members of the Group Management who received this offer, eight accepted the offer, as the remaining person resigned soon afterwards.

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

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it.

In 2017 and 2018, six persons who were covered by this programme resigned, so that at the end of 2018 there were 31 persons left in this programme (eight in the Group Management and 23 other key persons).

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed twice the value on the allocation date.

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Below, the number of matching shares for the Group Management as at 31 December 2018 is presented, of which the fair value is based on Arcus' share price as at 31 December 2018 (NOK 41.00).

<i>Figures in NOK 1000</i>	Allocation date	Number of matching shares on the allocation date	Number of matching shares 31.12.2017	Number of matching shares 31.12.2018	Fair value 31.12.2018	Redemption date
Kenneth Hamnes	01.12.2016	42,100	42,100	42,100	1,726	14.02.2019
Sigmund Toth	01.12.2016	19,767	19,767	19,767	810	14.02.2019
Erlend Stefansson	01.12.2016	27,062	27,062	27,062	1,110	14.02.2019
Erik Bern	01.12.2016	9,956	9,956	9,956	408	14.02.2019
Bjørn Delbæk	01.12.2016	8,692	8,692	8,692	356	14.02.2019
Per Bjørkum	01.12.2016	8,256	8,256	8,256	338	14.02.2019
Eirik Andersen	01.12.2016	7,558	7,558	7,558	310	14.02.2019
Svante Selling	01.12.2016	6,781	6,781	6,781	278	14.02.2019
Total, Group management		130,172	130,172	130,172	5,337	
Other managerial employees	01.12.2016	250,587	200,646	123,560	5,066	14.02.2019
Total number of matching shares		380,759	330,818	253,732	10,403	

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

Number of matching shares	2018	2017
Allocated matching shares at the beginning of the year	330,818	380,759
Allocated matching shares during the year	0	0
Terminated matching shares during the year	-77,086	-49,941
Allocated matching shares at the end of the year	253,732	330,818

Effects of matching shares in the accounts:

<i>Figures in NOK 1,000</i>	2018	2017
Earning of matching shares	5,574	6,323
Termination of matching shares	-2,321	-80
Change in provision for employer taxes	545	1,252
Total costs related to matching shares	3,798	7,495
Liabilities¹	1,923	1,378

1. Solely includes employer taxes

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Option programme for senior executives

In 2017 and 2018, an option programme for senior executives in the Group was adopted, with annual allocation of new options. At settlement, the receivers will receive a corresponding number of shares in Arcus ASA as they have options.

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

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

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

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

Below the Group Management's options holdings are listed. There has not been any settlements during 2018.

Allocation date	# 2018	# 2017
Vesting period	11.4.2018 - 11.04.2021	04.05.2017 - 04.05.2020
Redemption period	11.4.2021 - 11.04.2023	04.05.2020 - 04.05.2022
Redemption price	NOK 45.22	NOK 51.53

Number of options	2018	2017	2018	2017
Kenneth Hamnes	243,457	0	199,426	199,426
Sigmund Toth	125,103	0	90,773	90,773
Erlend Stefansson	135,053	0	110,628	110,628
Erik Bern	117,862	0	96,546	96,546
Bjørn Delbæk	103,166	0	84,508	84,508
Per Bjørkum	100,745	0	82,524	82,524
Eirik Andersen	69,136	0	57,765	57,765
Svante Selling	117,174	0	53,816	53,816
Christian Granlund	116,859	0	95,724	95,724
Total, Group Management	1,128,555	0	871,710	871,710
Other managerial employees	215,935	0	201,300	357,594
Total number of options	1,344,490	0	1,073,010	1,229,304

Basis for calculation of options:		2018	2017	2018	2017
Share price on the allocation date	NOK	43.70		47.90	47.90
Share price on the date of statement of financial position	NOK	41.00		41.00	46.50
Redemption price - minimum	NOK	45.22		51.53	51.53
Redemption price - maximum	NOK	131.10		143.70	143.70
Risk-free interest	%	1.4%		1.2%	1.1%
Volatility*	%	22.0%		22.0%	25.0%
Expected dividend	%	3.4%		3.4%	3.1%

* As the company has no historical volatility figures to apply, the company has calculated an average volatility for comparable companies on European exchanges within the same sector for the last five years.

Overview of development in the number of allocated options:

Number of options	2018	2017
Outstanding options at the beginning of the year	1,229,304	0
Allocated options during the year	1,534,306	1,407,369
Redeemed options during the year	0	0
Terminated options during the year	-346,110	-178,065
Outstanding options at the end of the year	2,417,500	1,229,304

Effects of options in the accounts:

Figures in NOK 1,000	2018	2017
Earning of options	3,855	1,655
Termination of options	-386	0
Change in provision for employer taxes	335	265
Total option costs	3,804	1,920
Liabilities¹	600	265

1. Solely includes employer taxes

Share savings programme for all employees

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

In 2018, a total of 76 employees subscribed for a total of 26,744 shares. These shares were purchased at an average price of NOK 41.67 and sold to the employees at a discount of 20 per cent, whereby each employee could purchase either 359 or 179 shares. For this, costs of TNOK 258 were charged to the consolidated accounts in 2018.

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	2018	2017
Number of employees who purchase shares at a discount	76	100
Number of shares purchased at a discount	26,744	31,234
Average price per share for purchase by employees at a discount (NOK)	41.67	46.56
Total cost for the Group (TNOK)	258	290

NOTE 10 PENSION COSTS, ASSETS AND OBLIGATIONS

Defined benefit pension plan

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

With the transition to the new pension plan, all those who were ill or disabled remained in the respective defined benefit plans in Statens Pensjonskasse (SPK) and Storebrand. SPK has confirmed that Arcus no longer has any legal obligations associated with the remaining pension recipients who are linked to the SPK defined benefit plans, but is only obliged to pay annual premium contributions specified by SPK, according to the same principle as for defined contribution plans. The Group therefore carries the current invoices from SPK to expenses in the same way as for the defined contribution plan. Within the pension obligation as at 31 December 2018, a provision of NOK 1.3 million is linked to five individuals in the Storebrand defined benefit plan. This is the only pension obligation secured with assets.

In addition, two individuals, who are no longer employed by the company, have a defined benefit plan for salaries above 12G (National Insurance base amount). This plan has been recognised with obligations totalling NOK 4.1 million at the end of 2018.

Gift pension and unfunded pension arrangement

On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31 December 2018, this gift pension is linked to 130 employees in the Norwegian operations, while the total obligation has been recognised at NOK 12.1 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. At the end of 2018, this obligation was recognised at NOK 1.0 million.

Contractual early retirement plan pension (AFP)

On 1 January 2011, a new contractual early retirement plan (AFP) pension scheme was introduced in Norway. This AFP plan gives a lifelong supplement to the ordinary pension plan. Employees can choose to

take out the new AFP pension as from the age of 62, also while continuing to work. This new AFP plan is a collective-agreement based defined benefit multi-enterprise pension scheme, and is financed through premiums that are set as a percentage of salary. So far no reliable measurement and allocation of obligations and assets is available for the plan. In accounting terms, the plan is treated as a defined contribution pension plan in which premium payments are charged as current costs and no provisions are made in the financial statements. In 2017 and 2018, the current premium payments were set at 2.50 per cent of total salary payments between 1 G and 7.1 G to the company's employees. It has been decided not to change the premium payments for 2019. There is no accumulation of funds in the plan and it is expected that the premium level will increase over the coming years.

There are some seniority requirements associated with the new AFP plan with regard to accumulated length of employment in the scheme, and the limited liability company must be subject to a collective agreement. There are three limited liability companies in Norway, with a total of eight persons, who were not subject to the AFP plan as at 31 December 2018. This means that on reaching the age of 62, the individual employee must have been employed for seven of the previous nine years in order to fulfil the seniority requirements to be able to draw an AFP pension under the new scheme.

For the Arcus Group there were 17 individuals who did not fulfil this seniority requirement on the introduction of the new AFP plan. In 2011, Arcus applied for these individuals to have their accumulated period of employment in the old AFP plan in SPK included before transition to the LO/NHO (Norwegian Confederation of Trade Unions/Confederation of Norwegian Enterprise) plan from 1 January 2009. Fellesordningen (Joint Pension Plan) gave its consent to this in return for Arcus paying the entire excess above and beyond the state supplement of 1/3 of the AFP pension. At the beginning of 2018, this obligation was NOK 5.2 million, and on the basis that all persons subject to this obligation at the end of 2018 were aged over 70, the Group has recognised the remainder of this obligation to OCI, so that at the end of the year no obligation for this had been booked.

Defined contribution pension

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

Norway

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

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

Employees in the defined contribution pension plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised liability related to this was NOK 2.6 million at the end of 2018.

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Sweden

In Sweden, the contributions are, to a great extent, individually agreed contribution rates based on individual salaries, and these can vary considerably. In 2018, the contribution rates, including insurance schemes, varied from 9 to 34 per cent of the individual's salary from January to March, while from April and for the rest of the year the contribution rates varied from 9 to 30 per cent of the individual's salary. The contribution rates apply as from the first krone earned.

