DIRECTORS' REPORT

ArcusGruppen is a leading wine and spirits company in the Nordic region. Its head office is located at Gjelleråsen in Nittedal Municipality.

The Group is the global leader in the aquavit market, the market leader in spirits in Norway and Denmark and the market leader and market runner-up in wine in Norway and Sweden, respectively.

ArcusGruppen continues to strengthen its position in the Nordic market with revenue growth of 4.7%. External revenue for Wine increased by 8.5% in 2014 and decreased by 1.7% for Spirits.

The strong revenue growth for Wine is primarily due to new, attractive agencies and new products. The weakening of SEK and NOK during the year, however, resulted in increased purchasing costs in 2014, which have not been fully offset by changes to the sales price. This has put pressure on profitability. A long-term repositioning of important brands in Spirits contributed to slightly reduced revenue and profitability in the Norwegian market in 2014. The Danish brands are developing as expected following their acquisition in 2013. The production facilities at Gjelleråsen reported positive productivity growth in 2014.

FINANCIAL GROWTH

Earnings in detail

Consolidated operating revenue was MNOK 2,150 in 2014, which represents an increase of MNOK 97 (4.7%) compared to 2013. This increase is mainly attributable to growth in the Wine business area, which reported an increase in external operating revenue of MNOK 99. The Spirits business area reported a decline in its operating revenue of MNOK 14.

Profit before tax, financial items, depreciation and amortisation (EBITDA) was MNOK 311, which is MNOK 21 (6.4%) lower than last year. The EBITDA margin fell from 16.2% to 14.4%.

Consolidated operating profit (EBIT) in 2014 was MNOK 278, which is MNOK 20 (6.8%) lower than last year. The EBIT margin fell from 14.5% to 12.9%.

Net financial items were MNOK -12 in 2014 compared to MNOK -29 in 2013. This reduction is primarily due to lower interest expenses and changes in the measurement of options to fair value. The Group's foreign exchange rate contracts resulted in an unrealised gain of MNOK 3 in 2014. The Group's profit before tax was MNOK 266 compared to MNOK 269 in 2013.

The Group's profit before tax was MNOK 266 compared to MNOK 269 in 2013.
Vectura was reported until 30 September 2013 as profit after tax from discontinued operations. Profit for the year for continuing operations was MNOK 203 compared to MNOK 208 in 2013.

Profit before tax in the Parent Company, Arcus-Gruppen AS, was MNOK 315 compared to MNOK 63 the previous year. This increase is due to the increase in the share of profits from subsidiaries and impairment of the shares in Vectura to fair value for sale in 2013. The Parent Company received a share of profits from subsidiaries totalling MNOK 358 MNOK compared to MNOK 208 in 2013.

In accordance with section 3-3a of the Norwegian Accounting Act, the assumption of continued operations is fulfilled.

Financial position and capital structure

The Group's balance sheet total was MNOK 2,828 at 31 December 2014 compared to MNOK 2,558 at 31 December 2013.

Consolidated equity at the end of the year was MNOK 1,745 compared to MNOK 539 at the end of last year. This increase is due in part to a conversion of debt totalling MNOK 968 to the Parent Company, Arcus-Gruppen Holding AS. The equity ratio at 31 December 2014 is 61.7%.

As of 2009, the Group switched to a defined-contribution pension plan and pension expenses are expected to be stable in coming years. The recorded obligation associated with AFP and other plans is MNOK 28 compared to MNOK 25 in 2013.

The Group's long-term financing consists of primarily one long-term receivable to the Parent Company, Arcus-Gruppen Holding AS, of MNOK 40 and a liability related to financial leases of MNOK 149.The Group is exposed to financial risk through credit risk, interest rate risk, liquidity risk and currency risk. The Board adopted an updated financial policy in 2014, which defines a framework and guidelines for management of financial risks. For a more detailed description of the financial risks, please refer to Note 4 of the consolidated accounts. The Board believes that the Group's equity/assets ratio and liquidity are satisfactory.

ORGANISATION, ENVIRONMENT AND CORPORATE SOCIAL RESPONSIBILITY

Organisation

ArcusGruppen works systematically to develop its employees and organisation in accordance with the Company's business strategies.

There were 258 employees in the Group at 31 December 2014, which is the same as at 31 December 2013.

The accumulated absence due to illness in the Group was reduced from 6.4% in 2013 to 4.9% in 2014. One injury resulting in absence due to illness was reported in 2014 compared to five in 2013. A total of 71 undesirable accidents and injuries were reported in 2014. This number in 2013 was 65.

ArcusGruppen's gender breakdown is 39% women and 61% men. The Board of Directors of ArcusGruppen consists of ten members, of which seven are shareholder-elected. Of the shareholder-elected members, two are women. The Group emphasises equal opportunity for all employees, regardless of gender.

ArcusGruppen works actively and purposefully to promote the provisions of the Anti-Discrimination Act within our operations. Its activities cover, for example, recruitment, salary and working conditions, development opportunities and protection from harassment independent of ethnicity, skin colour, language, religion and lifestyle.

The Group's goal is to be a workplace where no one faces any form of discrimination due to a handicap. The Group works actively and purposefully to design and establish the physical conditions needed to ensure that facilities can be used by the greatest number of people.

Environment

ArcusGruppen works systematically to reduce the impact of its operations on the external environment.

There was a special focus in 2014 on the consumption of water and raw material waste during production. Both areas have shown improvement. The consumption of water has been reduced by 10 per cent and raw material waste was reduced by almost half.

The Group's modern production facilities at Gjelleråsen are operationally energy efficient, with around 70 per cent of the energy needs for heating coming from an onsite geothermal plant.

Corporate Social Responsibility

The Group's CSR Policy and Ethical Rules describe its principles for corporate social responsibility and the general responsibility that rests on the Group's management and employees. ArcusGruppen has a regulatory framework for ethics as part of its work contract. The Group has implemented a Warning Telephone that employees can use to report improper conditions – openly or anonymously. There were no warnings in 2014.

ArcusGruppen has been a member of the UN's Global Compact since 2012 and reports on an annual basis the Group's developments and ambitions related to corporate social responsibility. The areas in focus include human rights, standards for working conditions, the environment, anti-corruption and the stance on alcohol.

ArcusGruppen complies with the Nordic Alcohol Monopolies' (NAM) Code of Conduct. Suppliers to Vingruppen in Norway have confirmed that they comply with NAM's Code of Conduct, and random checks by Vinmonopolet have verified this. In Sweden and Finland, Systembolaget and Alko, respectively, conduct their controls independently of the importers, and therefore it is not known which producers and which countries will be checked. There have not been any negative remarks in Sweden or Finland.

GOVERNANCE AND MANAGEMENT

ArcusGruppen follows the guidelines for good corporate governance (NUES) by applying the «comply or explain» principle. An account of the Group's approach to individual points in the NUES guidelines are found earlier in the annual report.

APPROPRIATION OF PROFITS

APPROPRIATION OF PROFITS
The Board proposes that the profit for the year in Parent Company Arcus-Gruppen AS of TNOK 317,725 be appropriated as follows:

Transferred to other equity	**317 725 TNOK**
Total transferred	**317 725 TNOK**

FUTURE PROSPECTS

ArcusGruppen is facing excellent conditions for profitable growth in its core markets, with a well positioned portfolio of strong brands in wine and spirits. A continuous focus on profitable growth for the brands will continue to be a high priority in 2015.

ArcusGruppen must be close to the market with the goal of strengthening its brands' positions and value. This entails, for example, continuing to place a major focus on innovation and commercial entrepreneurship. New product launches will be one concrete result of this work, and this will be visible for our entire Nordic home market. Consolidation of the Group's production activity to the plant at Gjelleråsen will contribute improved productivity and competitiveness in 2015.

Hanne Refsholt

Michael Holm Johansen
Chairman of the Board

Hanne Refsholt

Mikael Norlander

Eilif Due

Leena Saarinen

Leif Johansson

Stefan Elving **Erik Hagen** **Arne Larsen**

Caspar Foghsgaard **Otto Drakenberg**
CEO

A WORD FROM THE CEO

CEO Otto Drakenberg:

16th consecutive year of revenue growth

At ArcusGruppen we are passionate about creating Great Experiences. This passion helped us achieve another year of sales growth and solid profitability.

The Group reported net sales in 2014 of MNOK 2,150, which is a new high and NOK 97 million more than last year. We are particularly proud of the fact that we achieved this growth in a stagnant market.
The foundation supporting our sales growth is our intense focus on brands and the market. Every single employee at ArcusGruppen works with this focus, and this fundamental approach is the reason for the new agency contracts we signed in 2014, our innovation and our product launches for both Wine and Spirits throughout our entire Nordic market.

The manner in which you and I enjoy a drink is constantly changing. The shift toward lighter-colored wines, such as white wine, sparkling wine and rosé, is one example, and this type of shift creates excellent marketing opportunities for ArcusGruppen. The new and important Cava agency in Norway is one such opportunity, as is the new, attractive Prosecco agency in Sweden.

Consumer demand for Mulderbosch Rosé in Sweden is one example of how shifting trends can create sales success stories. ArcusGruppen’s development of wines with low tannin and histamine content has become a financial success in Norway. Even more rewarding is that this concept was also extremely successful in Sweden in 2014.

Within Spirits, it is especially inspiring to see the positive development in Denmark, where innovation, product development and a new, bold price strategy are now producing strong results. The revitalization of Gammel Dansk, the classic Danish bitter dram, has garnered a lot of attention. In particular the launch of Gammel Dansk SHOT, which targets a younger, more urban population, has achieved visible results.

The Spirits business area has worked with a clear goal of upgrading its brands through better design, new premium varieties and to some extent higher prices on popular products. This is strategically important, although from a short-term perspective, it has caused slightly lower volumes. For the Wine business area, the weakening of the Norwegian krone and the Swedish krona against the Euro has resulted in higher purchasing prices and put pressure on profitability.
At the end of the year, production in Group Supply Chain was at an all-time high thanks to a combination of high sales levels during the Christmas and New Year's holidays and a warehouse expansion. In January and February 2015, the factory was renovated in order to also produce all of the Aalborg aquavits, Gammel Dansk and Malteserkreuz in the facilities at Gjelleråsen. This will lead to major cost savings, improve the flow of production and raise the level of quality assurance at all levels.

HSE continues to be a main focus. Our most important measures are training and registration of near accidents, both of which are important preventive measures. These measures have produced positive results. Only one injury resulting in absence due to illness was reported in 2014 compared to five in 2013. Our goal is for there to be zero injuries in 2016 that result in absence due to illness. ArcusGruppen reduced its absence due to illness in 2014 by 1.5 percentage points to 4.9 per cent.

We implemented new, key environmental measures in 2014. Among these I would like to highlight that we reduced our water consumption by 10 per cent and cut the amount of wine waste during the bottling process by almost half. An important reason for this is our employees, who almost continuously seek new methods for utilising our facilities in the best possible way.

ArcusGruppen will definitely continue to be a company with profitable growth. In order to realise its overall goals, the Group has prepared 11 strategic priorities that taken together clearly show the direction in which we are headed. These priorities are based on our strong Nordic position, our knowledge about monopoly markets and our attractive brands, innovation capacity and market insight. All of these combine to create countless great experiences, which should ensure more years of continued sales growth and solid profitability.

ArcusGruppen's mission:

We are passionate about creating great experiences, which is why we send only the best Nordic spirits out into the world and bring back to the Nordic market only the world's best wine.

Otto Drakenberg, CEO

2014 HIGHLIGHTS

The past year was an eventful one for ArcusGruppen. We have picked some of the highlights from the year, all of which are directly related to at least one of ArcusGruppen's 11 strategic focus areas.

SPIRITS

New positioning of Gammel Dansk

Gammel Dansk's new market position is launched. The slogan is «Never Like Others» and the campaign's ambassadors are strong Danish personalities such as Lars Ulrich (drummer in Metallica) and Preben Elkjær (retired football player).

New to the family: Aalborg Grill and Gammel Dansk SHOT

The first new products after the acquisition of Aalborg and Gammel Dansk are released in Denmark. Aalborg Grill was launched on the 1st of May in the Danish market and Gammel Dansk SHOT on the 1st of June. These launches mark the seriousness of our commitment to revitalising proud brands.

Linie Award recognises the Nordic region's best chef and best bartender under the age of 26

The Linie Award is a prestigious competition during which an expert jury recognises the Nordic region's best chef and best bartender under the age of 26. This year the Linie Award was arranged at the Nordic level for the first time. The Linie Award brought together more than 300 people to celebrate innovation and creativity in cooking and mixology.

Gammel Dansk turns 50

Gammel Dansk was first introduced in 1964, which means it turned 50 this year. This milestone was celebrated with a large Gammel Dansk event in Copenhagen, during which Lars Ulrich and Preben Elkjær handed out this year's «Never Like Others» award.

Snøhetta and Magne Furuholmen design Braastad XO Contemporary

Snøhetta and Magne Furuholmen designed Braastad XO Contemporary this year. Every year ArcusGruppen collaborates with a well-known artist/designer on the design of the bottle and gift box. ArcusGruppen thus contributes to renewal and excitement in the cognac category.

New design for Vikingfjord Vodka

The entire Vikingfjord series (Vodka, Ice Breaker, Ice Shot, Cocktails) was re-launched in the Nordic market in October in new packaging. The new design reflects the singularly Norwegian and unique characteristics of Vikingfjord, and the entire series comes in a specially designed bottle. The re-launch is an important step for this premium vodka, which has been made with high-quality Norwegian potato spirits and glacier water.

Gammel Opland with 5 single casks.

In November, 4,000 bottles of a special Gammel Opland were tapped. The special edition features five variations of this popular aquavit, all of which were matured in carefully selected casks of the highest quality.

WINE

More Prosecco to Swedish Vingruppen

Prosecco wines come from Italy and are very popular. In December, Swedish Vingruppen took over a new attractive agency from the producer of these wines, Astoria. In 2014, 450,000 litres of wine from Astoria were sold in the Swedish market.

Ruby Zin, a mega-success!

Ruby Zin, which was introduced in January, is flying off the shelves. It is part of our «low in tannins and histamines» concept and becomes an immediate success, performing well above everyone's expectations with more than 270,000 litres sold in 2014.

New Norwegian Sancerre agency

Vingruppen in Norway is taking over the largest Sancerre agency in Norway, Guy Saget. Sancerre is a well respected white wine that is is primarily associated with the Sauvignon blanc grape, which produces a wine with high levels of purity and elegance.

Cava's new home in Norway: Symposium Wines

On the 1st of September, Symposium Wines became Codornius's new importer into Norway. The Spanish wine producer sells 135,000 litres through Vinmonopolet every year, most of which is the sparkling wine, Cava. Cava is a Spanish sparkling wine made in the tradition of traditional champagne, a category of wine growing in popularity.

Permanent listing at Vinmonopolet for Arcus Wine Brands' Ca' Del Masso

Ca' Del Masso, Norway's first Barbera Appassimento in Bag in Box, is a wild success in test runs and secures a permanent listing at Vinmonopolet. It is the most successful test launch in 2014.

Masi selects Vingruppen as its new home in Sweden

In December, the attractive Italian Masi agency moved to Vingruppen, and it sold more than 1.3 million litres in 2014. Masi's big sellers are classic Valpolicella wines such as Masi Costasera Amarone and Masi Campofiorin. At the end of 2014, Masi Campofiorin was the most-sold wine at Systembolaget in the category of bottled wines costing more than SEK 100.

Norwegian wine companies gathered under one umbrella

Vingruppen AS has been established to be our wine companies' spearhead into the market using a single name and logo. Vingruppen includes the Norwegian wine companies, Vinordia AS, Vinuniq AS, Arcus Wine Brands AS, Symposium Wines AS and Excellars AS. Vingruppen AS is a wholly-owned subsidiary of Arcus Gruppen.

Arcus Wine Brands wins permanent listing at Vinmonopolet

Jean Pois-Lion – Bag in Box, which has been launched in 230 retail locations, is securing important market shares in Vinmonopolet's largest segment.

Wongraven wines to Norwegian Symposium Wines

Sigurd Wongraven and ArcusGruppen's wine company, Symposium Wines, have entered into a partnership. In March, Satyricon frontman Wongraven brought his portfolio, solid wine expertise and enormous interest in wine to Symposium Wines. Wongraven has developed his passion for wine by touring the world over the past 15-20 years.

New Excellars CEO

Thomas E. Jensen has been named the new CEO of Norway's sixth largest wine company, Excellars. Jensen will secure the revitalisation by focusing on developing an attractive portfolio.

Wanted Zin: Swedish Bag in Box winner

Wanted Zin turned out to be a Bag in Box winner; in 2014, more than 1 million litres of Wanted Zin were sold in Sweden. Wanted Zin works equally well with a dinner off the summer grill as it does with a winter stew.

Very popular rosé: Mulderbosch Rosé

In 2014, more than 900,000 litres of Mulderbosch Rosé in Bag in Box were sold in Sweden. This South African rosé has been very successful, and not without reason. It is an excellent complement to salads, fish, chicken, tapas, deli meats or light pasta dishes, and it goes without saying that it is also a delicious aperitif or picnic wine.

GROUP SUPPLY CHAIN

Record-high quality in Group Supply Chain

Quality and delivery precision are important at Group Supply Chain. In March, Perfect Orders were 96 per cent and Service Level was 99.8 per cent.

New factory in a factory

At the end of the year the final preparations were completed for the major renovation of the bottling facility at Gjelleråsen. This modern factory will undergo a massive expansion in order to be able to bottle Aalborg products as well. Much of the equipment from the factory in Aalborg will be installed at Gjelleråsen, but major renovations are also needed to make necessary adaptations. The bottling facility will be closed in January and February.

Productivity at Group Supply Chain increased by 38 per cent

The number of bottled litres per worked hour increased in 2014 to 155, exceeding the goal of 113. The main reason for the increase in production is the stock build-up in preparation for the closing of the factory for renovations in January and February 2015. Improved efficiency in the bottling process also helped increase production.

Reduced wine waste by 50 per cent

Systematic improvement measures in all areas, from bulk reception to filtering and final bottling, were the main drivers behind the success. Good for profitability, good for the environment.

Water consumption reduced by 10 per cent

The goal for 2014 was to reduce the consumption of water by four per cent. After the first ten months of the year, water consumption had been reduced by ten per cent due to steadily improved knowledge about how to utilise the possibilities of the facilities. Good for profitability, good for the environment.

STRATEGY AND FOCUS AREAS

Our vision:

TOGETHER WE WILL BE THE BEST IN WINE AND SPIRITS IN THE NORDICS!

Our vision sets our overall direction and describes the way ahead for the Group up to 2018. It involves delivering in the following four key areas. Through commercial entrepreneurship we shall create strong growth in the group's EBIT. We shall create growth in our EBIT margin by means of efficient operations. We shall increase our value share in the Nordic market by building strong brands and we shall improve the commitment of our employees so that we are among the best in the Nordic region in this area.

Our mission:

We are passionate about creating Great Experiences – that's why we bring the best of Nordic spirits to the world and the world's best wines to the Nordics

Our mission is about what we aim to be for our customers and how we conduct ourselves in our day-to-day business activity within the Group. We are excited about our customers and our products and we want to create great experiences – whether these involve taste, enjoyment and having a good time or punctual deliveries and good customer relations. We are experts in Nordic spirits and through our comprehensive network of producers of quality wine we will ensure that our customers have access to the world's best wines.

Our values:

MARKET-FOCUSED

We succeed because we focus on customers, consumers and competitors in every decision we make

GOAL-ORIENTED

We succeed because we set our sights high, and give our all to achieve our ambitious goals together

UNITED

We succeed because we stand together, respect each other, and work effectively across organizational boundaries

2018 STRATEGY

At ArcusGruppen we are following our own road map, which clearly shows the Group's strategy, direction and priorities up to 2018. This road map consists of 11 simple phrases that are our 11 strategic priorities. We have established concrete measurements for the short term and the long term for each of these priorities. These 11 strategic priorities will make ArcusGruppen the best wine and spirits company in the Nordic region.

WINE

2 strategic priorities

- Increase Wine sales organically in Sweden and Norway and accelerate in Finland

- Strengthen ownership for the entire wine portfolio

SPIRITS

4 strategic priorities

- Create new growth for aquavit in Norway, Denmark, Sweden and northern Germany

- Introduce series of innovative spirits in «new categories» to the general public

- Double sales in spirits in Sweden and Finland

- Establish aquavit as a category in central markets outside of the home market

GROUP SUPPLY CHAIN

3 strategic priorities

- Create an effective organisation for purchasing that ensures the industry's best terms and conditions

- Deliver a flow of goods for the lowest price and at the stated quality level and become the preferred-partner for the customer

- Create a competitive supply chain organisation that can and will be the best

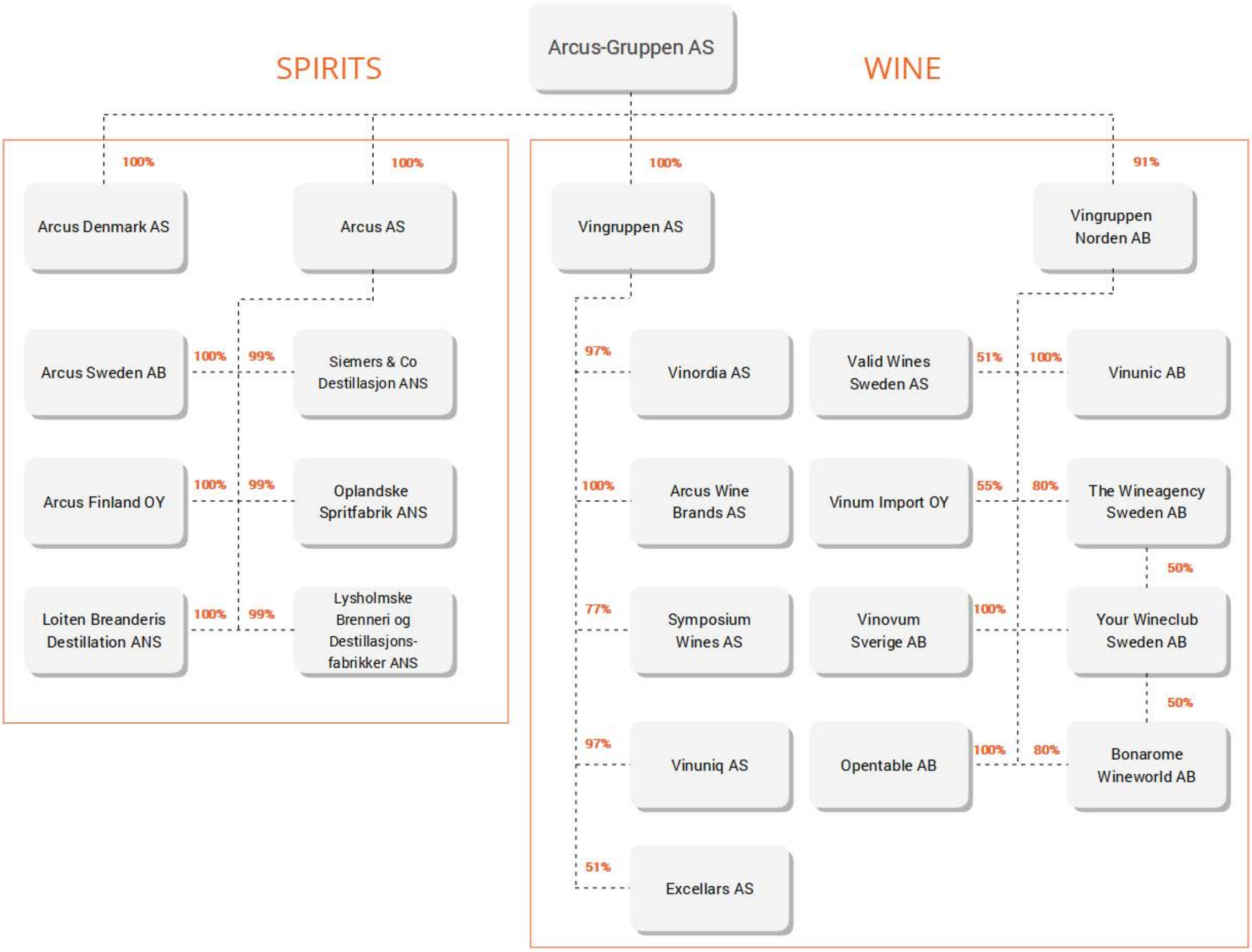
ALL BUSINESS AREAS AND SUPPORT FUNCTIONS

2 strategic priorities

- Increase productivity and mitigate risk through clear, function-based responsibility and defined - working procedures

- Anchor a market-focused, goal-oriented and united culture at ArcusGruppen

OUR COMPANIES



A Nordic Group

Sweden

Sweden is the largest Nordic wine market, both in absolute terms and per capita. Through its subsidiary Vingruppen i Norden AB, ArcusGruppen has become the second-largest player at the end of 2014, with a market share of just under 11 per cent.

The wine-related operations in Sweden are run by Vingruppen i Norden AB and its subsidiaries. Vingruppen i Norden took over the position of market leader in 2012 and since then has alternated between being the largest and the second-largest player in the Swedish wine market. Product development, multiple launches of its own brands and systematic work to develop existing agencies and win new agencies have been crucial for realising this strong position. Vingruppen i Norden collaborates closely with selected producers to develop products specially adapted to Swedish consumers based on its own market insight and that of its subsidiaries.

Arcus Sweden AB is currently one of Sweden's leading spirits brand companies. The company represents ArcusGruppen's own products and brands as well as several of the world's largest and most well-known spirits producers. The company has been particularly successful within the whisky segment. The Danish brands, Aalborg Akvavit and Gammel Dansk, are particularly strong. In early 2015 ArcusGruppen acquired Snälleröds Ångbränneri's portfolio of traditional Swedish aquavits as part of its overall strategy to create new growth for aquavit in Norway, Denmark, Sweden and northern Germany.

Corporate structure
Arcus Sweden AB was established in 2002 and is a wholly-owned subsidiary of Arcus-Gruppen AS. It is responsible for the sale and marketing of spirits in the Swedish market. The nine employees are actively building the business from the head office in Stockholm.

Arcus-Gruppen AS owns 91% of Vingruppen i Norden AB, which has 38 employees and is the Parent Company for ArcusGruppen's Swedish wine importing companies. The largest of these subsidiaries are Vinunic AB (100 per cent stake), TheWineagency Sweden AB (80 per cent), Wineworld Sweden AB (80 per cent), Quaffable Wines Sweden AB (owns 80 per cent of Wineworld Sweden AB), Valid Wines AB (51 per cent), Opentable AB (100 per cent) and Your Wineclub Sweden AB (80 per cent). The ownership percentages are those of Vingruppen i Norden AB.

Norway

In Norway, ArcusGruppen is the leader in both wine and aquavit, with market shares of 18.0 per cent and 31.5 per cent, respectively. ArcusGruppen's origins and head office are in Norway, but it is currently a Nordic company with Sweden, Norway, Denmark and Finland as its home market and subsidiaries in all four of these countries. With regard to the production plants, everything will be consolidated at the facilities at Gjelleråsen in 2015.

The town of Gjelleråsen, outside Oslo, became the home of ArcusGruppen's head office in 2012 when the company moved into its brand new facilities. The facilities also house the offices for the Norwegian subsidiaries, auditoriums and other common functions as well as ArcusGruppen's information centre with public exhibits and a tasting room. There is also a production plant, which includes an advanced bottling operation for wine and spirits, an attached, accredited laboratory and a warehouse containing more than 8,000 casks of maturing aquavit and other spirits. While the plant is the most modern in Northern Europe, it is designed to preserve the long-established production methods for Norwegian aquavit.

ArcusGruppen's Norwegian operations include the production and bottling of its own brands in both wine and spirits as well as extensive agency operations for foreign producers in these product areas. Over the past year there has been an intense focus on product development within the aquavit portfolio while at the same time multiple new and important agencies within wine and spirits were acquired.

Corporate structure

Production, product development, marketing and sale of spirits in Norway are formally managed by Arcus AS, a wholly-owned subsidiary of Arcus-Gruppen AS. The head of the Spirits business area is the Group Director Spirits. A strong team in Norway and the other Nordic countries works with the sale and marketing of its own brands and brands represented through agencies. The production part of Arcus AS is managed by Group Director Group Supply Chain.

The wine operations in Norway were restructured in 2014 in that a new company, Vingruppen AS, was established at the top of the organisation. Vingruppen AS is a wholly-owned subsidiary of Arcus-Gruppen AS and is not only a holding company but also a joint spearhead out into the market for all of the subsidiaries as well as a full supplier of the entire portfolio of wines. Producers and suppliers will continue to interact with the individual wine companies, the largest of which are Arcus Wine Brands AS (100 per cent ownership), Vinordia AS (97.1 per cent), Symposium Wines AS (77.7 per cent), Excellars AS (51.0 per cent) and Vinuniq AS (97.1 per cent).

ArcusGruppen provides central functions such as accounting and finance, IT, business development, property ownership, communication and HR for all Norwegian subsidiaries.

Denmark

Denmark differs from the other Nordic countries in that sales of wine and spirits take place mainly through large grocery chains in a market subject to price pressure and competition from distributors' own brands. To date, ArcusGruppen has chosen to concentrate our Danish operations on the production and sale of spirits, and we are now Denmark's largest player in this area with more than 50 per cent market share in several categories.

ArcusGruppen's most important brands in Denmark are Aalborg Akvavit and Gammel Dansk. Both of these brands and Malteserkreuz, a Danish aquavit primarily sold in Germany, were taken over together with the production operations in Aalborg in January 2013. ArcusGruppen thus became the world's largest aquavit producer, with more than 40 aquavits in its portfolio produced in-house. A turnaround process was started already in 2013 and continued into 2014. In 2014 the process started to produce results at the same time as an in-house grill aquavit was introduced as the first new Danish aquavit under ArcusGruppen's management. Gammel Dansk, however, is a Danish national icon and is far and away the country's most purchased bitter dram The brand was strengthened considerably after ArcusGruppen implemented an extensive revitalisation programme in 2014, part of which included the launch of a new product, Gammel Dansk Shot. The brand also has a solid position in several export markets.

Corporate organisation

Arcus Denmark A/S is 100 per cent owned by Arcus-Gruppen AS. In 2014, the plant in Aalborg was responsible for the actual spirits production in 2014, but bottling is carried out by an external partner. Both of these functions will be moved in 2015 to ArcusGruppen's facilities in Gjelleråsen outside of Oslo.

Marketing, sales and distribution of ArcusGruppen's Danish-produced spirits occur in Det Danske Spiritus Kompagni A/S, a company established in 2012 with Arcus-Gruppen AS and Fleming Karberg Familieholding ApS as equal owners and partners. This arrangement allows ArcusGruppen to leverage its partner's comprehensive understanding of the unique Danish market. In addition to selling the Danish brands, the company also sells significant volumes of Lysholm Linie Aquavit and Braastad cognac.

Finland

ArcusGruppen is at present a small player in Finland, but we see considerable potential and have ambitions for further growth. Finland has the highest consumption of spirits in the Nordic countries, with 29.1 million litres in total sales of spirits in 2014. On the other hand, wine sales are the lowest in the Nordic region. ArcusGruppen's market shares for both wine and spirits are growing in volume and value.

ArcusGruppen imports, markets and sells spirits and wine in Finland. Though the operation is still relatively small, the business is growing well, and the Group has ambitions to grow further in the Finnish wine and spirits markets in the years ahead.

Clear spirits in the viina and vodka categories sell best and are the most popular in Finland. Both categories are very price-sensitive and the market is heavily influenced by local brands. Clear spirits are experiencing a sharp setback in a generally falling Finnish spirits market. It is therefore in the cognac, and to some extent whisky, categories that ArcusGruppen sees immediate potential for winning new market shares in the Finnish spirits market.

ArcusGruppen's Finnish wine sales increased by 18 per cent in 2014. In the long term, Finland's relatively modest wine consumption suggests interesting possibilities. It is probable that over time Finland will become more aligned with European consumption patterns and that the market for wine will grow from a low starting point. It is important for ArcusGruppen to be well positioned to take part in this growth when and if it comes.

Corporate structure
Arcus Finland OY was founded in 2002 and is located in Helsinki with a growing staff focused on sales. ArcusGruppen's wine-related operation in Finland is run under the auspices of Vingruppen i Norden AB through the subsidiary company Vinum Oy (50% stake) and the associated company Vinunic Finland OY (30 per cent). These companies mainly import and sell wines from the same suppliers that are used by the Swedish companies in Vingruppen i Norden AB.