Denmark

The general defined contribution pension scheme in Denmark has contribution rates varying from 8 to 10 per cent. The contribution rates apply as from the first krone earned.

Finland

The general defined contribution pension scheme in Finland has contribution rates of 18.95 per cent for employees aged below 53, and 17.45 per cent for employees aged over 53.

Germany

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

Other matters

The Group applies a discount rate equivalent to the covered bond interest rate to its pension commitments. The pension assumptions made by the Group are consistent with the recommendations of the Accounting Standards Board from September 2018. Due to the lack of significance, the assumptions were not updated as of 31 December 2018.

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

Figures in NOK 1,000

Pension costs	2018	2017
Present value of pension earnings for the year	687	778
Interest cost of pension obligations	870	890
Return on pension assets	-231	-215
Administration costs	109	174
Accrued social security contributions	202	218
Net pension costs after social security contributions	1,637	1,845
Defined contribution pension plan		
Recognised contributions excluding social security contributions	30,420	30,561

Figures in NOK 1,000

Net pension obligations:	2018	2017
Estimated accrued obligations, funded pension plans	9,058	14,436
Estimated value of pension assets	-7,721	-10,328
Net estimated pension obligations (+) /assets (-)	1,337	4,108
Estimated accrued obligations, non-funded pension plans	19,740	26,444
Net pension obligations recognised in the statement of financial position	21,077	30,552

Changes in obligations:

Net pension obligations 01.01	30,552	34,092
Pension costs, continued operations	1,637	1,845
Paid out through operations	-809	-743
Premium payments including SSC	-403	-204
Estimate deviations recognised directly in equity (IAS19R)	-9,900	-4,438
Net pension obligations 31.12.	21,077	30,552

Summary of pension assets:

Shares and other equity instruments	7,721	10,328
Total pension assets 31.12.	7,721	10,328

Financial assumptions:

Discount rate	2.60%	2.30%
Expected salary adjustment	2.75%	2.50%
Expected pension increase	1.75%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.50%	2.25%
Expected return on pension assets	2.60%	2.30%

Actuarial and demographic assumptions

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

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

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

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

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

Sensitivity 2017	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
	1%	-1%	1%	-1%	1%	-1%
Change in percentage points						
Change in pension obligations	-3,116	3,697	6,019	-4,980	-2,566	2,597
Change in deferred tax assets	717	-850	-1,384	1,145	590	-597
Change in equity	2,400	-2,847	-4,634	3,835	1,976	-2,000
Percentage change in obligations	-10.2%	12.1%	19.7%	-16.3%	-8.4%	8.5%

Summary of cash flows related to pension plans

<i>Figures in NOK 1,000</i>	2018	2017
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	403	204
Payments from operations, gift pension at 65-67 years of age	809	743
Premium payments, AFP plan not recognised in the statement of financial position	4,197	4,069
Premium payments, remaining in SPK	84	72
Premium payments, defined contribution pension	27,254	29,240
Total	32,747	34,328

All figures include social security costs.

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

Premium payments to the AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. The premium rate was 2.50 per cent in 2017 and 2018 and this will remain unchanged in 2019.

NOTE 11 FINANCIAL INCOME AND COSTS

<i>Figures in NOK 1,000</i>	2018	2017
Financial income		
External interest income	12,906	6,654
Total interest income	12,906	6,654
Value adjustment of foreign exchange forward contracts at fair value	0	1,837
Value adjustment of co-investment programme (synthetic shares and options)	0	13,821
Agio gains ¹	27,727	24,915
Other financial income	13	731
Total other financial income	27,740	41,304
Total financial income	40,646	47,958
Financial costs		
Interest costs to financial institutions	-37,302	-31,454
Interest costs on liabilities at fair value	-104	-21
Amortization of front-end fee related to credit facilities at SEB ²	-1,623	-1,652
Total interest costs	-39,029	-33,127
Value adjustment of minority options at fair value	-2,560	-147
Value adjustment of foreign exchange forward contracts at fair value	-369	0
Agio loss ¹	-26,178	-22,061
Other financial costs	-8,626	-7,166
Total other financial costs	-37,733	-29,374
Total financial costs	-76,762	-62,501
Net financial profit/loss	-36,116	-14,543

1. From 2018 the Group presents gross agio gains and losses within other financial income and other financial costs. In former annual reports, agio gains and agio losses has been presented on a net basis as either financial income or financial costs, depending on whether there has been net agio gains or net agio losses.
2. Amortization of front end fees related to credit facilities in SEB is from 2018 presented as interest cost. This was earlier presented as other financial costs. This has also been re-classified in the 2017 figures.

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NOTE 12 TAX

Tax for the year is calculated as follows:

<i>Figures in NOK 1,000</i>	2018	2017
Tax payable	-31,141	-37,463
Change in deferred tax	-25,595	-34,306
Insufficient provision in previous years	-27	1,241
Tax	-56,763	-70,528

Tax cost breakdown by country	2018	2017
Tax - Norway	-27,498	-34,883
Tax - Sweden	-19,594	-26,194
Tax - Denmark	-6,760	-7,343
Tax - Finland	-2,767	-2,220
Tax - Germany	-144	112
Total tax cost	-56,763	-70,528

Reconciliation from nominal to actual tax rates	2018	2017
Pre-tax profit	221,180	258,750
Expected income tax at the nominal tax rate in Norway	-50,871	-62,100
Tax effect of the following items:		
Non-deductible costs	-2,804	-7,638
Non-taxable income	361	33
Insufficient provision in previous years	27	1,241
Change in non-capitalised tax assets	130	213
Change in tax rate	-5,017	-4,859
Differences in tax rates	1,132	3,366
Profit share, associated companies	532	789
Other	-253	-1,573
Tax	-56,763	-70,528

Effective tax rate	26%	27%
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Tax on items in OCI

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

Tax payable by country in the statement of financial position	2018	2017
Tax liability to Norway	1,472	1,907
Tax liability to Sweden	-11,521	-5,336
Tax liability to Denmark	5,990	5,451
Tax liability to Finland	276	382
Tax liability to Germany	-617	-276
Total tax liabilities payable, see also Note 17	-4,400	2,128

Tax paid during the period, per country	2018	2017
Tax paid to Norway	-3,053	-896
Tax paid to Sweden	-27,216	-22,412
Tax paid to Denmark	-6,344	-7,510
Tax paid to Finland	-2,871	-1,851
Tax paid to Germany	-507	-552
Total tax paid	-39,991	-33,221

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

	2018		2017	
	Asset	Liability	Asset	Liability
Property, plant and equipment	-5,960	394	-3,093	532
Intangible fixed assets	-42,377	-102,262	-45,585	-101,588
Financial assets	-638	0	-931	0
Inventories	-10,686	0	-10,271	0
Trade receivables	1,429	0	1,545	0
Pension obligations	4,524	0	6,604	0
Provisions	5,162	0	5,781	0
Temporary tax fund	-661	23	-864	24
Deficit carried forward	159,365	0	183,600	0
Total deferred tax, gross	110,158	-101,845	136,786	-101,032
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	110,158	-101,845	136,786	-101,032

At the end of the year, the Group had NOK 159.4 million in capitalised deferred tax assets associated with the deficit carried forward from the Norwegian business. Based on an assessment and analysis of the Group's earnings in Norway historically and the future prognosis it is assessed that the deficit carried forward can be utilised in full, and on this basis it is carried to the statement of financial position.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2018, the rates were 22 per cent in Norway, 21.4 per cent in Sweden, 22 per cent in Denmark and 20 per cent in Finland.

At the end of 2018, deferred tax assets were associated with net negative temporary differences for the tax regimes in Norway and Sweden, while deferred tax liabilities were linked to net positive temporary differences for the tax regime in Denmark. The same applied to the end of 2017.

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NOTE 13 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES**2018***Figures in NOK 1,000*

	Company type	Ownership interest	Book value 1.1.2018	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2018
Tiffon SA ¹	TS	34.8%	58,670	0	2,311	-445	636	61,172
Smakeappen AS ²	TS	50.0%	0	119	0	0	0	119
Total investments in associated companies and jointly controlled entities			58,670	119	2,311	-445	636	61,291

2017*Figures in NOK 1,000*

	Company type	Ownership interest	Book value 01.01.2017	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2017
Tiffon SA ¹	TS	34.8%	48,029	454	3,286	0	6,901	58,670
Det Danske Spiritus Kompagni A/S ³	FKV		8,782	-8,782	0	0	0	0
Total investments in associated companies and jointly controlled entities			56,811	-8,328	3,286	0	6,901	58,670

- The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 6. Tiffon SA has a financial year from 1 July to 30 June. The share of profit from Tiffon is based on an estimated annual profit for the calendar year that is equivalent to the Group's financial year.
- Smakeappen AS runs an app which gives consumers wine tips and wine importers a useful tool in conjunction with wine fairs. Smakeappen is a cooperation venture between Vectura and Hegnar Media. Vectura contributes product data and Hegnar Media has the full editorial responsibility.
- Danske Spiritus Kompagni A/S was established in 2013 to handle sales of Arcus products in Denmark, and was owned jointly with Flemming Karberg Familieholding ApS. In January 2017, the Arcus Group acquired the rest of the shares in the company, and as from this date the company is recognised as a wholly-owned subsidiary, and consolidated in the consolidated accounts. Both ownership and voting shares, as well as Board composition, are divided 50/50 between Arcus and Flemming Karberg Familieholding ApS. See detailed information on transactions with related parties in Note 6.