ORGANISATION AND PEOPLE

ArcusGruppen is a successful organisation with ambitious goals. Together we will be best in wine and spirits in the Nordics, and we have started to move toward this goal. We have had consistent growth for many years and our operations are profitable. Thanks to great efforts by our employees, there are a lot of reasons for us to be proud!

Culture

Employees are the key to our success, and thereby one of our most important resources. Engaged employees are one of the Group's four strategic focus areas, and employee engagement is measured twice a year.

Defined values are the foundation for a healthy culture. Our three values, market-focused, goal-oriented and united reflect the most important part of the culture we must have at ArcusGruppen to achieve our mission and vision.These three values are already a major part of the established culture in the Group.

They are not the only values that are important for us, but they represent the behavior we absolutely cannot be without if we are to achieve our goal of being the best in the Nordic region in wine and spirits.

ArcusGruppen's strategic focus areas:

Strong brands. Commercial entrepreneurship. Effective operation. Engaged employees.

High level of engagement

There are many examples at ArcusGruppen of employees complying with the Group's values. Many of them demonstrate determination and commitment and are willing to go the extra mile to ensure that we make the right decisions. During the autumn of 2014 the Group's managers were presented the challenge of nominating people or teams that are particularly successful at complying with our values. The nominees were announced and all of the Group's employees were able to vote. This resulted in a list of the «Upper Ten», who were presented at the Group's Christmas party at the end of December and the winners named.
Social media and the Group's Intranet are important information channels for the Group. They are also an important tool in efforts to build the desired culture. ArcusGruppen uses Facebook and LinkedIn as channels to share stories and activities.
In 2014 the Group's new Intranet and electronic employee manual were introduced. The introduction programme for new employees is an important activity for the Group. New employees are given a thorough introduction into the commercial culture, what our Must Win Battles are and the strengths of our brands.

ArcusAcademy

One of the most important drivers behind helping ArcusGruppen reach its ambitious goals is having high-quality managers. We have therefore invested considerable resources into ArcusAcademy, an internal management programme that is anchored in our mission, vision and values. The programme was designed in 2014 and will start in January 2015. It will have 60 participants and stretch over a period of two years.

The goal of ArcusAcademy is to effect changes, inspire our employees and teams and engage our customers. The programme will strengthen the Group's manager network and make ArcusGruppen even more unified. Participants of ArcusAcademy will learn to recognise and use their own strengths as well as those of their colleagues, and they will challenged to perform more frequently at their best. This creates the best results!

Performance-based management

ArcusGruppen has tools and defined processes for performance-based management. The intent is to define clear goals for our employees and create an understanding for how these relate to the Group's overall goals and priorities. Performance evaluations and career plans are also elements in the performance-based management process.

HSE – Health, Safety and the Environment

Health, safety and the environment are important and they are solidly anchored throughout ArcusGruppen's entire organisation. This is an absolute must for production-based operations like ours. One of our most important measures, and that we focus on daily, is the reporting and handling of near accidents. This process makes it possible to identify weaknesses and implement measures before someone is injured. These measures have produced positive results. One injury resulting in absence due to illness was reported in 2014 compared to five in 2013. Our goal is for there to be zero injuries in 2016 that result in absence due to illness.

Important training

HSE training for our own employees, and new employees in particular, contributes to raising awareness and ensures compliance with our procedures. Service personnel who will be with ArcusGruppen temporarily also receive a thorough introduction to our procedures and safety instructions before they may start their assignment. This brings safety to the forefront for both our own employees and our partners.

Active industrial safety organisation

In order to be prepared for an unforeseen and serious event, ArcusGruppen has established an active industrial safety organisation. This includes training courses and exercises in first aid, fire extinguishing, CPR and safety and security services for all members of the industrial safety organisation. In addition, members of Group management are trained in how to handle unforeseen events and professional interaction with the media. Every year extensive exercises are held together with external emergency forces such as the police, firefighters and ambulance personnel. Joint debriefings after such exercises help create a functional plan and a good cooperation between the emergency services.

ArcusGruppen is also aware of its role with regard to drug prevention and has an active and visible AKAN committee. ArcusGruppen also works with professional occupational health services to ensure that there is access to sufficient expertise when needed.

Reduced absence due to illness

ArcusGruppen reduced its absence due to illness in 2014 by 1.5 percentage points, which corresponds to a reduction of 23 per cent, and ended the year at 4.9 per cent. The Group has been an Inclusive Working Life company for many years and has a solid cooperation with both occupational health services and NAV offices to focus on the an individual's health and secure the necessary follow-up and support. Training mangers in how to follow-up of absence due to illness is also an important method for increasing attendance. The attendance factor shall be further strengthened by increasing the focus on preventive activities, such as ergonomically adapted work stations and working methods, enjoyment and participation.

GROUP MANAGEMENT

Otto Drakenberg (1966)
Group CEO ArcusGruppen

Master of Business Administration

Group CEO of ArcusGruppen since 2011. CEO Carlsberg Sweden 2007- 2010, General Manager Goodyear Dunlop Nordic 2004-2007, Export Manager House of Prince 2002-2003.

Erik Bern (1961)
Group Director
Group Supply Chain,
Purchasing and Property Management

Master in Engineering

Medlem av konsernledelsen siden 2012.Adm. dir Vectura AS, Fabrikksjef 2000–03,Teknisk direktør Ringnes 1999–08 og Salgssjefi Landteknikk 1986–99.

Erlend Stefansson (1968)

Group Director Spirits

Master of Businses Administration

Thomas Patay (1967)

Group Director Wine

Bachelor of Arts, Major in Marketing

Member of 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 in sales, marketing and consulting (incl. McKinsey 1993-1996).

Rune Midtgaard (1963)

Group Director Finance and IT

Master of Business Administration and Authorised Financial Analyst

Medlem av konsernledelsen siden juni 2013. CFO Sunde Gruppen 2005-13, Industrifinans Forvaltning/ ABN AMRO Capital 1997–2005, sist som investeringsdirektør innen private equity. Deloitte Consulting 1991–97, sist som senior manager. Fire år som operatør i de norske spesialstyrkene på 80-tallet..

Ann-Christin Gussiås (1967)

Group Director Human Resources

Master of Business Administration

Member of Group management since 2012. HR Director Coor Service Management 2006-12, HR Manager Ringnes 1999-2006.

Member of Group management since 2008. Managing Director of Bibendum 2003-2008. Former management positions in sales and marketing for FMCG in Norway and internationally, including Marketing Director of Steen & Strøm ASA.

Per Bjørkum (1964)

Group Director Corporate Communications and Public Affairs

Bachelor of Commerce, Master of Business Administration

Member of Group management since January 2013. Partner in First House 2009-2012, Director of Trolltind Kommunikasjon 2003-2009, GCI Monsen 2000-2003, Information Director NetCom 1996-2000, journalist and editor Reuters Norge 1992-1996.

MEMBERS OF THE BOARD OF DIRECTORS

Michael Holm Johansen,
Chairman of the Board

Stefan Elving, Board member

Leena Saarinen, Board member

Leif Johansson, Board member

Eilif Due, Board member

Mikael Norlander,
Board member

Hanne Refsholt, Board member

Erik Hagen, Board member

Caspar Foghsgaard,
Board member

Arne Larsen, Board member

CORPORATE GOVERNANCE

ArcusGruppen's principles for good corporate governance shall contribute to value creation for the benefit of the owners, employees and society in general.

1.REPORT ON CORPORATE GOVERNANCE

The Board of Directors of ArcusGruppen follows the requirements for good corporate governance with the aim of complying with «The Norwegian Code of Practice for Corporate Governance» with regard to the «comply or explain» principle. The recommendation was last reviewed on 30 October 2014 and is available at www.nues.no. The report below includes the points in the recommendation and describes compliance by the ArcusGruppen.

2.BUSINESS

ArcusGruppen's mission statement states the following: Import, export, production, storage and distribution of alcoholic drinks and other products, as well as operations related to these areas, and the holding of shares in other companies conducting similar operations.

ArcusGruppen carries out the marketing, sale and production of alcoholic drinks. The Group's vision is, Together we will be the best in wine and spirits in the Nordics. It has established a strategy for profitable growth primarily in the Group's home market in the Nordics based on its own brands and agencies for wine and spirits. More information is available at www.arcus.no.

ArcusGruppen's mission is, We are passionate about creating Great Experiences – that's why we bring the best of Nordic spirits to the world and the world's best wines to the Nordics.

3. EQUITY AND DIVIDENDS

Consolidated equity at 31 December 2014 was MNOK 1,744.6. ArcusGruppen's owners over time shall earn a competitive return on their investment. ArcusGruppen has a financial strategy that entails the utilisation of free cash flow to create value through the amortisation of interest-bearing debt. In line with this strategy, the Board of Directors has proposed that no dividend be paid for 2014.

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTIONS WITH CLOSE ASSOCIATES

Arcus-Gruppen AS has only one class of shares and each share carries one vote. Arcus-Gruppen AS has one shareholder, Arcus-Gruppen Holding AS, which in turn is owned by Ratos AB, Hoff SA and key members of executive management and the Board of Directors. Nominal value per share is NOK 1,001. If the Company were to have more shareholders, the Board of Directors intends to treat these shareholders equally. If the Board of Directors, in a situation with multiple shareholders, would wish to propose to the general meeting that an existing shareholder's pre-emption rights be waived, the reasons for such a proposal must be justified by the common interest of the Company and the shareholders and an explanation of this justification must be included in the notification of the general meeting. The Company has instructions for the Board of Directors which state that Board members and the CEO may not participate in discussions or decisions regarding issues that are of material importance for the party in question or close associates.

5. FREELY NEGOTIABLE SHARES

Arcus-Gruppen AS has one shareholder and the shares are not actively traded. The articles of association do not stipulate any special forms of restrictions on the negotiability of the shares.

6.GENERAL MEETING

Arcus-Gruppens AS has one shareholder, which is a member of the Board. Therefore, it is not considered necessary for the general meeting to be an effective meeting place for shareholders and the Board of Directors.

7.NOMINATION COMMITTEE

As an unlisted company,Arcus-Gruppen AS decided that the company does not need to have a Nomination Committee.

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

As an unlisted company,Arcus-Gruppen AS decided that the company does not need to have a Corporate Assembly.

The term of office for shareholder-elected members and deputies is two years. The composition of the Board of Directors aims to take into consideration the interests of the shareholder and the Company's need for expertise, capacity and diversity. The composition of the Board of Directors fulfils the recommendation's requirements that the members be independent of the Company's executive personnel, main shareholders and significant business connections. Two of the Board members represent the Company's main shareholder, while one of the Board members represents the second-largest shareholder. All of the members of the Board of Directors are defined as independent of the executive personnel or significant business connections, with the exception of one Board member who represents the Group's primary supplier of raw spirits. There are few occurrences of disqualification when handling matters in the Board. Representatives for the day-to-day management are not members of the Company's Board of Directors. Here you will find a more comprehensive description of the individual backgrounds of each Board member, their qualifications, term of office, independence, length of time as Board member of ArcusGruppen and any significant assignments in other companies and organisations. In accordance with Norwegian law and applicable corporate democracy arrangements, Group employees are entitled to elect three members to the Board of Directors of ArcusGruppen. Information about the composition of the Company's governing bodies can be found here.

9.THE WORK OF THE BOARD OF DIRECTORS

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by the Chariman of the Board, Michael Holm Johansen. Additional members are Mikael Norlander and Hanne Refsholt. The composition of the committee fulfils the recommendation's requirements on independence, and all of the committee's members are considered to be independent of executive personnel.

The main tasks are to:

Prepare the terms for the CEO for the Board.
Prepare issues related to salary levels, bonus schemes, pension terms, employment contracts, etc., for managers at ArcusGruppen.

Audit Committee

The Audit Committee is chaired by the Chairman of the Board, Michael Holm Johansen. Additional members are Mikael Norlander and Stefan Elving. The CFO is the secretary of the Audit Committee. The composition fulfils the recommendation's requirements on expertise and independence, and all members of the Committee are considered to be independent of the business.

The main tasks are to:

Ensure that internal and external financial reporting is appropriately organised and effectively implemented and maintains a good, professional quality and monitor the Company's risk management structure.

Self-evaluation by the Board

The Board evaluates its own performance and expertise on an annual basis and reports on improvements to its organisation and implementation of its work, both individually and as a group.

10. RISK MANAGEMENT AND INTERNAL CONTROL

Management is responsible for risk management and internal control at the company, and in this manner shall ensure that business-related opportunities are exploited through safe and efficient operations with reliable reporting within the guidelines of applicable laws and regulations, including requirement on ethics and corporate social responsibility. A framework for the risk management was established in accordance with the COSO standard, and Group-critical risk factors are mapped and systematically followed up at the process level. Critical process with instructions and guidelines for risk management must be documented.

HSE

HSE is defined as the responsibility of the line manager at ArcusGruppen, who receives professional support form HR. Additional information about ArcusGruppen's HSE work can be found on the company's website.

Ethics and corporate social responsibility

The Board of ArcusGruppen has discussed and approved a new CSR policy and ethical rules. ArcusGruppen revised its Group CSR policy in 2014. The Group's ethical rules were revised in 2012. A Warning System has been created for deviations to the Group's ethical rules (whistle-blowing).

Financial reporting process

ArcusGruppen's accounts are prepared in accordance with applicable IFRS regulations.

11. REMUNERATION OF THE BOARD OF DIRECTORS

Information about remuneration to the Board is presented in Note 8 to the accounts of ArcusGruppen.

Some Board members have share and option programmes. This has been reported in Note 8 of the annual report.

12. REMUNERATION OF EXECUTIVE PERSONNEL

The Board's Remuneration Committee proposes the CEO's terms to the Board and provides insight into the general terms and conditions for other management personnel in the Group. The Board evaluates the CEO and his terms once a year. The Company does not prepare management salary declarations to be resolved by the General Meeting since the Company is not a public limited company and only has one shareholder.

13. INFORMATION AND COMMUNICATIONS

ArcusGruppen's accounting and financial statements shall be transparent and inspire confidence. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS). The annual reports are available on ArcusGruppen's webpage. The Group has an established communications policy.

14. TAKE-OVERS

As an unlisted company with one shareholder, ArcusGruppen has decided not to comment on this point.

15. AUDITOR

An external auditor presents his/her annual plan for the audit work for the coming year to the Audit Committee. An auditor's evaluation of risk, internal control and quality related to the financial reporting is reviewed on an ongoing basis in meetings and in the Audit Committee. In addition, an external auditor participates in the Board's meetings regarding the annual accounts. Current issues may be discussed with an external auditor without the presence of the administration. An external auditor and the CEO participate in all meetings of the Board's Audit Committee.

RISK MANAGEMENT

A significant portion of ArcusGruppen's operations are in other countries and thus exposed to business risk, political risk, financial risk and operational risk. Risk management and the internal control system at ArcusGruppen consists of:

- A risk management process, which clarifies the relationship between ArcusGruppen's goals, risks that can obstruct achieving these goals and measures to mitigate identified risks.

- A governance system, which consists of policies, processes and key controls and shall ensure compliance with established processes while also providing the foundation the Group needs to achieve its goals.

Responsibility for risk management in the Group is linked to function-based responsibilities, and the Group's overall risk management is subject to regulatory review and evaluation by ArcusGruppen's Board of Directors.

BUSINESS RISK

ArcusGruppen is continuously exposed to fluctuations in demand for the Group's products. The Group follows up on both trends in the market and its market position and takes corrective measures when necessary.

Access to raw materials used for the production of aquavit is reviewed regularly to ensure flexibility. For vodka, the Group has established supplier agreements with foreign producers. For potato spirits, which are used to make aquavit, there is only one Norwegian supplier and thus not many alternatives. There is a focus is on ensuring that the quality of the raw materials is satisfactory in order to reduce risk and increase efficiency.

Production is subject to the Norwegian Food Act and associated regulations as well as requirements on safe production for consumers. The company's quality system safeguards requirements, and the company has the only accredited laboratory for alcoholic drinks in Norway. All products bottled at the Group's facility are analysed to ensure sufficient quality.

ArcusGruppen has signed insurance policies in key areas. The Group has a fire alarm system and physical security for its property, emergency plans that are both commercial and administrative in nature, a quality system and internal control procedures.

POLITICAL RISK

Changes to the level of alcohol duties in the Nordic region and the monopoly schemes in Norway, Sweden and Finland will have an impact on the Group's development. In order to reduce this risk, ArcusGruppen is actively involved in industry organisations in order to be able to identify and influence potential changes at an early stage. The monopoly structure in the Nordic region is judged to be strong.

FINANCIAL RISK

The Group established a financial policy that has been approved by the Board of Directors and establishes a framework and guidelines for the Group's operational management of risk related to currency, interest rates, liquidity and credit at the processing level. Key controls are conducted to follow up on compliance with processes. The principles for financial risk management are provided in Note 4 of the accounts.

OPERATIONAL RISK

Critical operational processes are documented to ensure effective implementation of strategies and reduced dependence on individuals. Key controls are conducted to follow up on compliance with processes.

BUSINESS AREA **SPIRITS**

ArcusGruppen's portfolio includes some of the strongest and most popular Spirits brands from our part of the world. Gammel Opland, Løiten, Gilde, Lysholm, Gammel Dansk, Aalborg, Braastad and several other strong brands evoke positive emotions among many consumers.

Our most important assignment is to further develop these treasures in the best interests of our customers, consumers and ArcusGruppen.

ArcusGrupppen's strategy is to develop strong brands that give customers and consumers the best possible experience. To achieve this goal, we have implemented a number of measures in the past few years to increase the value of our brands. One important measure is to increase the premium value of the brands via new variations and in some cases by increasing the prices of strong brands.

STRATEGIC PRIORITIES

- **Create new growth for aquavit in Norway, Denmark, Sweden and northern Germany**
- **Launch innovative spirits in «new categories» to the general public**
- **Double sales in Spirits in Sweden and Finland**
- **Establish aquavit as a category in central markets outside of the home market**

Spirits business area up to 2018

One of the prioritised areas in Spirits' strategy plan up to 2018 is to secure a continued strong position for aquavit in its home market: the Nordics and northern Germany. Following up on and continuously adapting the strategy with strong brands are central to these efforts.

We must work in a goal-oriented manner for a long period of time to increase growth in Sweden and Finland. This growth will primarily be driven by agency growth, but growth for our own products is also important. Acquisitions will be evaluated on an ongoing basis.

There is considerable potential for ArcusGruppen in the Nordic region in new categories such as pre-mixed drinks and low alcohol content. Innovation is, and will continue to be, the backbone of the Spirits business area.

One long-term and attractive possibility is to establish aquavit as a category in the international market. Such a focus is being evaluated, and will be able to give ArcusGruppen a significant boost.

BUSINESS AREA SPIRITS	2014	2013	2012	2011	2010
Volume (millions of litres)	11,5	13,5	9,0	8,5	8,5
Total operating income (MNOK)	903,2	887,5	647,1	591,6	611,1
EBIT (MNOK)	128,6	136,5	28,0	49,9	95,9
EBIT, adjusted for non-recurring items (MNOK)	116,2	139,0	75,3	72,7	92,1
Operating margin adjusted for non-recurring items (%)	12,9	15,7	11,6	12,3	15,1

The Nordic market

The Nordic spirits market is complex, and differs significantly from country to country. There are large variations in structure, regulatory regimes and advertising opportunities and pricing mechanisms. Sweden, Finland and Norway are heavily influenced by their respective state-owned retail monopolies, Systembolaget, Alko and Vinmonopolet.

Arcus AS i Norge, Arcus Sweden AB and Arcus Finland Oy each have many years of experience in selling through the retail monopolies and are very knowledgeable about how the monopolies work in their respective countries. This is a very important competitive advantage in relation to most of the other market players, both in terms of producers and distributors.

Approximately 80-90% of total Nordic spirits volume is sold off-trade in shops, and approximately 10-20% is sold on-trade to hotels, restaurants, cafés and catering operations (HORECA).

In Denmark, spirits are sold to consumers through retail chain stores, and sales are subject to fierce price competition. Campaigns run in collaboration with the chains are essential for promoting sales. The restaurant industry in Denmark is important, but consists of many small, independent players, with few chains. The marketing and sale of ArcusGruppen's spirits products are handled in Denmark by Det Danske Spiritus Kompagni A/S (DDSK), a company established in 2012 between Arcus-Gruppen AS and Fleming Karberg Familieholding ApS as equal owners and partners. Distribution in Denmark is handled by Arcus Denmark in collaboration with Altia. Its twelve employees are very experienced and are very knowledgeable about the market. DDSK has a good contact network and very good insight into the Danish market.

There are smaller niche producers of spirits in all of the Nordic countries. These mainly deliver vodka, aquavit and whisky, with a calvados-like, apple-based spirit as a growing category. The number of micro-distilleries is increasing, and the local production of spirits is a trend that is following in the wake of microbreweries, increasing interest for local food traditions, local food and a growing interest in mixology, the art or knowledge behind mixing cocktails. This development will benefit both ArcusGruppen's broad selection of regional aquavits and other spirits products.

The total volume of the Nordic spirits market fell in 2014 in all of the Nordic countries, but Duty Free Travel Retail and HORECA reported growth. This total decline is influenced by the increase in taxes in recent years in Norway and Finland, more Duty Free trade in Norway and greater cross-border shopping throughout all of the Nordic region, as well as a shift toward alternatives with less alcohol. The coming year, 2015, is expected to be a year of slightly falling growth. Euromonitor predicts that the Nordic market will not stabilise until 2016–2017.

Premiumisation

Arcus would like to raise the value of its brands, both in the short term and in the long term. For many of our strongest brands, premiumisation will be an important element for raising the value.

ArcusGruppen's approach to premiumisation is extensive. In recent years, prices for important brands have been thoroughly and almost continuously evaluated and adjusted in parallel with evaluations and changes to other important parameters, such as changed labels, new bottle shape, exclusive distribution, innovation, introduction of premium alternatives and production of limited series.

ArcusGruppen has the absolute strongest brands in the aquavit category in both Denmark and Norway. The design changes on some of the most attractive brands are most evident for Lysholm Linie, Gammel Opland and Gilde.

The changes have resulted in an increased perception of the product benefits, and the relationship between the brands and consumers has been strengthened, both rationally and emotionally. The changes implemented by ArcusGruppen created a strong basis for increasing the prices. In the short run, these changes often result in slightly lower market shares, but higher profitability over time.

Consumers always want to surround themselves with products known for their high quality, brands where the product benefits are perceived to be so significant that they justify a higher price. People have a fundamental desire to be associated with strong brands; it strengthens their own reputation and is an important reason behind the success of premiumisation.

Organisation and work areas

The operations of the Spirits business area are broken down into two parts. The first includes the development, marketing and sale of ArcusGruppen's own brands in the Nordic region and select export markets. The second includes national and Nordic agencies for international brands.

Own brands

Of the brands produced in-house, Norwegian and Danish aquavit clearly represent the largest portion, but categories like vodka and bitter drams are also produced in significant volumes, led by Vikingfjord and Gammel Dansk.

The physical production, maturing and bottling is run by the Group Supply Chain business area, which has one of Europe's most modern facilities next to ArcusGruppen's head office at Gjelleråsen.

Many of the in-house brands are described in more detail below in the section entitled Product Categories.

Agencies

The Spirits business area's sales in addition to its own brands come from agencies for producers in a number of countries, the largest of which are the USA, the UK, France and Italy. Agencies have significant growth potential in large parts of ArcusGruppen's core area, the Nordics. Sweden is unquestionably the most developed market and all of the large, international players are present there, but there are many more agencies attended by small players in Norway and Finland that are interesting for ArcusGruppen.
ArcusGruppen's in-depth knowledge about how to work with the alcohol monopolies in Sweden, Norway and Finland is a strong competitive advantage for the Group. In terms of competition, it is also important that the Company is one of the few in the industry that can operate on a Nordic basis. This enables the Company to create a significant customer base by combining three, from international standards, small markets. This is valuable in a time when large producers are looking to interact with fewer distributors, and for ArcusGruppen there are synergy benefits related to representing one brand in all three countries. However, there are large producers that by tradition or for other reasons prefer separate agents for one or multiple countries, and the flexibility of the structure of ArcusGruppen allows for this.
Agencies are an industry that is heavily influenced by relationships, but proven success is also important. In recent years ArcusGruppen has been able to show that it handled several agencies well, which has gained international attention. The spectacular growth of the Fireball agency is one of the prominent examples.

One of Arcus Sweden's largest spirits agencies is Fireball, the attractive shooter that was developed by Sazerac. Another important agency is the Scottish whisky house, Whyte & Mackay, which in addition to whisky under its own name also stands behind well-known brands such as The Dalmore, Stewart's and Isle of Jura. Arcus Finland won the agency for the Scottish Inver House Destillers' whisky brands in 2014 and will thus gain a significant portion of the Finnish whisky market.

Product Categories

Aquavit

ArcusGruppen is the world's largest producer of aquavit in terms of both volume and value, with total sales of MNOK 366.1 in 2014. Over the course of the year 5.3 million litres of aquavit were sold. This category is a key profit driver for the Group. One of the main goals of ArcusGruppen is to create new growth for aquavit in Norway, Denmark, Sweden and Germany, more specifically northern Germany. The market shares in the Scandinavian countries for full-year 2014 were 82.8 per cent for Norway, 56.6 per cent for Denmark and 18.6 per cent for Sweden.

More gains can be realised by continuing to develop the total market for aquavit through the introduction of new areas of use and by establishing aquavit as a category in central markets outside the home market. The business area is working systematically to develop new, special aquavits that are adapted to the season of the year and dishes that traditionally have not been associated with aquavit. At the same time, the business area is taking advantage of the general growing interest in new flavours, local specialties and exclusive niche products to create new regional aquavits, and in particular avec variations of the classic brands. It is working actively to capitalise on the growing interest in whisky as well as to promote aquavit as an important ingredient in drinks/cocktails. ArcusGruppen's aquavit experts are creating new cocktail combinations and appealing variations of traditional drinks in collaboration with ambitious bartenders.

Bitter dram

Gammel Dansk is a highly respected bitter dram and a national icon in Denmark. Surveys show that there has not been enough investment in its brand, and therefore a revitalisation project was initiated in 2014. One of the main components was to introduce a new variation called Gammel Dansk Shot, which adds a touch of chili to the traditional ingredients, the balance of which was also slightly altered.

This gives the flavour a broader appeal. Another component was to re-profile the brand using more contemporary values as well as an advertising and PR campaign to strengthen both the new Shot variation and the main brand, Gammel Dansk. The result was an increase in the recruitment of young consumers and a sales increase of 2.0 per cent in volume in 2014. Growth is expected to continue in 2015. Click here for more information about, the revitalisation of Gammel Dansk and about Gammel Dansk Shot.

Vodka

Vodka is by far the world's best-selling spirits category. ArcusGruppen has six vodka brands, of which Vikingfjord is the biggest followed by Kalinka. Vikingfjord was re-introduced to the Norwegian market in 2014 with a new bottle and new design. Vikingfjord's appearance is now much more modern and better adapted to its target groups, and its design and expression anchors the product's qualities. The attractiveness of Norwegian glacier water has become a fundamental element of the new, modern positioning.

Cognac and brandy

The cognac and brandy categories also contracted slightly in 2014 in the Nordic markets, even if Norway continues to be one of the countries with the highest consumption per capita in the world. The typical avec situations – a good cognac with a cup of coffee – have fallen out of favour and are meeting more competition from other spirits categories. ArcusGruppen is working actively to use cognac and brandy in new products, primarily as an ingredient in cocktails.

Braastad cognac is produced by the French cognac house Tiffon SA, in which ArcusGruppen has a stake of 34 per cent. The brand is represented in all the Nordic countries and Germany, and is the market leader in the Nordic region in terms of value of sales. The brand also has a strong position in the Duty Free market. ArcusGruppen and Tiffon collaborate continuously in developing the product and perfecting the taste and packaging, and new variations were launched in 2014. The Braastad Contemporary series continued in 2014, and visual artist Magne Furuholmen and the architects at Snøhetta were responsible for this year's design and box.
ArcusGruppen also delivers other types of brandy, of which the largest brands include the Concorde, Eau de Vie and Brandy Special.

Whisky

Whisky sales were relatively stable in 2014. Arcus Sweden significantly strengthened its position in the category after taking over the Swedish agency for the Whyte & Mackay whisky house at the end of the year, while Arcus Finland won the agency for the Scottish Inver House Destillers whisky brands in 2014, thus increasing its share of the Finnish whisky market.

In Norway, ArcusGruppen's Upper Ten is a popular whisky brand with a good reputation. Small sample batches of Gjoleid, ArcusGruppen's first whisky produced entirely in-house, were released for sale in 2013 and 2014. This garnered considerable attention, and raised the expectations for the brand. As a result, a significant amount of new whisky was distilled last year.

The Nordic Countries

Norway

In Norway, total sales of spirits at Vinmonopolet in 2014 amounted to 11.3 million litres, which is a decrease of 1.4 per cent. This decline was to a large extent the result of cognac and other brandy, which represented 70 per cent of the decrease.

ArcusGruppen sold spirits in Norway amounting to MNOK 325 and 3.7 million litres. This corresponds to a decrease of –5.7 and –9.1 per cent, respectively, compared to 2013.

In 2014, the focus on the HORECA market intensified, for example through the creation of a dedicated sales team for the Spirits business area. Previously, the same sales staff handled the sales of both spirits and wine. The change contributed to more goal-oriented HORECA sales, higher earnings and better exposure of ArcusGruppen's brands.

Denmark

In Denmark, where spirits sales are unrestricted, the market showed a positive trend in 2014. Total sales amounted to 13.2 million litres, an increase of 0.6 per cent.

ArcusGruppen sold spirits in Denmark amounting to MNOK 113 and 2.5 million litres. This corresponds to an increase in value of 1.0 per cent and a decrease in volume of –9.0 per cent, compared to 2013. The largest categories in Denmark are aquavit, vodka and whisky.

ArcusGruppen's marketing and sales in Denmark are handled by Det Danske Spiritus Kompagni A/S, a company that was established in 2012 between Arcus-Gruppen AS and Flemming Karberg Familieholding ApS. Distribution in Denmark is handled by Arcus Denmark in collaboration with Altia.

Aalborg Akvavit is the leader in Denmark with a market share of around 46.1 per cent. Lysholm Linie has a market share of around 10.4 per cent, which gives ArcusGruppen a total of 56.5 per cent of the Danish aquavit market. The past year was the first year that ArcusGruppen had full control over its portfolio. Extensive work has been carried out to develop strategies and campaigns to enhance the Aalborg aquavits' market position after a negative trend over the past few years. The results have been positive, with increasing sales at better prices, the latter of which was due primarily to the lack of participation in low-price campaigns arranged by the grocery store chains.

Gammel Dansk is by far Denmark's most frequently purchased bitter dram, but due to a long-term negative trend an extensive revitalisation of the brand was launched in 2014, with the introduction of the new Gammel Dansk Shot and a complete re-profiling of Gammel Dansk. The result was a major increase in sales, particularly in December, which posted an increase of 5.9 per cent. As a whole in December, the market share increased from 28.8 to 29.1 per cent.

The market share for Braastad Cognac fell in 2014 by 0.4 percentage points, to 17.2 per cent of the Danish cognac market.

Sweden

Spirits sales in Systembolaget fell by 2.0 per cent in 2014. The total volume of sales on the Swedish market was 18.3 million litres. The two largest categories are gin and whisky. Gin increased by 4.6 per cent but whisky fell by 2.3 per cent in 2014.

ArcusGruppen sold spirits in Sweden amounting to MNOK 96 and 1.4 million litres. This corresponds to an increase in value of 5 per cent and a decrease in volume of –5 per cent, compared to 2013.

The main products in Sweden are Fireball, Gammel Dansk, The Dalmore whisky and, to some extent, Aalborg Akvavit. Whisky is steadily growing in importance, and ArcusGruppen has a broad portfolio that is actively based around the agency for Whyte & Mackay. Gin plays a large role in the total volume, but this category is price-sensitive.

A weakening of the Swedish krona against the euro during the year resulted in weaker margins for imported products. Since the spirits market is very price sensitive, an increase in prices results in a direct loss of volume. This relationship is clearly visible in Sweden, where the product portfolio is mainly imported. For products imported from Norway, the relationship is different since the Norwegian krone weakened against the Swedish krona at the end of 2014.

Finland

Finland has the highest consumption of spirits in the Nordic countries, with total spirits sales of 29.1 million litres in 2014. This represents a decrease of 3.1 per cent compared to 2013. The value was MEUR 201,046 in 2014, up 0.2 per cent compared to 2013.