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

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

2018

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

2017

<i>Figures in NOK 1,000</i>	Total current assets 31.12.2017	Total fixed assets 31.12.2017	Total current liabilities 31.12.2017	Total non-current liabilities 31.12.2017	Total equity 31.12.2017	Operating revenue 2017	Operating expenses 2017	Profit for the year 2017
Tiffon SA	329,085	16,933	33,193	144,009	168,815	101,248	82,784	9,457

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NOTE 14 TANGIBLE FIXED ASSETS
Figures in NOK 1,000

	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible assets
Acquisition cost as at 01.01.2017	0	571,320	85,703	2,732	659,755
Addition of property, plant and equipment	0	5,320	2,857	7,717	15,894
Transferred from facilities under construction	0	2,693	290	-4,771	-1,788
Disposal at cost	0	-30,643	-358	0	-31,001
Translation differences	0	185	524	0	709
Acquisition cost as at 01.01.2018	0	548,875	89,016	5,678	643,569
Addition of property, plant and equipment	0	12,487	554	6,771	19,812
Addition of equipment via financial lease	0	3,062	0	0	3,062
Transferred from facilities under construction	0	3,858	1,673	-7,535	-2,004
Disposal at cost	0	0	-6,096	0	-6,096
Translation differences	0	-92	-251	0	-343
Acquisition cost 31.12.2018	0	568,190	84,896	4,914	658,000
Accumulated depreciation 01.01.2017	0	-245,271	-64,249	0	-309,520
Ordinary depreciation	0	-29,567	-5,009	0	-34,576
Disposal, accumulated depreciation	0	30,643	358	0	31,001
Translation differences	0	-146	-502	0	-648
Accumulated depreciation 01.01.2018	0	-244,341	-69,402	0	-313,743
Ordinary depreciation	0	-30,635	-4,178	0	-34,813
Disposal, accumulated depreciation	0	0	6,096	0	6,096
Translation differences	0	59	240	0	299
Accumulated depreciation 01.01.2018	0	-274,917	-67,244	0	-342,161
Book value as at 31.12.18	0	293,273	17,652	4,914	315,839
Of which book value of capitalised leases	0	163,264	0	0	163,264
Ordinary depreciation for the year – capitalised leases	0	-16,495	0	0	-16,495
Book value of capitalised interest costs	0	2,946	0	0	2,946
Annual leasing fee for non-capitalised tangible fixed assets	90,613	4,237	900	0	95,750

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Both the parent company and the Group use straight-line depreciation for all property, plant and equipment.

The economic life of property, plant and equipment is estimated as follows:

Machines, vehicles and plant	3-15 years
*Office machinery and inventory	4-10 years
*Land, buildings and other real estate	0 years

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

NOTE 15 INTANGIBLE ASSETS

<i>Figures in NOK 1,000</i>	Goodwill	Trademarks	Software	Total
Acquisition cost 01.01.2017	1,010,176	715,332	119,736	1,845,244
Addition of intangible assets	0	118,611	6,209	124,820
Transferred from facilities under construction	0	0	1,788	1,788
Acquisition of business	16,583	3,900	0	20,483
Translation differences	38,537	35,403	136	74,076
Acquisition cost 01.01.2018	1,065,296	873,246	127,869	2,066,411
Addition of intangible assets	0	43	3,227	3,270
Transferred from facilities under construction	0	0	2,004	2,004
Translation differences	-466	2,948	-107	2,375
Acquisition cost 31.12.2018	1,064,830	876,237	132,993	2,074,060
Accumulated depreciation 01.01.2017	0	-46,095	-89,085	-135,180
Ordinary depreciation	0	0	-9,621	-9,621
Amortization	0	-7,396	0	-7,396
Impairment	-22,700	0	0	-22,700
Translation differences	0	-53	-12	-65
Accumulated depreciation 01.01.2018	-22,700	-53,544	-98,718	-174,962
Ordinary depreciation	0	0	-7,487	-7,487
Amortization	0	-7,705	0	-7,705
Translation differences	0	21	-36	-15
Accumulated depreciation 31.12.2018	-22,700	-61,228	-106,241	-190,169
Book value 31.12.2018	1,042,130	815,009	26,752	1,883,891
Of which capitalised value of assets with indefinite useful lives	1,042,130	779,632	0	1,821,762

Economic life of intangible assets with identifiable useful lives

10-19
years

3-10 years

Depreciation plan

Straight
line

Straight
line

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Impairment testing

Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the recoverable amount for the cash-generating unit. The recoverable amount is determined by discounting expected cash flows, based on the cash-generating entity's Board-approved business plans. The cash-generating entity is the lowest level at which it is possible to follow up operations comprising the relevant goodwill. At the end of 2018, cash-generating units related to impairment testing of goodwill are defined at business area level. The same is carried out for brands with indefinite useful lives. The cash-generating unit for impairment testing of brands is the brand itself.

The discount rate used for both brands and goodwill is 8.9 per cent before tax, and reflects estimated risk and capital costs for the Group, based on a capital structure considered representative for the activities in which the Arcus Group is engaged.

Recoverable amount on impairment testing of goodwill

The recoverable amount for the cash-generating units is calculated on the basis of the present value estimate of the expected cash flows before tax. The cash flows used as the basis for the impairment test are based on assumptions about future sales volume, sales prices, purchase prices for input factors, salary development and other direct costs set out in Board-approved budgets and long-term plans. The terminal value is based on the cash flow in the last forecast year (2023). The terminal value does not include assumptions about real growth but does include assumptions regarding reinvestments corresponding to expected depreciation of the entities' fixed assets.

CGU related to goodwill from the acquisition of the production activity in Denmark is assessed to be the entire Spirits segment since, as from 2015, the business in Denmark was integrated with other spirits operations in the Group.

In 2018, the Group has performed impairment tests whereby recoverable amounts on impairment testing of goodwill are based on the 2019 budget and with real growth up to 2022 in both revenue and EBITDA equivalent to other long-term plans. The impairment tests have not entailed impairment, and downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would either not have entailed impairment of other goodwill.

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The recoverable amount for the brands is calculated on the basis of a "relief from royalty" method before taxes, whereby the brand's annual royalty is estimated as future revenues for the brand multiplied by a long-term expected profit level for the relevant brands. Cash flow estimates used are discounted using a discount rate.

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

The table below shows the Group's intangible assets with indefinite useful lives (goodwill and brands) by cash-generating unit. The most important brands are presented individually, while less important brands are presented under other brands.

<i>Figures in NOK 1,000</i>	Category	Currency	Segment	Goodwill	Brands	Total
Cash-generating unit						
Norwegian aquavits	Aquavit	DKK	Spirits	0	119,844	119,844
Danish aquavits	Aquavit	NOK	Spirits	0	293,018	293,018
Other aquavits	Aquavit	NOK, DKK, SEK	Spirits	0	12,947	12,947
Danish bitters	Bitter dram	NOK	Spirits	0	162,492	162,492
Norwegian cognac	Cognac	NOK	Spirits	0	15,005	15,005
Norwegian vodka	Vodka	NOK	Spirits	0	34,700	34,700
International vodka	Vodka	NOK	Spirits	0	67,472	67,472
Agency wine	Agency wine	NOK	Wine	0	3,787	3,787
Other brands	Other	NOK, DKK	Spirits	0	105,744	105,744
Spirits segment		DKK	Spirits	427,007	0	427,007
Spirits segment		NOK	Spirits	381,346	0	381,346
Wine Sweden - agency brands		SEK	Wine	91,649	0	91,649
Wine Finland - agency brands		EUR	Wine	26,912	0	26,912
Wine Norway - agency brands ¹		NOK	Wine	57,608	0	57,608
Wine Norway - own wine brands ¹		NOK	Wine	57,608	0	57,608
Total				1,042,130	815,009	1,857,139

1. The Group has during 2018 reorganized the Norwegian wine business, which has encountered a more significant distinction between the agency brand business and the own wine brands business. As a result, goodwill has been reallocated between these two cash generating units. This reallocation is based on a relative calculation method after the reorganization, in accordance with IAS 36.

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The various cash-generating entities listed below include the following known brands:

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

NOTE 16 LEASES

Operational leasing agreements

As at 31 December 2018, the Group had the following leasing agreements which are defined and recognised as operational leasing agreements. There were no significant terms and conditions concerning sub-lease, purchase, escalation or restrictions to the operational leasing agreements as at 31 December 2018.

	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
<i>Figures in nominal NOK 1,000</i>					
Leased premises	90,613	88,087	348,641	1,169,099	1,605,827
Machinery and equipment	4,237	3,706	2,867	0	6,573
Fixtures and fittings and office equipment	900	896	1,252	0	2,148
Total	95,750	92,689	352,760	1,169,099	1,614,548

This overview includes the agreement concluded with Gjelleråsen Eiendom AS on the lease of production, distribution and administration buildings at Gjelleråsen for a term of 25 years starting on 1 January 2012. The annual rent under this agreement is TNOK 82,627 as from 2019.

Financial leasing agreements

As at 31 December 2018, the Group had entered into seven contracts to lease machinery and equipment used at Gjelleråsen. This equipment was recognised in the Arcus Group's statement of financial position as at 31 December 2018.

	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
<i>Figures in nominal NOK 1,000</i>					
Machinery and equipment	18,063	18,063	150,101	1,293	169,457
Total	18,063	18,063	150,101	1,293	169,457

Agreements with Nordea

Four of the agreements were entered into as of 1 June 2012 and are mainly related to machinery and equipment in the production and distribution activities at Gjelleråsen. The contract partner for the four agreements is Nordea, and the agreements are subject to variable interest rates. Even though, in principle, the leasing agreements have been entered into with a 15-year repayment and interest profile (annuity), the actual terms of the agreements are for a shorter period of time, with the option of renewal. Remaining capitalised lease liabilities will fall due in the course of the last 12 months of the agreement period. The Group and Nordea are in continuous dialogue concerning an extension of the agreements to a total maturity profile of 15 years. All changes to the agreements must be formally handled by the landlord.

The present value of future lease payments is NOK 167,5 million as at 31 December 2018, based on a discount rate equivalent to the effective interest rate on the financing in 2018.

Arcus-Gruppen AS has pledged a 100 per cent surety guarantee for all liabilities that the subsidiaries have undertaken or may undertake in connection with the signed leasing agreements.

Agreements with Volvo Finans

The other three financial leasing agreements are new agreements in 2018 and are related to the lease of trucks in the distribution activity. The contract partner for these agreements is Volvo Finans, and they have a term of seven years, at variable interest rates.

The present value of future lease payments is NOK 3,0 million as at 31 December 2018, based on a discount rate equivalent to the effective interest rate on the financing in 2018.

Implementation of IFRS 16 Leases from 1 January 2019

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

The new standard concerning leases will entail a significant change in the accounting policy related to leasing costs. As from financial years commencing in 2019, all significant leasing agreements must be capitalised. This will give an intangible right on the asset side and an equivalent liability on the liability side.

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

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

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

The Group has some lease agreements that are classified as financial leasing. These are already recognized as an asset and liability in the statement of financial position as at 31 December 2018, and this will not be changed as a consequence of IFRS 16.

The Group also has significant leasing agreements classified as operational leasing agreements, and for these a present value will be calculated that is classified in the statement of financial position as an tangible leasing right on the asset side, and a lease obligation on the liability side. The Group has mapped all significant leasing agreements, and the calculated book values are stated in the table below.

For most of the leasing agreements, the underlying internal interest rate for the Group as lessee is unknown. For the leasing agreements for which the Group does not know the underlying internal interest rate, the discount rate is set to be equivalent to the Group's calculated average interest rate related to other financing. In cases where the Group knows the underlying internal interest rate which is the basis for the annual lease charge related to the leasing agreement, the present value is calculated on the basis of the actual internal interest rate.

The period of the lease is set as the period specified in the leasing agreement. If the leasing agreement includes options for renewal, the probability of the Group using the option is assessed. In cases where the probability is estimated to be higher than 50 per cent, the fixed period of the lease also includes the renewal period based on the option.

In connection with the introduction of IFRS 16 concerning leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to the current model, regardless of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

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

	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Total
<i>Figures in NOK 1,000</i>				
Calculated leasing rights 01.01.2019	913,071	6,302	2,012	921,385
Calculated leasing obligations 01.01.2019				-921,385

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

Figures in NOK 1,000

	Total leasing obligations
Leasing obligation for operational leasing agreements, cf. IAS 17 (nominal values)	1,614,548
Present value of interest payments	-693,163
Leasing obligation, cf. IFRS 16 (present value)	921,385

NOTE 17 OTHER RECEIVABLES

Figures in NOK 1,000

	Note	2018	2017
Non-current receivables			
Non-current loan to associated company		506	
Other non-current receivables		1,075	1,205
Total other non-current receivables		1,581	1,205

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

Figures in NOK 1,000

	Note	2018	2017
Current receivables			
Prepaid costs*	2.3	15,001	14,920
Prepaid tax	12	4,400	0
Fair value of forward contracts	2	624	993
Other current receivables*	2.3	6,958	6,412
Total other current receivables		26,983	22,325

Figures in NOK 1,000

	2018	2017
Prepayments to suppliers		
Nominal prepayments to suppliers	58,899	70,755
Provision for losses	-5,900	-6,185
Total prepayments to suppliers*	52,999	64,570

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

* Items included in changes in working capital in Note 3.

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NOTE 18 INVENTORIES

<i>Figures in NOK 1,000</i>	2018	2017
Raw materials	25,951	22,709
Goods in progress	97,521	99,629
Finished goods/goods for resale	332,902	310,111
Obsolescence provision	(15,257)	(21,690)
Total inventories	441,117	410,759

Cost of inventories in the statement of income comprises input costs for finished goods/goods for resale and production value at cost price for goods produced in-house. The total cost of inventories was NOK 1,577 million in 2018 (2017: NOK 1,409 million).

See also Note 25 for details of pledges and guarantees.

NOTE 19 CASH AND CASH EQUIVALENTS

<i>Figures in NOK 1,000</i>	2018	2017
Cash and cash equivalents in the Group's cash pool system	149,213	0
Other bank deposits	133,210	184,402
Cash holdings	171	13
Total cash and cash equivalents	282,594	184,415

Available drawing rights	605,850	604,982
Utilised drawing rights	0	-72,700
Available liquidity	888,444	716,697

<i>Figures in NOK 1,000</i>	2018	2017
Restricted bank deposits		
Restricted bank deposits	0	531
Total restricted bank deposits	0	531

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes all subsidiaries, with the exception of the companies included in the wine activities in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by the parent company, Arcus ASA.

The joint overdraft limit in the Group cash pool system is TNOK 600,000. At the end of 2018, the Group has a deposit of TNOK 149,213, while at the end of 2017 it had drawn TNOK 72,700. The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement in Sweden, with a maximum credit facility of TSEK 5,000 (TNOK 4,856); and in Finland with a maximum credit facility of TEUR 100 (TNOK 994) at the end of 2018. There was no drawing on these entitlements at the end of 2018.

The Group's exposure to interest-rate risk is stated in Note 2.

Summary of bank guarantees as at 31 December:

<i>Figures in NOK 1,000</i>	2018	2017
Bank guarantees for tax deduction funds	30,500	30,549
Bank guarantees for customs and duty credit facilities	29,431	22,246
Other bank guarantees	76	369
Total bank guarantees	60,007	53,164

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NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.2016	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.2018		68,023,255	0.02	1,360

20 largest shareholders as at 31.12.2018:

	Number of shares	Ownership and voting rights
Canica AS	28,607,626	42.1%
Geveran Trading Co Ltd	6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)	3,589,022	5.3%
Hoff SA	3,297,000	4.8%
Sundt AS	2,710,000	4.0%
Centra Invest AS	1,803,818	2.7%
Folketrygdfondet	1,750,000	2.6%
Danske Invest Norske Instit. II	1,685,398	2.5%
KLP Aksjenorge	1,326,494	2.0%
Goldman Sachs International	Nom 1,092,651	1.6%
Landkreditt utbytte	1,000,000	1.5%
RBC Investor Services Bank S.A.	Nom 949,458	1.4%
Verdipapirfondet DNB Norge Selektiv	926,616	1.4%
Danske Invest Norske Aksjer Inst	892,400	1.3%
Kommunal Landspensjonskasse	849,707	1.2%
Mustad Industrier AS	400,000	0.6%
Danske Invest Norge II	363,834	0.5%
The Bank of New York Mellon SA/NV	Nom 317,243	0.5%
Avanza Bank AB	Nom 301,551	0.4%
Janska Invest AS	260,861	0.4%
Other shareholders	9,149,576	13.5%
Total	68,023,255	100.0%

Shareholdings of the Group Management as at 31.12.2018:

	Number of shares	Ownership and voting rights
Kenneth Hamnes ¹	126,499	0.2%
Sigmund Toth	19,767	0.0%
Erik Bern	20,233	0.0%
Bjørn Delbæk ²	27,564	0.0%
Per Bjørkum	16,511	0.0%
Erlend Stefansson	54,483	0.1%
Eirik Andersen	15,180	0.0%
Svante Selling	13,562	0.0%
Christian Granlund	3,181	0.0%
Total shareholdings of the Group executive management	296,980	0.4%

1. The shareholding is held via Ekelyveien AS

2. Of the holdings, 7,500 shares are held via Oso Consulting AS

Portfolio of own shares

The Group from time to time purchases own shares on settlement of the share saving programme for the Group's employees. In 2018, the Group also purchased shares on the settlement of matching shares in Q1 2019. See further details of this in Note 9.