ArcusGruppen sold spirits in Finland amounting to MNOK 30.8 and 0.3 million litres. This corresponds to an increase in value of 9 per cent and a decrease in volume of –9 per cent, compared to 2013.

The decrease in volume affects all categories. However, the Finnish consumer still has a preference for vodka and viina, which are the two dominant categories of spirits in the country. Local brands have a strong position and the market is subject to acute price competition. As the economic climate is still under pressure and duties are rising, more and more Finns are travelling to Estonia to shop for cheaper products. The duty increases in recent years have weakened sales of spirits in Finland significantly and the trend is expected to continue in 2014.

ArcusGruppen is a small player in this large Finnish market. Its market share in 2014 was 2.1 per cent, up from 2.04 per cent the previous year, while total sales of spirits increased to MNOK 30.8 from MNOK 28.0 in 2013. The relatively large increase in market share and sales is due to new, good agencies as well as strengthened efforts to achieve an established goal of doubling sales in the Spirits business area in Finland.

Duty Free Nordic

ArcusGruppen has a strong presence in the Nordic Duty Free market with a particularly strong position in retail outlets in Norway. Increased travel and the new possibility of buying wine instead of tobacco products have increased the general interest for Duty Free trade among Norwegians. However, there is good growth outside Norway as well, and growth is particularly strong in the Baltic Sea. In Norway, sales are dominated by known brands such as Gammel Opland, Lysholm Linie and Braastad cognac, in addition to solid sales of Vikingfjord and Fireball. In the Baltic Sea, Braastad and Fireball in particular have posted strong growth. ArcusGruppen's total sales in Duty Free in the Nordic region in 2014 were MNOK 105.

ArcusGruppen outside the Nordic region

Germany

The volume of ArcusGruppen's sales of spirits products in Germany decreased by –13 per cent in 2014, while the increase in value was 8 per cent. The latter is in part the result of better prices. ArcusGruppen's total sales in Germany in 2014 were MNOK 69.

Lysholm Linie aquavit was the strongest driver in a market that is under pressure. Other brands with good growth are Aalborg Jubilæum Akvavit and Malteserkreuz, an aquavit produced in Denmark, but that is primarily sold in Germany. The increase for the Danish aquavit brands is the result of goal-oriented efforts to raise the profile and market position, which have also opened the door to higher prices. Smaller volumes of Vikingfjord Vodka and Braastad Cognac were sold.

BUSINESS AREA **WINE**

The Wine business area continued to report strong revenue growth in 2014, with sales increasing nine per cent. This increase is exclusively due to organic growth despite the moderate growth in both the Norwegian and Swedish wine markets and the decline in the Finnish market.

In Sweden the growth is due to new products that have been well received by the market. The decision to launch these products was based on an in-depth understanding of the preferences of different consumer segments. In addition to winning new, attractive wine agencies, ArcusGruppen successfully secured several new listings at Systembolaget, some of which were for our own brands. This resulted in a strong boost in sales. At the end of the year, Vingruppen i Norden received two new major Italian agencies; popular red wines from Masi , and the just-as-popular Prosecco wines from Astoria.

The Norwegian wine operations also posted sales growth due to both new agencies and sales of our own brands. The distributorship for Masi wines, which Norwegian Symposium Wines took over in November 2013, has been a significant contributor. A number of other new agencies also added to an already broad portfolio, particularly in the areas where growth is the largest, light-coloured and white wines. Some of the more important wines include the Sancerre distributorship, Guy Saget, the largest in Norway, and the Spanish Cava producer, Codorniu. Arcus Wine Brands, the wine company that exclusively markets our own brands, was particularly successful in 2014. The company has truly capitalised on its long-term investments in gaining good market insight.

In parallel with the strong sales growth, both the Swedish krona and the Norwegian krone weakened significantly against the euro in 2014. This is the primary reason behind this year's lower profitability. Extensive cost-mitigation measures were implemented during the year, and prices were increased to an extent considered appropriate from a competition perspective. These measures have not been sufficient to realise the Company's current ambition of increasing profitability.

STRATEGIC PRIORITIES

- **Increase productivity and mitigate risk through clear function-based responsibility and defined working procedures**
- **Anchor a market-focused, goal-oriented and united culture at ArcusGruppen**

Wine business area up to 2018

Both the Swedish and the Norwegian wine operations have profit margins that are the best in their respective countries. Given the demanding situation with foreign currency, increased profitability will come through increased sales. Both countries are working systematically to sign new agencies and increase sales in the existing portfolio. Acquisitions in Sweden and Finland will be evaluated on an ongoing basis.

Due to their respective wine companies, the Wine operations in both Sweden and Norway are very close to the market. This does not only apply to the current enhanced focus on the needs of consumers, but also to the close relationships with suppliers that the wine companies have created, for example, by being very knowledgeable about wine. Extensive networks in the international wine market have been successful and they will also be a key for future profitable growth.

Continued development of the success Arcus Wine Brands achieved with its «Low in tannins and histamines» concept are an important part of ArcusGruppen's strategy. This will be a strong driver of growth not just in Norway but also in Sweden and Finland.

BUSINESS AREA WINE	2014	2013	2012	2011	2010
Volume (millions of litres)	31,2	31,3	32,9	29,9	28,1
Total operating income (MNOK)	1 281,3	1 177,1	1 128,7	996,5	853,0
EBIT (MNOK)	179,3	191,7	197,1	139,1	102,4
EBIT, adjusted for non-recurring items (MNOK)	178,4	194,5	197,8	146,8	102,3
Operating margin adjusted for non-recurring items (%)	13,9	16,5	17,5	14,7	12,0

The Nordic wine market

Sweden, Norway and Finland all have state-owned monopolies – Systembolaget, Vinmonopolet and Alko respectively – with the exclusive right to sell alcohol to consumers. The monopolies are the consequence of social policies designed to regulate and restrict access to alcohol by means of availability, price and responsible trading practices. In addition to the monopolies, importers and producers can sell directly to hotels, restaurants and cafés, usually referred to as the HORECA market, as well as to Duty Free shops. Approximately 90% of the volume in these three markets is off-trade, i.e. through the monopolies, and 10% is on-trade (HORECA and tax-free shops).

ArcusGruppen is the second largest player in Sweden and the largest in Norway, with market shares of just under 11 per cent (unchanged compared to 2013) and 18.0 per cent (down from 18.1 per cent in 2013), respectively.

In Denmark, wine is sold to consumer through grocery store chains. Sales are subject to heavy price competition and products compete with the grocery store chains' own brands as well as the campaigns run by the chains. Profit margins are low and ArcusGruppen to date has opted to concentrate its operations in Denmark on spirits.

Cooperation with monopolies

ArcusGruppen's wine companies in Norway, Sweden and Finland each have many years of experience interacting with the retail monopolies and are very knowledgeable about how the monopolies work in their respective countries. This creates a competitive advantage in relation to most of the other market players, both in terms of producers and agents. The cooperation is such that the monopolies request bids for a specific wine area, grape type, age and price level. Blind taste tests run by the monopoly determine which bid(s) are accepted. This means that the bidder's expertise in wine, insight into the taste preferences of customer groups and a good contact network with producers are crucial. The bids are the most important door to the market. The Wine business area therefore places considerable importance on utilising the opportunities that arise and follows the monopolies' market plans closely to be able to be well prepared for bidding invitations. As a result, ArcusGruppen's wine companies have a high success rate with this type of procedure.

In addition, the wine companies, on their own initiative and based on their own assessments of market potential, introduce wines through the monopolies' catalogues. The monopolies are welcome to decline products, but this rarely happens for ArcusGruppen's wine companies. The individual stores determine if a product can eventually be added to the inventory of the monopolies' stores, and in how many stores, dependent on each individual store's size and customer base.

New products and marketing

The wine market is focused on new products and all three countries experience a high rate of change. Wine brands have a shorter life cycle than spirit brands, and consumer insight, an ability to innovate and market knowledge are crucial for maintaining a product portfolio that can be quickly adapted to the customer preferences. It is also necessary to have good contacts with suppliers in the wine world, and to have the knowledge necessary to win their trust and respect.

Bans on alcohol advertising in Norway and restrictions in Sweden and Finland make it necessary to have special insight into when products should be introduced to the market. The media is a very important channel, and all new products are presented to wine journalists and writers. ArcusGruppen's wine companies have also dedicated considerable efforts to transferring knowledge to and raising the competence level of these groups, which has also contributed to the creation of mutual trust.

National differences

The taste preferences in Sweden, Norway and Finland differ. This applies to grape varieties and wine-producing countries, as well as to wine brands. In Norway, traditional wine-producing countries, such as Italy, France, Spain and Germany, dominate, while the New World has a relatively stronger position in Sweden and Finland. Italian wine is moving forward in all three countries, and has been the largest wine country in Sweden and Norway for several years. The entire Nordic market is shifting toward lighter and lighter-coloured types of wine, even if red wine continues to be the clear market leader in all three countries. Within this segment the trend in Sweden is moving toward more powerful wines with higher alcohol and sugar content.

ArcusGruppen views the Nordic region to be its home market and is working to transfer successful concepts between countries. In line with this, our new Ruby Zin was introduced in January 2014 as a Swedish continuation of ArcusGruppen's "Low in tannins and histamines" concept, which has been such a success in Norway. Ruby Zin experienced similar strong, rapid sales growth in Sweden. It was introduced in Norway last autumn and since then has climbed quickly in Vinmonopolet's sales statistics. Never before has a single wine brand been a best seller in different countries, but Ruby Zin is now in the process of making history.

Own brands and distributorships

Most of the wine sales in Sweden, Norway and Finland take place through national import companies. The operations are often based on agencies for international producers' established brands, but there is a clear trend emerging of closer cooperation between the producer and importer to develop products adapted to Nordic tastes. Concept wines produced on special order from the importer, and marketed as its brand, are one manifestation of this. Significant volumes are imported in bulk for local bottling and marketing under each producer's or importer's brand.

ArcusGruppen is a leader as a brand owner in the in-house brand segment and is a major player on the bulk market. In Norway, the Group has the only large bottling facility in the country and an advanced, accredited laboratory for quality assurance.

Cross-border shopping and Duty Free

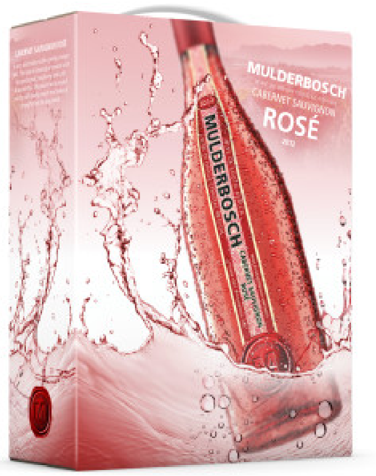
Cross-border retail trade is one factor that is influencing the market in all of the Nordic countries, but Norway and Finland in particular, where prices are significantly higher than in neighbouring countries because of taxes. The scope is far from certain, but the sales volume of wine and spirits at Systembolaget's «Norway stores» close to the border in 2012 corresponded to almost 20 per cent of Vinmonopolet's total volume.

Sales to Norwegian customers represented around two-thirds of all sales. In other words, the outcome for both Norwegian and Swedish sales statistics was significant in 2012, and Statistics Sweden has suggested that the Norwegian cross-border trade increased by an additional 6 per cent in 2013.

Swedish consumers in turn buy large volumes in Germany and, to some extent, Denmark. An increase in taxes in Sweden resulted in increased cross-border trade in 2014 and an addition tax increase of 9 per cent in 2015 will most likely strengthen the trend. Finnish cross-border trade is primarily directed to Estonia. Tax increases have made Finnish prices almost four times that of prices in Estonia, and a Duty Free quota of 100 litres of wine per person within the EU opens the door for extensive cross-border trade.

SWEDEN

Market trends



The Swedish wine market grew by around 2 per cent in 2014 compared to 5 per cent the previous year. Sales to hotels, restaurants and cafés (the HORECA market) grew marginally more than sales to Systembolaget, which in 2014 consisted of around 91 per cent of the total market, compared to 8 per cent for HORECA and 1 per cent for Duty Free.

Rosé, sparkling wine and champagne demonstrated particularly robust growth. Red wine is in general experiencing a decline at the same time as the shift to powerful red wines with high alcohol and sugar content continues at the expense of more traditional wines with less sugar and alcohol. Italy is the largest wine country in total and increased to a market share of 29.0 per cent compared to 26.0 per cent in 2013. France is holding second-place with a market share of 19.0 per cent, which is up from 17.0 per cent in 2013. South Africa fell in 2014 down to 8.0 per cent from 12.0 percent in 2013. Australia and Spain also fell, both of them around one percentage point to 8 per cent.

In total, there are more than 800 wine importers to Sweden and almost 400 of them deliver to Systembolaget. The ten largest importers have around 50 per cent of the market share, while the thirty largest have a combined market share of more than 88 per cent.

ArcusGruppen in the Swedish wine market

ArcusGruppen is the second-largest player in the Swedish wine market through Vingruppen i Norden AB and its subsidiaries. Aggregate sales in 2014 were MSEK 868, corresponding to MNOK 797, which is an increase from MSEK 830, corresponding to MNOK 749, in 2013. This is an increase that corresponds to the general market trend for wine in Sweden and the market share of just under 11 per cent is therefore more or less the same as in 2013. The operations have grown every year since they were established (in 1992) and hold a strong second-place position in the market. The main strategy of Vingruppen i Norden is to grow organically in its existing operations by starting new companies and through acquisitions.

ArcusGruppen's Swedish wine companies

In 2014 Vingruppen i Norden consisted of the Swedish companies, Vinunic AB, The Wineagency Sweden AB, Wineworld Sweden AB, Vinovum AB, Quaffable Wines Sweden AB, Valid Wines AB, Opentable AB and Your Wineclub Sweden AB, as well as the Finnish subsidiary, Vinum Import Oy. During the year Kajsa Wines changed its name to Valid Wines Sweden AB, and changed its status from being a subsidiary of Vinovum to a direct subsidiary of Vingruppen i Norden. Other operations in Vinovum were divested and the company changed its name to Quaffable Wines Sweden AB.

At the end of the year new companies were created within Vingruppen i Norden with the aim of continued expansion in 2015. Quaffable Wines Sweden AB at 1 Dec 2014 became a subsidiary of Wineworld Sweden AB.

In addition to being the Parent Company, Vingruppen i Norden provides central functions such as accounting, IT, HR and logistics for all of the companies in the group.

Vinunic AB was established in 1992 and is the largest company in Vingruppen i Norden. Important suppliers are Masi, Cline Cellars, Mulderbosch, Guigal and Louis Jadot. In addition to these, Vinunic works with some of the wine world's most famous quality producers, the largest of which are Domaine de la Romanée-Conti, Gaja, Louis Roederer, Sassicaia, Ridge, Shafer and Yalumba. There are a number of smaller producers as well.

The Wineagency Sweden AB was started by Vingruppen i Norden in 2007 and has quickly established itself as one of Sweden's largest wine wholesalers. The Wineagency's largest suppliers are Francois Lurton, Allegrini and JM Fonseca.

WineWorld Sweden AB was established in 2002. The company sells and markets both imported brands and in-house brands such as Que Pasa and Goder Aftonglögg. Its import portfolio includes Sweden's best-selling champagne, André Clouet Grande Reserve. WineWorld's largest supplier is Orion Wines and other major suppliers are Barone Ricasoli, Vina Falernia, Cantine Paolo Leo and Orion Wines. Wineworld is also the primary owner of the subsidiary, Quaffable Wines Sweden AB.

Valid Wines Sweden AB, previously called Kajsa Bergqvist Wines AB, was started in 2010. The company's most important suppliers are from South Africa, but it also delivers wine from Italian, French and New Zealand producers.

NORWAY

Market trends

Growth in the Norwegian wine market was relatively modest in 2014. Vinmonopolet experienced an increase in consumer sales of 0.5%, compared with 1.1% the year before. The large and still increasing volume of cross-border shopping is likely to be an important reason for the low market growth. Sales to hotels, restaurants and cafés (the HORECA market) decreased by –2.4 per cent of the total market in 2014, after a marginal increase in 2013. Duty Free wine sales in Norway comprises around ## per cent of the total market, which corresponds to an increase of ## per cent following the Government's implementation in 2014 of new regulations allowing the free quota of tobacco to be used for tax-free wine. However, this has contributed to a decrease in sales at Vinmonopolet.