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

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

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

At the end of 2017, the Group had no holding of own shares.

Development in holding of own shares:

Number of shares	2018	2017
Holding of own shares, 1.1.2018	0	0
External purchase of own shares during the period	220,709	31,250
External sale of own shares during the period	0	-16
Settlement of share saving programme for employees during the period	-26,744	-31,234
Holding of own shares, 31.12.2018	193,965	0

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Dividend and Group contributions

The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2018 (2017: NOK 1.66 per share).

Earnings per share

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

The Arcus Group has an "interim retention plan" for senior executives under which externally owned shares can be diluted by issuing matching shares. To take account of this future increase in the number of shares, diluted earnings per share are also calculated, which takes account of a weighted average for the year of the estimated number of matching shares and options.

Earnings per share:	2018	2017
Profit for the year	164,417	188,222
Profit for the year attributable to non-controlling interests	5,954	6,944
Profit for the year to the owners of the parent company	158,463	181,278
Comprehensive income	179,007	264,803
Comprehensive income attributable to non-controlling interests	5,214	8,127
Comprehensive income to the owners of the parent company	173,793	256,676
Weighted average of the number of outstanding shares	68,023,255	68,023,255
Weighted dilution effect from option scheme	2,060,574	893,730
Weighted dilution effect from matching shares	291,653	368,274
Weighted average holding of own shares	-35,432	0
Weighted average of the number of outstanding shares - diluted	70,340,050	69,285,259
Earnings per share in NOK	2.33	2.66
Diluted earnings per share in NOK	2.25	2.62
Comprehensive income per share in NOK	2.55	3.77
Diluted comprehensive income per share in NOK	2.47	3.70

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NOTE 21 DEBT TO FINANCIAL INSTITUTIONS

Figures in NOK 1,000

	Type of financing	Currency	Interest-rate profile	Loan amount in foreign currency 31.12.2018	Loan amount in NOK 31.12.2018	Loan amount in NOK 31.12.2017
SEB	Mortgage loan	SEK	Variable	750,000	728,325	749,400
SEB	Overdraft facility	NOK	Variable	0	0	72,700
Nordea Finans	Financial leasing	NOK	Variable	166,493	166,493	183,766
Volvo Finans	Financial leasing	NOK	Variable	2,964	2,964	0
Total debt to financial institutions					897,782	1,005,866
Capitalised front-end fees					-4,824	-6,577
Book value of debt to financial institutions					892,958	999,289

Term structure	Type of financing	Currency	Maturity 2019	Maturity 2020	Maturity 2021	Maturity 2022 or later	Total
SEB	Mortgage loan	SEK	0	0	728,325	0	728,325
Nordea Finans	Financial leasing	NOK	17,667	101,915	46,911	0	166,493
Volvo Finans	Financial leasing	NOK	396	410	425	1,733	2,964
Total debt to financial institutions*			18,063	102,325	775,661	1,733	897,782

**Reconciliation of interest-bearing debt,
31.12.2018**

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

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Reconciliation of interest-bearing debt on 31.12.2017

Figures in NOK 1,000	Book value 31.12.2016	Cash flow 2017		Without cash flow 2017			Book value 31.12.2017	
		Raised	Redemption	Raised financial leasing	Amortization of front-end fee	Reclassification		Translation differences
Non-current debt								
Mortgage loan	703,268	0	0	0	1,652	0	37,903	742,823
Financial leasing	182,987	0	0	0	0	-16,592	0	166,395
Total non-current interest-bearing debt	886,255	0	0	0	1,652	-16,592	37,903	909,218
Current liabilities								
Financial leasing	16,498	0	-15,719	0	0	16,592	0	17,371
Overdraft facility	0	72,700	0	0	0	0	0	72,700
Total current interest-bearing debt	16,498	72,700	-15,719	0	0	16,592	0	90,071
Total interest-bearing debt	902,753	72,700	-15,719	0	1,652	0	37,903	999,289

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

The Group has not hedged the interest rate.

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

* Maturity in 2019 is presented as current liabilities in the statement of financial position.

** See Note 16 concerning leasing agreements for information on the term structure of annual leasing amounts.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio.

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NOTE 22 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At the beginning of 2018, the Group had no booked liabilities measured at fair value through profit or loss. The Group had such liabilities at the end of the year, concerning options for the purchase of non-controlling interests in conjunction with renegotiated shareholder agreements in 2018.

Options for the purchase of non-controlling interests:

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

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

	Minority share options	Share programme	Liability at fair value through profit or loss
<i>Figures in 1,000 (stated currency)</i>			
Book value of liability 31.12.2016	10,314	13,821	24,135
Fair value on initial recognition 2017	0	0	0
Paid during the period 2017	-10,483	0	-10,483
Changes in value during the period 2017	148	-13,821	-13,673
Interest during the period 2017	21	0	21
Book value of liability 31.12.2017	0	0	0
Fair value on initial recognition 2018	67,874	0	67,874
Paid during the period 2018	0	0	0
Changes in value during the period 2018	2,560	0	2,560
Interest during the period 2018	104	0	104
Translation differences 2018	3,680	0	3,680
Book value of liability 31.12.2018	74,218	0	74,218
Of which due within 12 months, presented as current liabilities	0	0	0
Of which due after 12 months or later, presented as non-current liabilities	74,218	0	74,218

NOTE 23 OTHER PROVISIONS FOR LIABILITIES
Severance pay (long-term)

Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other non-current provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at a discount rate which depends on the length of the obligation. As at 31/12/2018, the provision was associated with four remaining individuals.

Severance pay (short-term)

It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31/12/2018, the liability associated with this was recognised at NOK 8.9 million.

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

Non-current liabilities

2018	Book value as at 31.12.2017	Reversed provision 2018	Recognised provision 2018	Translation difference 2018	Book value as at 31.12.2018
<i>Figures in NOK 1000</i>					
Severance pay	320	-228	0	0	92
Non-current provisions	320	-228	0	0	92

2017	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation difference 2017	Book value as at 31.12.2017
<i>Figures in NOK 1000</i>					
Severance pay	627	-307	0	0	320
Non-current provisions	627	-307	0	0	320

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Current liabilities

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

2017	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation difference 2017	Book value as at 31.12.2017
<i>Figures in NOK 1000</i>					
Severance pay	2,276	-1,900	1,762	20	2,158
Other provisions	10,000	0	0	0	10,000
Other current liabilities	12,276	-1,900	1,762	20	12,158

NOTE 24 CURRENT LIABILITIES

<i>Figures in NOK 1000</i>	2018	2017
Unpaid public duties		
Excise duties, alcohol	564,611	569,034
Value added tax	344,692	339,151
Other public duties	21,149	19,820
Total unpaid public duties*	930,452	928,005

<i>Figures in NOK 1000</i>	2018	2017
Other current liabilities		
Current non-interest-bearing debt*	22,894	25,329
Provision for social security costs related to share-based remuneration	1,923	1,642
Provision for liabilities*, see Note 23	8,398	12,158
Other accrued costs*	152,041	158,615
Total other current liabilities	185,256	197,744

All current liabilities fall due within 12 months.

* Items included in changes in working capital in Note 3.

NOTE 25 PLEDGES AND GUARANTEES**Long-term credit financing in SEB**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries, with the exception of the companies in the wine business in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which at any time is linked to outstanding drawing on this scheme.

The Group's long-term credit financing in SEB has no established pledger of security. For further information about long-term financing, see Note 21.

Surety guarantee related to financial leasing

One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2018, the surety guarantee amounted to TNOK 166,493 for the Group's own leased operating equipment. See also Note 16 concerning leasing agreements and Note 21 concerning debt to financial institutions.

NOTE 26 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

At the end of February 2019, four wineries announced their cancellation of the agreements with Vinunic AB, a subsidiary of Vingruppen i Norden AB. The expected annual loss of turnover is approximately SEK 108 million, with effect from the first quarter of 2019. The incident has no impact on the consolidated accounts for 2018.

Further, no significant events have occurred between the balance sheet date and the date when Arcus's consolidated accounts and company accounts were approved for publication. This applies to events that would have provided knowledge of factors that existed on the balance sheet date, and events that concern matters that have arisen after the balance sheet date. The consolidated financial statements were approved for publication by a board decision on 20 March 2019.

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Alternative performance measurements

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

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

Below, the Group's parameters for alternative measurement of results are defined.

Gross profit

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

<i>Figures in NOK 1000</i>	2018	2017
Group		
Sales revenue	2,672,615	2,530,126
Other operating revenues	50,586	44,934
Total operating revenue	2,723,201	2,575,060
Cost of sales	-1,577,306	-1,408,524
Gross profit	1,145,895	1,166,536

<i>Figures in NOK 1000</i>	2018	2017
Spirits		
Sales revenue	762,447	763,421
Other operating revenues	157,151	149,862
Total operating revenue	919,598	913,283
Cost of sales	-447,962	-404,928
Gross profit	471,636	508,355

<i>Figures in NOK 1000</i>	2018	2017
Wine		
Sales revenue	1,604,715	1,522,689
Other operating revenues	20,031	18,190
Total operating revenue	1,624,746	1,540,879
Cost of sales	-1,244,346	-1,154,411
Gross profit	380,400	386,469

<i>Figures in NOK 1000</i>	2018	2017
Distribution		
Sales revenue	272,378	251,332
Other operating revenues	35,361	33,071
Total operating revenue	307,739	284,403
Cost of sales	0	0
Gross profit	307,739	284,403

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Other income and expenses

To improve the information value of the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. Other income and expenses are presented in Note 7.

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

Figures in NOK 1000	2018		2017	
	Adjusted	Non-adjusted	Adjusted	Non-adjusted
Total operating revenue	2,723,201	2,723,201	2,575,060	2,575,060
Net profit on sale of fixed assets	365	365	30	30
Cost of sales	-1,577,306	-1,577,306	-1,408,524	-1,408,524
Salaries and other personnel costs	-426,644	-441,158	-417,412	-422,334
Other operating expenses	-409,330	-400,112	-391,699	-399,944
Share of profit from associated companies and jointly controlled entities	2,311	2,311	3,286	3,286
EBITDA	312,597	307,301	360,741	347,574
Depreciation and amortization	-50,005	-50,005	-51,581	-51,581
Impairment	0	0	0	-22,700
Operating profit (EBIT)	262,592	257,296	309,160	273,293
Other income and expenses	-5,296	0	-13,167	0
Impairment	0	0	-22,700	0
Reported operating profit (EBIT)	257,296	257,296	273,293	273,293

EBITDA and adjusted EBITDA

EBITDA is defined as operating profit before depreciation, impairment and amortization.

Adjusted EBITDA is defined as operating profit before depreciation, impairment, amortization and other income and expenses.

EBITDA margin = EBITDA/Total operating revenue

Adjusted EBITDA margin = adjusted EBITDA/Total operating revenue

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1000	2018	2017
Group		
Operating profit	257,296	273,293
Depreciation, impairment and amortization	50,005	74,281
EBITDA	307,301	347,574
Other income and expenses	5,296	13,167
Adjusted EBITDA	312,597	360,741

Figures in NOK 1000	2018	2017
Spirits		
Operating profit	118,061	151,494
Depreciation, impairment and amortization	24,744	24,117
EBITDA	142,805	175,611
Other income and expenses	1,768	7,142
Adjusted EBITDA	144,573	182,753

Figures in NOK 1000	2018	2017
Wine		
Operating profit	167,083	184,709
Depreciation, impairment and amortization	2,586	1,794
EBITDA	169,669	186,502
Other income and expenses	11,838	5,166
Adjusted EBITDA	181,507	191,668

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<i>Figures in NOK 1000</i>	2018	2017
Distribution		
Operating profit	1,095	660
Depreciation, impairment and amortization	11,261	12,825
EBITDA	12,356	13,485
Other income and expenses	381	647
Adjusted EBITDA	12,737	14,132

<i>Figures in NOK 1000</i>	2018	2017
Other		
Operating profit	-23,764	-35,690
Depreciation, impairment and amortization	6,235	7,666
EBITDA	-17,529	-28,024
Other income and expenses	-8,691	212
Adjusted EBITDA	-26,220	-27,812

Other definitions of alternative result measurement, shown in key figures**Equity ratio**

Equity ratio = equity/total equity and debt

Net interest-bearing debt

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

<i>Figures in NOK 1000</i>	2018	2017
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	874,895	909,218
Current interest-bearing debt to credit institutions	18,063	90,071
Book value of capitalised front-end fee	4,824	6,577
Bank deposits and other cash and cash equivalents	-282,594	-184,415
Net interest-bearing debt	615,188	821,451

Organic growth

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

<i>Figures in NOK 1000</i>	2018	2017
Group		
Sales revenue	2,672,615	2,530,126
Other operating revenues	50,586	44,934
Total operating revenue	2,723,201	2,575,060
Currency effects ¹	0	-20,748
Structural changes ²	-67,991	0
Calculation basis, organic growth	2,655,210	2,554,312

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.
2. The structural changes in 2018 primarily comprise adjustment for income from the acquired brands, Hot n'Sweet and Vanlig, and the acquisition of BevCo. They also include adjustment for effects related to the reclassification of freight costs from the reduction of sales revenue in 2017 to cost of sales in 2018, as a consequence of the introduction of IFRS 15 (see also Note 4).

<i>Figures in NOK 1000</i>	2018	2017
Spirits		
Sales revenue	762,447	763,421
Other operating revenue	157,151	149,862
Total operating revenue	919,598	913,283
Currency effects ¹	0	2,871
Structural changes ²	-29,891	0
Calculation basis, organic growth	889,707	916,154

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.
2. The structural changes in 2018 primarily comprise adjustment for income from the acquired brands, Hot n'Sweet and Vanlig, and the acquisition of BevCo.

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<i>Figures in NOK 1000</i>	2018	2017
Wine		
Sales revenue	1,604,715	1,522,689
Other operating revenue	20,031	18,190
Total operating revenue	1,624,746	1,540,879
Currency effects ¹	0	-23,904
Structural changes	3,399	0
Calculation basis, organic growth	1,628,145	1,516,975

1. Currency effects are calculated by translation of income in other currencies than NOK in 2017 at the same average exchange rate as for translation of income in 2018.

<i>Figures in NOK 1000</i>	2018	2017
Distribution		
Sales revenue	272,378	251,332
Other operating revenues	35,361	33,071
Total operating revenue	307,739	284,403
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	307,739	284,403

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<i>Figures in NOK 1,000</i>	Note	2018	2017
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	12,003	10,244
Other operating expenses		3,998	4,540
Total operating expenses		16,001	14,784
Operating profit			
		-16,001	-14,784
FINANCIAL INCOME AND EXPENSES			
Income from investment in subsidiary	8	106,362	65,312
Other interest income		8,377	3,755
Other financial income		6,699	15,836
Other interest costs		-13,241	-10,107
Other financial costs		-13,009	-11,882
Net financial profit/loss		95,188	62,914
PROFIT BEFORE TAX			
		79,187	48,130
Tax	2	23,738	17,111
RESULT FOR THE YEAR		55,449	31,019
Transferred from/to other equity		55,449	31,019
Total transfers		55,449	31,019

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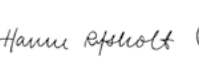
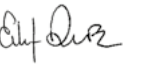
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Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2018	2017
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	102,381	124,137
Total intangible assets		102,381	124,137
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Loans to Group companies		0	0
Total financial assets		1,438,317	1,438,317
Total fixed assets		1,540,698	1,562,454
Current assets			
Receivables			
Trade receivables from companies in the same Group	8	1,114	22
Group contributions from Group companies	8	106,362	65,312
Current receivables from Group companies	8	13,558	8,326
Other receivables		193	274
Total receivables		121,227	73,934
Cash and cash equivalents	9	149,213	0
Total current assets		270,440	73,934
TOTAL ASSETS		1,811,138	1,636,388

Gjelleråsen, 20 March 2019

				
Michael Holm Johansen Chairman of the Board	Stein Erik Hagen	Hanne Refsholt	Eilif Due	Trond Berger
				
Leena Maria Saarinen	Erik Hagen	Konstanse M. Kjole	Ann Therese Jacobsen	Ann-Beth Freuchen
				
Kenneth Hamnes Group CEO				

Figures in NOK 1,000	Note	2018	2017
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4,5	1,356	1,360
Share premium	5	719,280	719,280
Total paid-in equity		720,636	720,640
Retained earnings			
Other equity	5	-58,956	0
Total retained earnings		-58,956	0
Total equity		661,680	720,640
Liabilities			
Provisions			
Pension obligations	6	1,029	757
Total provisions		1,029	757
Other non-current liabilities			
Debt to financial institutions	7	-2,275	-3,055
Total other non-current liabilities		-2,275	-3,055
Current liabilities			
Debt to financial institutions	7	0	72,700
Trade payables		121	106
Trade payables to Group companies	8	155	3
Tax payable	2	839	0
Other current liabilities		6,204	6,423
Other current liabilities payable to Group companies	8	686	0
Allocated dividend	5	112,919	112,920
Intragroup balance in Group cash pool system	8,9	1,029,780	725,894
Total current liabilities		1,150,704	918,046
Total liabilities		1,149,458	915,748
TOTAL EQUITY AND LIABILITIES		1,811,138	1,636,388