For Vinmonopolet, Italy was again the biggest wine-producing country in 2014, with a market share of of 33 per cent (+1.2 per cent). France captured second place with 17.7 per cent (-0.2 per cent), followed by Spain with 10.6 per cent (-0.2 per cent), Germany with 8.4 per cent (unchanged) and Chile with 7.5 per cent (unchanged).

Red wine declined from 64.5 per cent of total sales in 2013 to 62.5 per cent in litres// in 2014. In spite of this, Italian red wine grew by 1.7 per cent in litres, and comprised 42.5 per cent of Vinmonopolet's red wine sales in 2013. Other leaders in the red wine category include France, Spain and Australia, but the main long-term trend is that red wines will continue to lose market shares to white and rosé. The white wine category grew by one per cent in 2014 and accounts for almost 27.4 per cent of table wine sales. Germany and France continue to dominate the white wine market, with 8.3 per cent and 7.7 per cent, respectively. Growth of 0.5 per cent in the rosé wine category was led by France and the USA, which grew to 30.4 and 13.2, respectively. Sparkling wine also posted strong growth of 0.7 per cent, led by Italy, Spain and France. In 2014 Italian sparkling wines in particular increased sharply.

ArcusGruppen's Norwegian wine market

ArcusGruppen's wine companies experienced a volume increase of 0.9 million litres of wine in 2014 to 13.2 million litres in total. A shift in sales towards more expensive products also meant that sales increased, from MNOK 401.2 to MNOK 460.5, while the market share measured as value increased to 18.7 per cent from 18.1 per cent in 2013, reinforcing ArcusGruppen's position as Norway's market leader in wine. This is in line with ArcusGruppen's continuous efforts to optimally balance its wine portfolio in response to changes in demand.

The change in regulations that in 2014 made it possible to replace the tax-free tobacco quota with wine limited the increase in sales for ArcusGruppen since Duty Free stores at airports and on ferries primarily buy directly from the producer.

ArcusGruppen's wine companies secured several important HORECA agreements in 2014, and ArcusGruppen is one of the leading players in Norway in this area. The HORECA market comprises around 10 per cent of the business area's total sales and is especially important in Norway because it is one of the few available channels for introducing products to the market.

A unique characteristic of the Norwegian market is that a large portion of its sales are Bag in Box, even in the premium segment. It can at times be difficult to convince producers of quality wine that this is the case, and beneficial to be able to demonstrate the business area's consumer insight and documented results in order to get these products delivered in this packaging form.

ArcusGruppen’s Norwegian wine companies

The Wine business area includes the Norwegian companies, Vingruppen AS, Arcus Wine Brands AS, Vinordia AS, Symposium Wines AS, Excellars AS and Vinuniq AS. Vingruppen AS is wholly-owned by Arcus-Gruppen AS, while the other companies are owned in whole or in part by Vingruppen AS after these shares were transferred from Arcus-Gruppen AS to Vingruppen AS in an internal reorganisation during the first quarter of 2014. The minority shares in each company are maintained independently of the subsidiary. The change means that there will be conformity between the legal structure and the way the business is organised in day-to-day practice. Internal functions such as accounting, IT and HR are still located in Arcus-Gruppen AS.

Vingruppen AS will mainly be a holding company but in practice it is first and foremost a joint spearhead out into the market for all of the subsidiaries and a full supplier of the entire portfolio of wines. It will primarily be ArcusGruppen’s customers that interact with Vingruppen, which is perceived as a unified, highly motivated organisation with extensive professional competence. The sales staff responsible for the HORECA market will work exclusively with wine, and all staff members are required to have undergone sommelier training and be qualified to serve as an advisor to our customers. Combined with a solid understanding of the market, this is key for succeeding in a strongly fragmented market where brand loyalty is low.

Producers and suppliers will continue to be able to interact with the individual wine companies just like before. This structure offers several advantages: The industry is characterized by personal contacts and cultural relationships between producers and agents, and a structure consisting of several smaller companies contributes in that it facilitates an entrepreneurial mindset as well as the development of existing operations.

Vingruppen’s main strategy is to expand through organic growth in its existing companies as well as by starting new enterprises and through acquisitions.

Arcus Wine Brands AS is Norway's largest single supplier of wine to Vinmonopolet. The company's business concept is to select the best quality wines for Nordic consumers, import the wine in tanks and tap the wine into bottles and Bag in Box in Norway. Arcus Wine Brands works exclusively with in-house brands. The company experienced solid growth, particularly in the «Low in tannins and histamines» concept. Tapping the wine near to the customer is economical and environmentally friendly, while guaranteeing that Arcus Wine Brands wines are always in good condition for customers.

Vinordia AS ArcusGruppen's largest wine company in Norway in turnover. The product and supplier portfolios are diversified, with revenue coming mainly from the classic European wine-producing countries. The company also has good suppliers in Chile, Argentina, South Africa and Australia and will allocate greater resources to developing relationships and increasing its market share in these segments. Vinordia is one of the leading wine companies in the HORECA channel.

Symposium Wines AS has established itself in a short time as one of Norway's leading quality importers. The company's founder, Sebastian Bredal, is one of approximately 300 Masters of Wine in the world and is the only one with this prestigious qualification working at a Norwegian import company. Combined with extensive communication skills, this title makes a difference both in Norwegian and international environments, particularly with important quality producers, who often consider it to be important that their partners are highly knowledgeable about wine. Symposium Wines represents quality producers such as Masi Agricola, Marchesi Mazzei, Grand Chais de France, Wongraven Wines and Von Winning. The company also represents iconic producers such as Mascarello and Valentino, and is among the best in Norway for modern Bordeaux.

Excellars AS is Norway's sixth largest wine supplier. The company was established in 2007 with a clear focus on wine products tailored to the Norwegian market Fundamental for the company are volume products such as Fumées Blanches, Château Bonnet, Johann Bihn and Boheme. Since its establishment, Excellars has gradually shifted toward its own controlled brands. One of these, Doppio Passo – a brand developed by Excellars – has the highest sales in Norway in recent years.

Product development and introductions

Vingruppen and its subsidiaries dedicated considerable resources in 2014 as well as in previous years to product development and to optimising the product portfolio for changes and trends in the Norwegian market. Among the launches of its own brands, one that deserves a special mention is Ruby Zin, a red wine in our «Low in histamine and tannins» line that was originally developed for Sweden and that after a wild success is now also moving up quickly through Vinmonopolet's sales statistics.

Another success is Jean Pois-Lion Côtes du Rhône Villages, one of our own brands that is produced in the Rhône district in accordance with Arcus Wine Brands' specification and taped into Bag in Box at Gjelleråsen. The wine is listed in Vinmonopolet's standard selection and has posted strong sales growth since it was introduced in early 2014.

FINLAND

Market trends

The Finnish wine market showed weak growth in 2013, primarily due to the new tax increases and sharp increases in Duty Free and cross-border shopping, to Estonia in particular, where almost 35 per cent of all of the wine that is drunk in Finland is bought. Total sales of wine in Alkos, the state monopoly, fell by around 1.3 per cent to 56.4 million litres. The Finnish HORECA market is relatively small and only comprises between 5 and 6 per cent of the total sales in the country. HORECA sales in Helsinki grew, but the development in the rest of the country is weak.

The market share for red wine increased from 47.3 per cent to 47.6 per cent and the long-term trend in Finland is that red wines are losing ground to white wines. However, white wine showed only a minimal downturn in volume in 2013 of –0.6 per cent, decreasing the market share to 38.3 per cent.

ArcusGruppen's Finnish wine market

ArcusGruppen's wine-related operations in Finland achieved sales growth in 2014 of 18 per cent in a market that is otherwise shrinking, and thereby reached a market share of 1.8 per cent. The wine-related operations are run under the auspices of Vingruppen i Norden AB through the subsidiary companies Vinum Oy (50 per cent stake) and the associated company Vinunic Finland Oy (30 per cent). The companies mainly import and sell wines from the same suppliers as Vingruppen's Swedish companies. The main strategy of Vingruppen i Norden in Finland is also to grow organically in its existing operations, start new enterprises and make acquisitions. Finland will again be a priority area for the Group's wine business in 2015.

BUSINESS AREA
GROUP SUPPLY CHAIN

In 2014, Group Supply increased its production and posted strong effective growth thanks to higher sales to ArcusGruppen's own wine companies, a greater number of bottling contracts as well as key stock build-up at the end of the year.

The stock build-up is due to the extensive factory renovation that will occur in January and February 2015 in preparation for the production of the Danish brands that will move to Gjelleråsen. The increased production during the last months of the year confirms the greater potential of Group Supply Chain; it is fully possible to produce large volumes in a cost-efficient manner.

STRATEGIC PRIORITIES

- **Create an effective organisation for purchasing that ensures the industry's best terms and conditions**
- **Deliver a supply chain for the lowest price and at the stated quality level and become the preferred partner for the customer**
- **Create a competitive supply chain organisation that can and will be the best**

Group Supply Chain business area until 2018

In 2015, the entire production from Aalborg in Denmark will be moved to Gjelleråsen. Together with a continued focus on profitability and greater bottling volumes, this will offer additional opportunities to improve capacity utilisation.

From a financial perspective, Group Supply Chain is defined as a cost centre. For external reporting, Group Supply Chain is reported together with the Spirits business area, which is its biggest user.

	2014	2013	2012
Volume bottled in Norway (million litres):	14.1	13.2	13.8
Number of litres bottles per worked hour:	132.5	111.6	92.2

Interfaces with other business areas

The interface between Group Supply Chain and the Wine and Spirits business areas is organised such that Wine and Spirits concentrate all of their activities on marketing, sales and product development. The business areas deliver their orders to Group Supply Chain with forecasts and other supportive material that is needed to accurately plan purchasing, production and inventory. For its part, Group Supply Chain has total responsibility for technical and practical processes all the way through to successful delivery of the goods to ArcusGruppen's customers. The business area will become, over time, the only point of contact with Vectura and other distributors for finished goods and suppliers of intermediate goods.

Structure and areas of responsibility

Among the business area's tasks are the operation and maintenance of raw materials storage, a cask warehouse and production plants for spirits and the bottling of wine and spirits at Gjelleråsen, production at Atlungstad Brenneri at Stange and the production in Aalborg until it is discontinued in the first six months of 2015. Finished goods warehousing and distribution are also part of the business area's responsibility. In Norway, these functions are outsourced to Vectura, which distributes directly to customers such as Vinmonopolet and hospitality businesses in Norway. In other countries, these functions are contracted to partners and wholesalers. In Denmark, finished spirits are transported in bulk from Ålborg to an external bottling plant in Svendborg, but this function will also be moved to Gjelleråsen in 2015.

Arcus Denmark A/S, a wholly-owned subsidiary of Arcus-Gruppen AS, is responsible for the warehousing, while the marketing, sales and distribution in Denmark are left to Det Danske Spiritus Kompagni A/S. This company was established in 2012 with Arcus-Gruppen AS and Fleming Karberg Familieholding ApS as equal owners and partners.

The Group Supply Chain business area is also responsible at the Group level for purchasing and property management/facility management. Purchasing is an important focus area in 2015 and is described in its own section below.

Bottling strengthens competitiveness

On the 3rd of November, Goder Aftonglögg, a series of four organic glöggs that were developed for the Swedish market, was launched at Systembolaget. «Making the Goder Aftonglöggs organic was the obvious choice and a conscious decision from our side. The wine and sugar are organic and the spices and aromas are 100% natural. We believe it is important to think about the future – which we do by using organic products and constantly developing our sustainability efforts,» writes Magnus Eklöf from WineWorld, the company behind the products.

The vision of the project made this an exciting journey for Group Supply Chain. This is an ambitious project that is in line with the goal of the business area to be the best in the Nordic region, and in particular in Nordic products. We were therefore very interested in helping the project succeed – and we managed to create something that helped make WineWorld competitive.

In our experience, the cooperation with WineWorld and subcontractors was successful and constructive. Even if there were some challenges, for example with new production processes and suppliers, we successfully implemented the project and gained new competence. Group Supply Chain has produced and delivered four new variations: a two-litre red wine glögg in Bag in Box and three variations in 0.75 litre bottles of red, white and fortified wine glögg. In total, 273,000 litres comprising four different variations, all of which were critically acclaimed, were delivered to WineWorld. «More than value-for-money» and «Great find» were the descriptions used to describe the glögg, which was sold out from the warehouse in Sweden before Christmas.

Focus on innovation

Group Supply Chain had a strong focus on innovation in 2014. Here are some of the implemented projects:

- Implementation of a full redesign for the two Norwegian «flagships», Lysholm Linie and Vikingfjord Vodka
- New bottle design and the first bottling of a Danish product – Aalborg Christmas Aquavit 2014
- New aquavit matured in a new type of cask – Gammel Opland Edel Muskatell
- Several new vodka flavours
- Implementation of a redesign of brandy products
- Establishment of Atlungstad Brewery in Stange as a bottling location, with new equipment and new processes for bottling smaller volumes at micro facilities
- Development of Norwegian vodka for bottling for the Polish market

BUSINESS

During its first full operational year as its own business areas, Group Supply Chain focused on strengthening profitability. Efforts were made in part to reduce costs and in part to increase revenue through higher productivity and better use of production capacity.

Transfer of Danish production to Gjelleråsen in 2015

One of the main projects for Group Supply Chain in 2015 is the transfer of production of Aalborg Aquavit, Gammel Dansk and Malteserkreuz from Aalborg to Gjelleråsen. This will require a renovation and expansion of the facility and this work will primarily take place in January and February 2015. Production itself will be transferred during the course of the first six months, following the preparations at the facility and the employees receiving the necessary training to make products. The bottling function is planned to move during the course of the second half of the year of 2015.

When both production and bottling have been transferred to Norway, major synergy effects will be achieved in the form of a significant production increase without increasing the staff at Gjelleråsen. A productivity improvement of 30 per cent is expected. This entails additional disbursement for the higher skill level that has been built up by the employees in the department, while employees in turn gain more knowledge and experience by working with new products. In Aalborg, significant operational and production costs disappear since the factory can be closed down without any major liquidation costs. Costs for third-party bottling also disappear in Denmark when the bottling function is moved to Norway.

As a result of the achieved cost reductions, the production of the Danish spirits portfolio during 2015 is expected to make a significantly greater contribution to the total value creation at ArcusGruppen.

Enhanced purchasing function

During its first full operational year, Group Supply Chain has thoroughly reviewed all of ArcusGruppen's purchases to ensure the best possible terms throughout the entire spectrum, from raw materials for production to transport, insurance policies, car agreements, office supplies, etc. In order to benefit from being a large customer, it is necessary to avoid incidental purchases and purchases where different parts of the Group operate independently of one another.

The business area's purchasing unit has therefore spent a lot of time systematising the purchasing function by coordinating purchases for the entire Group and finding and signing contracts with a limited number of suppliers that have good opportunities for meeting the needs of the Group. Contract-based and coordinated purchases result in not only favourable conditions but also improved opportunities for control and cost analyses. A decision has been made that a purchasing project will be conducted in 2015 that potentially could result in savings of MNOK 30 per year, with full effect as of 2016.

Reduction of waste

In terms of costs, «Project Waste» has been one of the main activities in 2014. The implemented measures are good for both the environment and ArcusGruppen's profitability. The project entails the systematic and goal-oriented review of the production processes and procedures with regard to covering and utilising improvement opportunities. The main focus has been on in-house bottled wine, which through a series of processes arrives from the producer in 25,000 litre containers and is then tapped to Bag in Box or bottles. This means that there are a significant number of points at which waste may occur in the form of leftovers or spills. The project has generated documentable results. Technical improvements, changed procedures, improved awareness and good, goal-orientated efforts by employees in 2014 resulted in a decrease in wine waste by 50 per cent, down to a level of 1.5-2 per cent of total waste – which is just as good as other bottling facilities.

Project Waste will continue into 2015, for example with the implementation of a new data warehouse that will provide better and safer data for new measures. The next focus area will be production of spirits, waste at finished product storage and consumption of energy and water.

Higher capacity utilisation via bottling and innovations

ArcusGruppen’s facilities at Gjelleråsen are one of Europe’s newest and most advanced bottling facilities for wine and spirits, and one of the very few to have its own accredited laboratory for quality assurance and monitoring. The facility is designed to be able to handle high volumes and has a potential for bottling and innovation that has not yet been utilised to its full extent. This is one of the main reasons why Group Supply Chain needs to increase its degree of utilisation. Considerable efforts were made in 2014 to adapt its offer to the market and to be perceived as an attractive and competitive sales partner with the competence and equipment to deliver the proper quality. This applies to both external wine and spirits suppliers, and in particular to the units within ArcusGruppen that currently use external bottling facilities.