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	2018	2017
CASH FLOWS FROM OPERATIONS		
Pre-tax profit	79,187	48,130
Tax payable	-1,146	0
Pension costs without cash effect	362	284
Costs related to share-based remuneration without cash effect	7,603	7,898
Value changes without cash effect	0	-13,821
Financial expenses without cash effect	780	780
Change in trade receivables	-1,092	-22
Change in trade payables	167	-38,948
Change in other current assets and other liabilities	-46,612	-114,965
Net cash flows from operational activities	39,249	-110,664
CASH FLOWS FROM FINANCING ACTIVITIES		
Pension obligation taken over from subsidiary	0	348
Purchase of own shares	-8,303	0
Proceeds from debt to financial institutions	0	72,700
Redemption of debt to financial institutions	-72,700	0
Change in intragroup balance in Group cash pool system	303,886	36,879
Payments of dividends contributions	-112,919	-99,994
Net cash flow from financing activities	109,964	9,933
Net change in cash and cash equivalents	149,213	-100,731
Holdings of cash and cash equivalents as at 01.01.	0	100,731
Holdings of cash and cash equivalents as at 31.12.	149,213	0

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Accounting policies

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

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

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

CONSOLIDATED FINANCIAL STATEMENTS

Arcus ASA owns 100 per cent of the shares in Arcus-Gruppen AS and Vectura AS.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for continuing ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due for payment within one year are classified as current assets. The classification of current and non-current liabilities is based on similar criteria.

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

Current assets are valued at the lower of cost or fair value. Current and non-current liabilities are capitalised at the nominal amounts received at the time of establishment. Borrowing costs are capitalised together with the loan and amortised

over the term of the loan. The first year's instalment is reclassified as a current liability.

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

SHARES IN SUBSIDIARIES

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

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

RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

BORROWING

Financial liabilities through borrowing are recognised at the amount received net of transaction costs. Transaction costs (front-end fees) are capi-

talised in the statement of financial position and depreciated over the term of the loan.

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

PENSION

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

TAXES

Tax expenses are matched with profit/loss before tax. Tax costs comprise tax payable (tax on the year's directly taxable income) and changes in net deferred tax. Tax costs are allocated to ordinary profit/loss and profit/loss from extraordinary items in accordance with the taxation basis. Deferred tax and deferred tax assets are presented net in the statement of financial position.

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

STATEMENT OF CASH FLOWS

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

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

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NOTE 1 PAYROLL COSTS

	2018	2017
Salaries including holiday pay	7,229	7,408
Social security costs	1,078	1,097
Pension costs including social security costs	553	464
Other personnel costs	3,143	1,275
Total salaries and other personnel costs	12,003	10,244

Average number of employees	2	2
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Benefits to executive personnel	2018		2017	
	Group CEO	Board of Directors	Group CEO	Board of Directors
Salary	3,118	2,546	3,031	2,444
Bonus earned from the current year	0	0	324	0
Pension costs	332	0	386	0
Other remuneration	234	0	227	0

The company had two employees during the year.

The Group CEO also has an ordinary bonus agreement which, on specific terms, will release payment of up to five monthly salaries. He is also included in a temporary share programme (matching shares) which was established in conjunction with the IPO in 2016, and an option programme under which he was allocated share options in both 2017 and 2018. His holdings in these incentive schemes are specified in the Group's Note 9.

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

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

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

The Group Management's holdings of ordinary shares in Arcus ASA are stated in Note 20 for the Group.

Share-based incentive schemes

Matching shares:

In connection with the IPO for the parent company, Arcus ASA, in 2016, some key persons were offered matching shares, whereby they are entitled to receive one matching share for each share acquired under the IPO. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time.

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed twice the value on the allocation date.

In Arcus ASA, two persons received this offer, including the general manager. Together they are entitled to allocation of 61,867 shares in Arcus ASA if the employment criterion is fulfilled at the time of allocation (of which 42,100 for the general manager).

This programme entailed costs of TNOK 1,318 in 2018.

Options:

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

The options' vesting period will be three years from the allocation 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 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.

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This programme entailed costs of TNOK 1,087 in 2018. Below, the number of outstanding options at the end of the year is presented:

Number of options	2018	2017
Outstanding options at the beginning of the year	290,199	0
Allocated options during the year	368,560	290,199
Outstanding options at the end of the year*	658,759	290,199

* Of which 442,883 options outstanding to the Group CEO.

Auditors' fees	2018	2017
Statutory audit	285	328
Other financial audit	91	88
Other non-audit services	36	0
Total auditors' fees	412	416

The amounts are stated in TNOK and exclude VAT.

NOTE 2 TAX

Tax for the year is calculated as follows:	2018	2017
Tax payable	839	0
Change in deferred tax	22,852	17,111
Tax effect related to previous years	47	0
Tax	23,738	17,111

Reconciliation from nominal to actual tax rates:	2018	2017
Profit before tax	79,187	48,130
Expected income tax at a nominal tax rate of 23 per cent (24 per cent in 2017)	18,213	11,551

Tax effect of the following items:	2018	2017
Non-deductible costs	803	276
Change due to a change in tax rate	4,654	5,397
Tax on costs booked directly to equity	21	-113
Insufficient/surplus provision in previous years	47	0
Tax	23,738	17,111

Effective tax rate	30.0%	35.6%
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Specification of temporary differences and deficit carried forward:

	2018		2017	
	Asset	Liability	Asset	Liability
Non-current debt	0	2,275	0	3,055
Pension obligations	1,029	0	757	0
Other liabilities	0	932	1,271	0
Deficit carried forward	467,548	0	540,754	0
Total	468,577	3,207	542,782	3,055
Basis for deferred tax asset/liability	465,370		539,727	
Net deferred tax asset in the statement of financial position*	102,381		124,137	

At the end of the year, the company had NOK 102.9 million in capitalised deferred tax assets associated with the deficit to be carried forward. Based on the Group's strategic plans and current long-term plans for companies in the tax group, the Board of Directors and executive management expect that the deferred tax assets can be utilised.

At the end of 2018, deferred tax was calculated at 22 per cent as a result of government tax changes as from 2019. At the end of 2017, deferred tax was calculated at 23 per cent.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

Company	Acquisition date	Registered office	Voting and ownership	Currency	Nominal share capital
Arcus-Gruppen AS	10.10.2005	Nittedal	100%	NOK	276,000
Vectura AS	30/09/2013	Nittedal	100%	NOK	14,000
Company	Cost price (NOK)	Book value as at 31.12	Equity according to last annual financial statements (NOK)	Profit for the year 2018 (NOK)	
Arcus-Gruppen AS	1,886,607	1,362,217	1,992,549	115,933	
Vectura AS	76,100	76,100	23,043	-3,130	
Total subsidiaries	1,962,707	1,438,317	2,015,592	112,803	

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NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.2016	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.2018		68,023,255	0.02	1,360

20 largest shareholders as at 31.12.2018:	Number of shares	Ownership and voting rights
Canica AS	28,607,626	42.1%
Geveran Trading Co Ltd	6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)	3,589,022	5.3%
Hoff SA	3,297,000	4.8%
Sundt AS	2,710,000	4.0%
Centra Invest AS	1,803,818	2.7%
Folketrygdfondet	1,750,000	2.6%
Danske Invest Norske Instit. II	1,685,398	2.5%
KLP Aksjenorge	1,326,494	2.0%
Goldman Sachs International	1,092,651	1.6%
Landkreditt utbytte	1,000,000	1.5%
RBC Investor Services Bank S.A.	949,458	1.4%
Verdipapirfondet DNB Norge Selektiv	926,616	1.4%
Danske Invest Norske Aksjer Inst	892,400	1.3%
Kommunal Landspensjonskasse	849,707	1.2%
Mustad Industrier AS	400,000	0.6%
Danske Invest Norge II	363,834	0.5%
The Bank of New York Mellon SA/NV	317,243	0.5%
Avanza Bank AB	301,551	0.4%
Janska Invest AS	260,861	0.4%
Other shareholders	9,149,576	13.5%
Total	68,023,255	100.0%

Dividend

The Board of Directors proposed dividend distribution of NOK 1.66 per share for 2018 (2017: NOK 1.66 per share).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	1,360	719,280	0	720,640
Profit for the year	0	0	55,449	55,449
Purchase of own shares	-4	0	-8,299	-8,303
Share-based payment	0	0	6,723	6,723
Estimate deviations, pensions	0	0	90	90
Allocated dividend	0	0	-112,919	-112,919
Equity as at 31.12	1,356	719,280	-58,956	661,680

NOTE 6 PENSION OBLIGATIONS AND COSTS

The company is obliged to have an occupational pension scheme under the Norwegian Act on mandatory occupational pension schemes, and has a pension scheme which fulfils the requirements under this Act.

Defined contribution pension

Arcus-Gruppen's ordinary pension plan for all other employees is a defined contribution pension plan with Storebrand. The contribution rate is 5 per cent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 per cent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 per cent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

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

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 0.1 million at the end of 2018.

Unfunded pension arrangement

The Group CEO also has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. Ongoing provision is made for this obligation in the company's statement of financial position and the annual interest accrual is the same as for the Storebrand Balansert Pension. At the end of 2018, this obligation was recognised at NOK 1.0 million.

General assumptions

The Company applies a discount rate equivalent to the covered bond interest rate to its pension commitments. This is in line with the recommendations of the Norwegian Accounting Standards Board. The pension assumptions made by the company are consistent with the recommendations of the Accounting Standards Board from September 2018.

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Pension costs	2018	2017
Present value of pension earnings for the year	277	213
Interest cost of pension obligations	40	36
Accrued social security contributions	45	35
Net pension costs after social security contributions	362	284
Defined contribution pension plan		
Recognised contributions excluding social security contributions	191	180
Net pension obligations:		
Estimated accrued obligations, funded pension plans	0	0
Estimated value of pension assets	0	0
Net estimated funded pension obligations (+)/assets (-)	0	0
Estimated accrued obligations, non-funded pension plans	1,029	757
Net pension assets/liabilities recognised in the statement of financial position	1,029	757
Changes in obligations:		
Net pension obligations 01.01	757	0
Pension costs, continued operations	362	284
Paid in via operations after taking over a liability from a subsidiary	0	348
Estimate deviations recognised directly in equity (IAS19R)	-90	125
Net pension obligations 31.12.	1,029	757
Financial assumptions:		
Discount rate	2.60%	2.30%
Expected salary adjustment	2.75%	2.50%
Expected pension increase	1.75%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.50%	2.25%
Expected return on pension assets	2.60%	2.30%
Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

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

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

NOTE 7 LOANS, PLEDGES AND GUARANTEES ETC.

Debt to financial institutions		2018	2017	
	Interest rate profile	Loan amount in NOK	Loan amount in NOK	
<i>Figures in NOK 1,000</i>				
Overdraft facility, SEB	NOK	Variable	0	72,700
Total debt to financial institutions			0	72,700
Capitalised loan costs			-2,275	-3,055
Book value as at 31.12			-2,275	69,645

Term structure	Maturity 2019	Maturity 2020-2022	Maturity after 2022	Total
SEB	0	0	0	0
Total debt to financial institutions	0	0	0	0

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland. At the end of 2018, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

The capitalised front-end fee with a book value of TNOK 2,275 relates to the front-end fee for the cash pool scheme. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

The Group has a long-term financing agreement with SEB, whereby the loan is formally for TSEK 750 and is booked in one of the subsidiaries in Sweden, VinGruppen Sweden Holding AB. The financing agreement does not include a pledger of security.

The company has no non-current debt with terms exceeding five years.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31 December 2018 the Group was well within the required ratio.

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NOTE 8 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2018	2017
Claims on Group contributions from Arcus-Gruppen AS	106,362	65,312
Trade receivables from companies in the same Group	1,114	22
Other current receivables from Group companies	13,558	8,326
Total	121,034	73,660

Liabilities	2018	2017
Trade payables to Group companies	155	3
Other current liabilities payable to Group companies	686	0
Intragroup balance in Group cash pool system	1,029,780	725,894
Total	1,030,621	725,897

The company has no consolidated assets or liabilities that will fall due more than five years after the close of the financial year.

NOTE 9 CASH AND CASH EQUIVALENTS

The company has no restricted bank deposits, but has a bank guarantee for a tax payment of TNOK 2,500.

The company administrates the Group cash pool scheme for the Group and the scheme includes most of the Group's subsidiaries. The Swedish and Finnish wine activities, and the new subsidiary, Det Danske Spiritus Kompagni A/S, are not included in the scheme.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000.

At year-end, the Group had a total deposit of TNOK 149,213 from the scheme, which is presented as a bank deposit for Arcus ASA, compared to TNOK 72,700 at the end of 2017, presented as debt to financial institutions.

As at 31 December 2018, Arcus ASA has drawings of TNOK 1,029,780 in the Group cash pool system, compared to drawings of TNOK 725,894 at the end of 2017.

NOTE 10 FINANCIAL MARKET RISK
Financial risk

The company has individual financial derivatives for hedging purposes. The company does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes.

The risk management procedures are adopted by the Board of Directors and undertaken by the administration in cooperation with the individual business areas. The most important financial risks to which the company is exposed are associated with interest-rate risk, liquidity risk and foreign currency risk. The company's management continuously assesses how these are to be handled.

Interest-rate risk

The company is exposed to interest-rate risk by placing liquid assets and drawing in the Group cash pool system. As at 31 December 2018, the company had variable interest rates for all of its interest-bearing deposits and liabilities.

Liquidity risk

Liquidity risk is the risk that the company will not be in a position to service its financial liabilities as they fall due. The company must at all times have sufficient liquidity to fulfil its obligations. It is also a goal to minimise the company's excess liquidity. The company will work continuously to develop its financial independence, through close monitoring of income development and capital binding, and through continuous assessment of alternative sources of finance.

As far as possible, the company wishes to have flexibility for its liquid assets related to day-to-day operations. This is achieved through a Group cash pool system with a drawing facility that as of 31 December 2018 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used.

Currency risk

Since the company operates international activities, there is some exposure to currency risk. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions. The accounting treatment of financial derivatives is described under "Accounting Policies".

The company makes substantial purchases in foreign currency (mainly EUR), while the functional currency is NOK.

Receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate. Currency exposure is hedged mainly by using forward contracts.

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During the year, to a certain degree purchase and sale of goods in foreign currency are hedged, and the forward exchange rate achieved in the market is used as the transaction rate. As a general rule, the currency exposure is hedged three times a year, for four-month terms.

As at 31 December 2018, the company had no forward contracts (asset hedging) to hedge items in the statement of financial position and orders already placed.

NOTE 11 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

At the end of February 2019, four wineries announced their cancellation of the agreements with Vinunic AB, a subsidiary of Vingruppen i Norden AB. The expected annual loss of turnover is approximately SEK 108 million, with effect from the first quarter of 2019. The incident has no impact on the consolidated accounts or the accounts for the mother company for 2018.

Further, no significant events have occurred between the balance sheet date and the date when Arcus's consolidated accounts and company accounts were approved for publication. This applies to events that would have provided knowledge of factors that existed on the balance sheet date, and events that concern matters that have arisen after the balance sheet date. The consolidated financial statements were approved for publication by a board decision on 20 March 2019.

DECLARATION

The Board of Directors and the General Manager confirm that, to the best of their knowledge, the annual financial statements have been prepared in accordance with current accounting standards and that the information presented in the financial statements provides a true and fair view of the assets, debt, financial position and overall results of the company and the Group. The Board of Directors and the General Manager also confirm that, to the best of their knowledge, the Annual Report presents a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risk and uncertainty factors faced by the company.

Gjelleråsen, 20 March 2019

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Maria Saarinen

Erik Hagen

Konstanse M.
KjoleAnn Therese
Jacobsen

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

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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 2018, the income statement and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the balance sheet as at 31 December 2018, statement of income, statements of total comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- ▶ the financial statements are prepared in accordance with the law and regulations;
- ▶ the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- ▶ the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company and the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2018. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

A member firm of Ernst & Young Global Limited



Statsautoriserte revisorer
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Impairment assessments – trade marks and goodwill

As at 31 December 2018, the Arcus Group had trademarks and goodwill recognized in the balance sheet, representing approx. 42% of the total capital, mainly related to the spirit segment. Uncertainty related to earnings and profitability increases the risk of loss due to impairment. Due to the extent of judgmental assessments applied in management's models for impairment considerations, together with the significant value in the balance sheet, the impairment assessments of trade marks and goodwill are considered a key audit matter.

Our audit of the Group's impairment assessments has included review and testing of the impairment models, assessment of cash-generating units, control of mathematical accuracy of models together with testing and evaluating the assumptions management used as a basis in the calculations. We also reviewed the design of management's internal controls related to the impairment assessments. In addition, we considered management's assumption on future cashflow forecasts by looking at the historical accuracy in management's budgets and prognoses to the Company's actual results. We compared key assumptions to market information where available. We also assessed discount rates by comparing the assumptions for the calculation with external data like expected inflation, debt ratio, loan interest, risk premium and beta values for comparable companies. In addition, we have reviewed and carried out sensitivity analyses to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to note 15 in the financial statements and to information about intangible assets and significant accounting estimates and judgmental considerations in the Group's accounting principles.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Officer (management) are responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the

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Statsautoriserte revisorer
Ernst & Young AS

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aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- ▶ identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- ▶ evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- ▶ evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- ▶ obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Independent auditor's report - Arcus ASA

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Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that management has fulfilled its duty to ensure that the Company's accounting information is properly recorded and documented as required by law and bookkeeping standards and practices accepted in Norway.

Oslo, 20 March 2019

ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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

Independent auditor's report - Arcus ASA

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