This work resulted in an increase in bottling volumes by 55 per cent in 2014 and is expected to result in additional increases in 2015. In total 132.5 litres per worked hour were bottled in 2014 compared to 111.6 litres the year before. This corresponds to a productivity improvement of 18.7 per cent.

LYSHOLM LINIE

Savvy seafarer

The year is 1807. Throndhiems Prøve, a brig owned by the Lysholm family, returns home to Norway from a trip to the East India islands. On the cargo deck is the same shipment of Norwegian aquavit that left with the ship. Impossible to sell, said the captain. It was a shock when someone opened a cask to taste it. Elegant, well-balanced and delicious grapes that resembled the raw spirits that at the time left Trondheim’s harbour. Jørgen B. Lysholm must have thought about that transformation for a long time, but he had figured it out by 1840, when he first offered his Lysholm Linie Aquavit to the market. A noble product, matured on a journey to the other side of the planet.

ACROSS THE EQUATOR AND THEN ACROSS IT AGAIN

Since then this golden drink has continued to sail the seas. Today, Lysholm Linie Aquavit is the Nordic region’s oldest aquavit brand, and it is constantly enchanting more and more people with its unique and complex flavour, which includes caraway, anise, oak, sherry and spices.

At any time, a one thousand-year-old sherry cask filled with first-class aquavit is sailing around the world. Still as cargo, but now on modern Norwegian liner vessels. From the harbour of Oslo to Bremerhaven, Washington, Sydney, and Singapore. Through the Panama Canal to the Caribbean Islands, on to European cities and back to Oslo. Thirty-two harbours in 120 days, and twice across the equator.

eanwhile, the slow shifts in temperature and humidity and the never-ending movements of the waves and wind work their miracle down on the cargo deck. The sherry and the oak are slowly but surely pulled out of the wood in the cask and absorbed by the spirits, processes shrouded in secrecy are underway that no one really understands. And then Lysholm's Linie Aquavit arrives back at Arcus at Gjelleråsen, ready to be tapped, and with a special flavour that is only found in the fully fledged product. A character that no one has yet to reconstruct in an easier manner.

IN LINE WITH THE TIMES

Aquavit with a meal is a solid tradition in the Nordic region. Nordic food is now in the process of gaining well-deserved recognition and attention in Europe and the USA. At Arcus we are following this trend and creating drinks in close, creative collaborations with the Nordic region's most prominent chefs and bartenders. We have arranged The Linie Award for the past few years, the Nordic region's most prestigious award for ambitious chefs and bartenders under the age of 26. The challenge is to create dishes that are suited to aquavit or that use aquavit as an ingredient. And create drinks that use aquavit's exciting features in an innovative way. Previous winners of The Linie Award can currently be found from Tokyo to New York, running restaurants that have been awarded one and two Michelin stars as well as successful bars.

LINIE OUT IN THE WORLD

Norwegians love their Linie aquavit, but an impressive 95 per cent of all Lysholm Linie Aquavit is consumed outside of Norway's borders. It is the most international of all of the aquavits. At Arcus we are doing our best to ensure that more people in other countries have the opportunity to get acquainted with Lysholm Linie. So they can experience the deliciousness of aquavit with good food, in new cocktails where the fantastic spices of the aquavit are balanced by other flavours and components, or as an exciting twist as an alternative to gin. Or maybe as a new, interesting Schnaps to München's famous beer?

A savvy seafarer who is determined to continue to conquer the world.

"At Arcus we are doing our best to ensure that more people in other countries have the opportunity to become acquainted with Lysholm Linie."

Linie avec

Even a well-travelled Linie aquavit can undergo further refinement. After sailing around the world in sherry casks, Lysholm Linie is tapped over to carefully selected port casks. The aquavit is aged there for six months, which is just the right amount of time to embrace new aromas and hints of flavour, until the matured spirit can be tapped as Lysholm Linie Double Cask. An even more well-rounded and well-balanced aquavit than the original, with an extra dimension to its complex flavour. Lysholm's port-aged Double Cask will soon be joined by another, equally excellent family member. We have now also filled some of our best, old Madeira casks with Lysholm Linie. Noble grapes on their way to perfection, ready to be tapped within the year.
Lysholm Linie Double Cask is the ultimate Linie aquavit, soon available in two excellent flavours. Each one unique – both perfect avec, with dessert or with aged cheese.

GAMMEL DANSK SHOT

The fountain of youth for Gammel Dansk

It is difficult to find someone in Denmark who has not heard of Gammel Dansk. This traditional bitter dram is an icon and a highly respected part of Danish culture. For countless numbers of Danes, this dram makes special moments even more special. Some Danes, however, flatly refuse when this characteristic bottle appears on the table, and their numbers are growing. The average age of Gammel Dansk loyalists is steadily increasing.

REDISCOVERED LOVE

When ArcusGruppen took over the Gammel Dansk brand in 2013, the first thing we did was to conduct consumer surveys. What we saw was that we must win back younger user groups, and we realised it was time to take measures to renew the Danish love for its better dram. Our best tasters and experts gathered in our spice room, and after a long time of trial and error, new mixtures and many tests, we were finally able to proudly present our new product to the Danish people; Gammel Dansk Shot, a new, full-fledged member of the Gammel Dansk family. Still bitter, but not quite as bitter. Dark, strong grapes that keep their soul and complexity, always well balanced, but more elegant and a bit softer and friendlier in terms of taste. With hints of liquorice and bit of chili.

We stayed true to our passion for natural ingredients, but Gammel Dansk Shot was given a more urban character. It is a success among many who believe that the classic version is too demanding but want something more exciting than ordinary candy shots. Gammel Dansk Shot is a shooter for adults, a new alternative on the Danish drink market and easy for many to enjoy. But not for everyone. ”Always its own. Never Like Others” is the slogan that says it all. About the drink, and about the people who drink it.

”ALWAYS IT’S OWN”

We developed this new product out of deep respect for the classic Gammel Dansk and the Danish tradition of bitter dram. We wanted to preserve the value of the brand, which has been built up over a period of fifty years. Gammel Dansk Shot should attract new friends to the Gammel Dansk family, but at the same time strengthen the main brand. The logo and the unique bottle with its signature long neck make the product unmistakably Gammel Dansk. But the profile for the entire Brand is completely new. Before we talked about ”enjoyment”, now we celebrate the individual, the will to be ”your own”. A different profile that encourages both new and old friends to view this well-known spirits brand through fresh eyes.

”NEVER LIKE OTHERS”

”Always its own. Never Like Others” is the theme of the new profile. It can be found in all marketing material – commercials, advertisements, social media, Gammel Dansk’s own website. And, most importantly, the ”Never Like Others” award, a celebration of people just as special as Gammel Dansk, with football legend Preben Elkjær and heavy metal icon Lars Ulrich as the judges. They have been given the task of finding a winner each month, and from these monthly winners, the winner of the year’s big «Never Like Others» award. In 2014 the award went to a Dane who had built three submarines and is now building his own rocket ship. Truly, ”Never Like Others”.

The result: the plan was to sell the first 50,000 litres of Gammel Dansk Shot over a period of twelve months. They sold out in six. And without the loyalists abandoning their classic bitter dram!

”A different profile that encourages both new and old friends to view this well-known spirits brand through fresh eyes”

29 ingredients, plus one

Twenty-nine ingredients are combined to give Gammel Dansk its unique flavour. Herbs, berries, bark, roots, spices and flowers in a carefully weighed mixture. The exact recipe has been one of Denmark’s best kept secrets for fifty years, since Gammel Dansk was introduced in 1964. But only the most advanced palettes will be able to fully appreciate this unique dram.

Gammel Dansk Shot contains a total of 29 ingredients, plus one – chili is number 30. The balance between the ingredients has changed, with less rowanberries and a new ratio of liquorice, anise, fennel and star anise. Small changes, but large enough to create a recognisable yet still new, more approachable and muted flavour that many will appreciate. And – that for some might also become a new introduction to the classic Gammel Dansk.

LOW IN TANNINS AND HISTAMINES

Red and gentle to the head

Most people enjoy a nice glass of red wine, but for some, it comes with a price. Customer surveys conducted by Arcus Wine Brands show that one out of three women and one out of four men have a physical reaction to red wine, even when exposed to only moderate amounts of the red grape.

Research indicates that this may be due to a histamine intolerance, or even an intolerance for tannins although this has not been scientifically proven. The surveys also show that many people do prefer there to be some tannins in their red wine, but would like a softer taste that is not as sharp.

UNDERSTANDING OUR CUSTOMERS

Given this research, we have spent several years developing a new special type of new wine that contains fewer substances that cause a reaction in many people. Histamines and tannins are found in all red wines, but the amount varies due to, for example, the type of grape, the maturing location and the production process. We are drawing on our extensive knowledge about wine and using ArcusGruppen’s advanced laboratory to find good wines with stable, low content of both substances. Thanks to our highly technical production equipment, we can reduce and stabilise the levels without losing flavour or fruitiness.

ONE SUCCESS AFTER ANOTHER

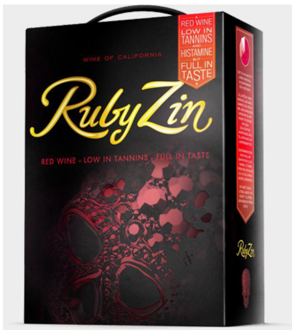
This combination of customer insight, professional competence and innovative ability has resulted in a series of successes that has ushered us into the leading position in a new, attractive segment in the Nordic red wine market. We have launched unique wines that the market has welcomed with open arms, the first of which was Australian Ken Creek. Today, Falling Feather is Norway's second most-bought wine and Zanni Valpolicella is one of Vinmonopolet's best sellers. Ruby Zin is growing rapidly and posting record sales in Sweden and it is now about to climb to the top of Vinmonopolet's sales statistics as well.

To the top in Norway

Norway's second most-bought wine in 2014, Falling Feather, is a red wine that was developed by Arcus Wine Brands specifically for consumers who enjoy a rich California wine with a steak but would also like low levels of histamines and tannins. Its flavour can be enjoyed by most red wine enthusiasts as well, which is not a coincidence. We have invested considerable resources into building up solid market insight.

Knowing what wine purchasers in the Nordic region and in Norway are looking for in a wine has been a worthwhile investment, and this is why Falling Feather scores so high. The wine is based on the Ruby Cabernet grape, which gives a full, balanced and comfortable wine with a lingering sweet aftertaste – perfectly adapted to Norwegians' preference for red wine. They are either sensitive to histamines and tannins, or they are not.

Nordic successes



There are at least three reasons why the American red wine, Ruby Zin, has rocketed to the top of the Swedish sales statistics since its introduction in January 2014.

The first reason is that Swedish red wine enthusiasts with sensitive heads have finally been presented with an alternative that is low in histamines and tannins. Second, the mix of Ruby Cabernet and Zinfandel grapes from sunny California produces a soft, round taste but keeps the zinfandel character – which is important in Sweden, where zinfandel-based wines are popular right now. And last but not least, Ruby Zin is the result of a unique collaboration between Arcus Wine Brands at Gjelleråsen, which provided the product development and production of its «Low in» concept, our wine company in Sweden, Vinunic, which knows down to the detail the preferences of Swedish wine customers, and the well-known Swedish TV host, blogger and wine lover, Laila Bagge. Laila Bagge has profiled this new product and given it its identity and recognisability, and she has been active in its promotion and marketing. She has also been personally responsible for the unique design of the packaging, which contains elements from her popular jewellery collection and has caught the eye of design-conscious Swedes.

The Zinfandel grape is now trending in Norway, and Ruby Zin is currently being added to the selection at an increasing number of Vinmononpolet stores. Its sales numbers are growing rapidly, and all of the signs indicate that Ruby Zin has the potential to be the first wine to be successful in both Sweden and Norway.

A ROSÉ ADVENTURE

Sweden in the summer and Mulderbosch Rosé: the perfect combination. Many Swedish consumers have already discovered Mulderbosch Rosé, but what they are now even discovering is that this South African wine fits just as well with good company and good food during the darker months of the year.

It did not take long from when VinUnic selected Mulderbosch Rosé until the bottle, with its unique, vertical label, took over as the category's top selling wine at Systembolaget. It also became one of the main drivers behind the growth in the entire rosé category, which was far from modest. Sales of rosé have grown from three million litres in 2006 to 15 million litres in 2014.

The rosé success

At VinUnic, we did not want to settle for selling 750,000 bottles of rosé a year. We are constantly conducting consumer surveys and we know what our customers want. Together with this South African wine house, we implemented a new development project in order to also be able to offer this delicate pink wine as Bag in Box. In April 2013 the new product debuted in Systembolaget's catalogue and the orders almost immediately started pouring in, to such an extent that the Bag in Box product in a very short period of time earned itself a permanent position in Systembolaget's selection in all stores throughout the country. In 2014 sales reached 920,000 litres – while the same wine in a bottle sold more than 560,000 litres. This means that the Bag in Box only took three per cent of the market from the bottles – and that Systembolaget's customers in total purchased almost 1.5 million litres of Mulderbosch Rosé in 2014. This meant that the wine was the clear leader in its category, calculated in value, making it the greatest Swedish rosé success of our time.

Many channels to the market

But even Mulderbosch Rosé cannot sell itself. Behind this success is not only a carefully selected product but also a lot of work from both the producer and VinUnic. In South Africa efforts are continuously underway to find the best possible wine brands in the Kapp Province's Coastal Region, by perfecting harvesting and production and by refining the wine to Swedish customers' wishes and preferences as identified by VinUnic. In Sweden we carry out systematic marketing campaigns in all available channels – media contacts, PR, social media and advertising. And we are very focused on the package design. It is not at all a coincidence that Mulderbosch Rosé Bag in Box utilises a design that plays on the customers' positive impression of the well-known bottle. The design indicates that this is the same loved, popular product, only in new and more practical packaging.

The Mulderbosch effect

The current success of rosé wine has given Swedish wine shoppers good associations with Mulderbosch. The name is associated with quality wine for life's wonderful moments, but this South African wine house can do more than make a good rosé. In 2014 Mulderbosch Chardonnay was introduced at Systembolaget, an acclaimed cask-aged white wine in the premium class.

Pink and white can now follow red; VinUnic and the makers of Mulderbosch collaborated to create a powerful, robust red wine using the Shiraz grape. After considerable testing and refining, the final product is ready for Systembolaget's shelves. Mulderbosch Shiraz is exactly the kind of flavourful red wine that we know Swedish wine shoppers appreciate. It is also a quality product from start to finish, and we and the Mulderbosch house are proud to offer it among our wines.

WHITE FAVOURITES

Lighter-coloured and lighter wines have been the main trend on the Norwegian market for several years. French white wines in particular are becoming more and more popular among Norwegians who enjoy a good glass of wine. The respected French wine house, Laroche, which is mostly known for its excellent white wines, is therefore well positioned.

However, the sharp increase in sales in Norway is first and foremost the result of a close cooperation between the French wine maker and Norwegian Vinordia. The Laroche House contributed to the cooperation its experience and expertise, which it has been developing since 1850, and its ability to renew and re-invent.

Vinordia contributed its knowledge about the likes and needs of Norwegian consumers, general information about the Norwegian market and the Vinmonopolet system and customer insight that has been built up through systematic surveys and many years of experience. This combination created a solid foundation for achieving long-term success in the Norwegian market.

White from the north, white from the south

The result – a massive success. Over the past two to three years, the collaboration has catapulted Laroche into the position as the clear leader in white wines in Norway in not just one, but in two categories. Laroche Chablis, from some of France's northernmost vineyards in Burgund, is now the largest in the sleek, elegant Chablis category that more and more Norwegians are learning to appreciate. Wines from Languedoc in southern France, not far from the Mediterranean Sea, are also elegant but fruitier and sweeter. This is where Laroche Chardonnay L comes from, a brand that has grown into Norway's leading French white wine in both a bottle and Bag in Box.

We have no intention of sitting back and enjoying these achievements. In 2015 we will dedicate considerable resources to product development to further broaden the scope of this best-seller. Vinordia is working directly with the top management at Laroche and this cooperation is based on mutual respect and a high level of expertise on both sides. The result is a cooperation that is characterised by good communication and a shared understanding that continuous product development is the key to succeeding over time in an ever-changing wine market.

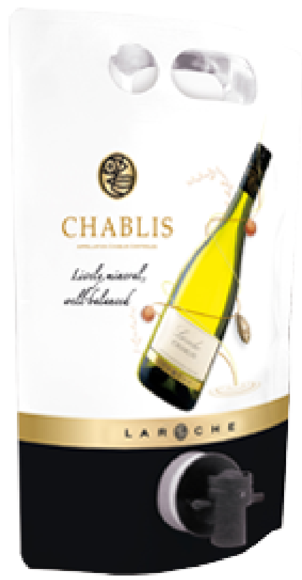
Unique taste, unique design

One of the projects that Laroche and Vinordia have been working together on for more than three years is a project to improve the Chablis category. A result of this project was the creation of a new blend of Chablis that uses different wine brands. It has a unique flavour that, based on our surveys, is precisely the kind of flavour that Norwegian white wine enthusiasts will appreciate. It has been very successful with both consumers and journalists/wine authors, and it has strengthened interest in and the reputation of the category in general in Norway.

Another project is related to packaging. Both Laroche Chablis and Chardonnay L appeal to a specific audience, i.e. people who appreciate a connection between form and content. For our target groups, an elegant, high quality wine becomes even more appealing when it is presented in packaging with an equally high quality design. This is why we work very closely with talented designers. We test colours, fonts, symbols and materials, and then we test them again, until we have found an expression that resonates with our customers. This helps ensure that, next time, it will be a white wine from Laroche that goes home from Vinmonopolet.

Pioneer in pouches

Pouch – a new method of packaging wine that unites some of the best features from a bottle and the Bag in Box – is in the process of taking off in both the USA and several European markets. At Vinordia, we have decided to be one of the pioneers in Norway, and when we first introduce this trendy, practical and more environmentally friendly packaging, we think it should be filled with equally trendy content.



Therefore, the elegant quality wines, Laroche Chablis and Laroche Chardonnay Pays d’Oc from southern France, will be the first of Vinordia’s wines to come in a pouch, and we have high expectations. The pouches will be launched in the spring of 2015.

CORPORATE SOCIAL RESPONSIBILITY

We are ambitious at ArcusGruppen. We strive to be the best in wine and spirits in the Nordics, and we know that as a large, serious player we must actively take into consideration the world around us.

When we define our corporate social responsibility, we start with the expectations that customers, consumers and society place on us and analyse both the business opportunities and the risks. Our work with Corporate Social Responsibility (CSR) is an integral part of our operations and helps us achieve our goals.

ArcusGruppen is an important partner for the Nordic alcohol monopolies. One fundamental requirement for us is to follow their initiatives to contribute to the safety of the entire supplier chain.

We must effectively operate in all areas and work systematically to reduce our consumption of resources and emissions.

At ArcusGruppen we will create great experiences. In line with this we have defined the work for responsible consumption as part of our CSR policy.

We have chosen to focus on three areas for CSR at ArcusGruppen:

- **Environment**
- **Responsible trade**
- **Responsible consumption**

ENVIRONMENT

ArcusGruppen produces, imports, bottles and distributes wine and spirits for the Nordic market, and we have an impact on the external environment in doing so. We support a precautionary approach and work in accordance with plans to reduce our environmental footprint.

Measures

The entire production chain is mapped and analysed. Measures are implemented where the gains are greatest. This benefits the business while at the same time reducing the negative impact on the external environment.

Goal *)	Target *)	**Status 2014**
Increase energy efficient in production	0,323 KWh/ litre produced	12-month rolling measurement at October shows 0.35 KWh. The target was not reached due to lower production.
Increase the percentage of renewable energy for operation of buildings	62 %	The percentage was 70% in 2014. Most important contributions are the geothermal heating system.
Reduce water consumption in production	4% (secondary target for 2014) 10% in 2016	The goal is that water consumption will be reduced by 10% in 2016. Achieved reduction January-October 2014 was 10% due to steadily improved knowledge about how to utilise the possibilities of the facilities.
Reduce waste in production per bottled litre.	10% per bottled litre in 2016. Established reference point for wine and spirits (secondary target 2014).	Reference point has been established for wine, and waste has been almost halved in 2014. For spirits the reference point will be established in the second quarter of 2015 based on data from the new data warehousing solution that was taken into operation in early 2015.

*) All goals and targets apply to the operations at Gjelleråsen

RESPONSIBLE TRADE

This area has an overall goal to ensure that ArcusGruppen complies with human rights and workers' rights and that we do not support any form of corruption. Responsible trade has been adopted as one of the Group's goals particularly because of the countries from which we import wine from, which could be in violation of some of the conditions mentioned above.

The entire production chain is mapped and analysed and measures are implemented where the gains are greatest. This benefits the business while at the same time reducing the negative impact on the external environment.

Measure

The Nordic alcohol monopolies (NAM) have developed joint guidelines for CSR (NAM Code of Conduct) and ArcusGruppen complies with these guidelines. Suppliers to Vingruppen in Norway have confirmed to ArcusGruppen that they comply with NAM's Code of Conduct, and random checks by Vinmonopolet have verified this. In Sweden and Finland, Systembolaget and Alko, respectively, conduct their controls independently of the importers, and we therefore do not know which producers and which countries will be checked. Neither Vingruppen in Norway nor Vingruppen i Norden in Sweden have received any negative remarks.ArcusGruppen is obliged to follow the ten fundamental principles of the UN's Global Compact. These principles regulate human rights, working conditions, the environment and anti-corruption. Membership in Global Compact means that the company will do its best to manage its operations in line with these ten principles.
All employees at ArcusGruppen are covered by ethical rules that place clear, strict requirements on our interaction with customers and suppliers.

Initiative	Status 2014
Nordic Alcohol Monopolies' Code of Conduct	No negative remarks were received following NAM's controls.
UN Global Compact	In 2014 ArcusGruppen reported for the first time in full format and with a detailed description of how we comply with the Global Compact principles. ArcusGruppen's status was upgraded from Basic to Active.
Ethical rules for ArcusGruppen.	No breaches were reported in 2014.

RESPONSIBLE CONSUMPTION

At ArcusGruppen we are conscious of the special responsibility we have to promote a positive attitude toward and proper use of the products we sell. Responsible consumption was a prioritised area in 2014 and a foundation was laid to continue this work in 2015.

Measure

Every employee at ArcusGruppen can be seen when out at both professional and private events. What we do and the attitudes we express matter. This approach forms the basis of our starting point in 2014 for our work with plans and measures to promote responsible alcohol consumption.
We would like to increase involvement in our own operations and have set a goal that ArcusGruppen's efforts to create a positive alcohol culture should be a source of internal pride.
At the same time it is our ambition to continue to expand on internal measures so that we can reach relevant groups with information and awareness-raising measures.

Goal	**Target**	**Status 2014**
Strengthen involvement in creating a responsible alcohol culture.	Before the end of 2016, 8 out of 10 employees should be proud of ArcusGruppen's efforts to achieve responsible consumption.	An internal campaign has been planned.

PARENT COMPANY ACCOUNTS WITH NOTES

Statement of income 01.01. – 12.31.

Statement of income 01.01. – 12.31.	NOTE	2014	2013
OPERATING INCOME AND EXPENSES (NOK 1000)			
Other operating income		2	4
Other operating income from group companies		179 131	166 469
Total operating income		**179 133**	**166 473**
Salaries and other personnel costs	2	-58 979	-62 564
Depreciation	3,4	-5 941	-5 046
Other operating expenses		-144 517	-142 812
Total operating expenses		**-209 437**	**-210 422**
Operating profit		**-30 304**	**-43 949**
FINANCIAL INCOME AND COSTS	**NOTE**	**2014**	**2013**
Interest income		1 976	826
Other financial income		5 256	19 372
Dividend/group contribution from companies in the same group		357 731	208 179
Interest costs		-2 299	-19 239
Interest costs to companies in the same group		-6 046	-13 751
Write-down of financial assets		0	-76 959
Other financial costs		-11 187	-11 538
Net financial profit		**345 431**	**106 890**
PRE-TAX PROFIT		**315 127**	**62 941**
Tax	11	2 598	-7 155
PROFIT FOR THE YEAR		**317 725**	**55 786**
Transferred from/to other equity		317 725	55 786
Total allocations		**317 725**	**55 786**

Balance pr 31. december

Statement of financial position at December	NOTE	2014	2013
ASSETS (NOK 1 000)			
Fixed assets			
Intangible assets			
Deferred tax assets	11	26 468	23 870
Software	4	12 464	10 718
Total intangible assets		**38 932**	**34 588**
Tangible fixed assets			
Land, buildings and other real estate		1 626	1 626
Machinery and equipment	3	9 038	13 244
Fixtures and fittings, tools, office equipment, etc.	3	11 037	13 096
Assets under construction	3	10 195	0
Total tangible fixed assets		**31 896**	**27 966**
Financial assets			
Investments in subsidiaries	5	1 445 295	1 374 161
Investments in associated companies & jointly controlled entities	5	7 665	7 665
Total long-term financial assets		**1 452 960**	**1 381 826**
Total fixed assets		**1 523 788**	**1 444 380**
ASSETS (NOK 1000)			
Receivables			
Accounts receivable		0	2 525
Accounts receivable from Companies in the same group	10	14 504	68 023
Group contribution/dividend from subsidiaries	10	34 372	103 105
Balances in the Group cash pool system		177 038	0
Other receivables from companies in the same group	10	1 605	6 604
Other receivables		27 881	2 609
Total receivables		**255 400**	**182 866**
Cash and cash equivalents	8	0	0
Total current assets		**255 400**	**182 866**
TOTAL ASSETS		**1 779 188**	**1 627 246**

EQUITY AND LIABILITIES (NOK 1000)			
Equity			
Paid-in equity			
Share capital	12	276 552	276 000
Share premium		990 993	23 545
Total paid-in equity		**1 267 545**	**299 545**
Retained earnings			
Retained earnings	12	392 071	76 228
Total retained earnings		**392 071**	**76 228**
Total equity		**1 659 616**	**375 773**
Liabilities			
Provisions			
Pension obligations	13	10 961	7 563
Other provisions	14	231	264
Total provisions		**11 192**	**7 827**
Other long-term liabilities			
Debt to credit institutions	9	9 486	10 082
Liabilities to companies in the same group	10	47 719	968 294
Total other long-term liabilities		**57 205**	**978 376**
Other short-term liabilities			
Accounts payable		29 683	9 181
Accounts payable to companies in the same group	10	195	227
Public taxes		3 231	3 299
Drawings on the Group cash pool system		0	218 381
Other current liabilities to group companies	10	2 149	14 248
Other current liabilities		15 917	19 934
Total current liabilities		**51 175**	**265 270**
Total liabilities		**119 572**	**1 251 473**
TOTAL EQUITY AND LIABILITIES		**1 779 188**	**1 627 246**

Holdings of cash and cash equivalents as of 12.31.

Statement of cash flows 01.01. – 12.31.	NOTE	2014	2013
CASH FLOWS FROM OPERATIONS (NOK 1000)			
Pre-tax profit		315 127	62 941
Ordinary depreciation		5 941	5 046
Group contribution provision taken through profit or loss		-34 372	-103 105
Dividend without cash effect taken through profit or loss		0	-5 318
Write-downs of long-term financial assets		0	76 959
Pension costs without cash effect		1 516	713
Other profit/loss effect without cash effect		1 379	-120
Change in accounts receivable		56 044	-52 498
Change in accounts payable		20 470	-5 838
Change in other current assets and other liability items		-36 457	82 966
Net cash flows from operational activities		**329 648**	**61 746**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of tangible fixed assets		-11 618	-4 376
Payment on acquisition of subsidiaries		-24 827	-754 008
Proceeds from sale of subsidiaries		0	2 100
Payment on acquisition of associated companies		0	-2 031
Net cash flow from investment activities		**-36 445**	**-758 315**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from new long-term debt to group companies		0	968 294
Repayment of debt to Group companies		-294	-24 676
Repayment of long-term debt to credit institutions		0	-225 000
Installments paid on leasing liabilities		-595	-565
Loan arrangement costs recognized as expenses, without profit/loss effect		0	0
Change in intragroup balances in the group cash pool system		-395 419	-218 155
Receipts of dividends/group contributions		103 105	23 500
Net cash flow from financing activities		**-293 203**	**523 399**
Net change in cash and cash equivalents		0	**-173 170**
Holdings of cash and cash equivalents as of 01.01.		0	**173 170**
Holdings of cash and cash equivalents as of 12.31.		0	0

CONSOLIDATED ACCOUNTS WITH NOTES

STATEMENT OF INCOME 01.01. - 12.31

STATEMENT OF INCOME 01.01. - 12.31	NOTE	2014	2013
OPERATING INCOME AND EXPENSES (1000 NOK)			
Net sales	5, 6	2 032 171	1 950 031
Net gain on sale of fixed assets	12	292	0
Other operating income	6	117 513	103 299
Total operating income	5	**2 149 976**	**2 053 330**
Cost of goods	16	-1 253 404	-1 127 113
Salaries and other personnel costs	8, 9	-232 396	-244 300
Depreciation	12, 13	-32 215	-33 041
Amortization	13	-440	-440
Other operating expenses	7, 14	-371 189	-366 113
Other income and expenses	7	8 486	5 246
Total operating expenses		**-1 881 158**	**-1 765 761**
Share of profit from associated companies and jointly controlled entities	2	9 074	10 733
Share of profit from associated companies and jointly controlled entities		**9 074**	**10 733**
Operating profit		**277 892**	**298 302**
FINANCIAL INCOME AND COSTS			
Interest income	10	7 252	6 978
Other financial income	10	13 787	10 991
Interest costs	10	-21 449	-41 494
Other financial costs	10	-11 222	-5 753
Net financial profit		**-11 632**	**-29 278**
PRE-TAX PROFIT		**266 260**	**269 024**
Tax	11	-62 769	-60 723
Profit for the year from continued operations		**203 491**	**208 301**
Profit for the year from discontinued operations		0	-27 550
Profit for the year		**203 491**	**180 751**

The profit for the year is attributable to			
Non-controlling interests		27 011	27 656
Parent company shareholders		176 480	153 095
		203 491	**180 751**
Earnings for the year per share for that part of the annual profit attributable to parent company shareholders (figures in NOK)			
Earnings per share, continued operations (=diluted earnings per share)	18	639	655
Earnings per share, discontinued operations (=diluted earnings per share)	18	0	-100

Statement of other comprehensive income 01.01. – 12.31.		2014	2013
(Figures in NOK 1000)			
Income for the year		**203 491**	**180 751**
Items that will not be reclassified against the statement of Income;			
Pension effects of Revised IAS 19	9	-45	-5 989
Total items that will not be reclassified against the statement of income, before tax		**-45**	**-5 989**
Tax on items that will not be reclassified against the statement of Income		12	1 677
Total items that will not be reclassified against the statement of income, after tax		**-33**	**-4 312**
Items that may be reclassified against the statement of Income;			
Translating differences in translation of foreign subsidiaries		60 595	145 780
Total items that may be reclassified against the statement of income, before tax		**60 595**	**145 780**
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		**60 595**	**145 780**
TOTAL OTHER COMPREHENSIVE INCOME		**60 562**	**141 468**
TOTAL PROFIT FOR THE YEAR		**264 053**	**322 219**

The total profit for the year is attributable as follows		27 405	29 855
Non-controlling interests		236 648	292 364
Parent company shareholders		**264 053**	**322 219**

Balance pr 31. december

ASSETS (NOK 1000)	NOTE	2014	2013
Fixed assets			
Intangible assets			
Goodwill	13	633 278	602 622
Brands	13	431 174	400 588
Software	13	12 464	10 718
Total intangible assets		**1 076 916**	**1 013 928**
Tangible fixed assets			
Land, buildings and other real estate	12	5 569	13 109
Machinery and equipment	12	221 102	239 950
Fixtures and fittings, tools, office equipment, etc.	12	23 220	26 795
Assets under construction	12	21 080	214
Total tangible fixed assets		**270 971**	**280 068**
Financial assets			
Deferred tax assets	11	34 606	41 759
Investments in associated companies & jointly controlled entities	2	51 549	47 669
Other investments in shares	3	200	227
Long-term receivables from group companies	15	0	62 477
Other long-term receivables	15	166	166
Total long-term financial assets		**86 521**	**152 298**
Total financial assets		**1 434 408**	**1 446 294**
Current Assets			
Inventories	16	397 146	319 069
Receivables			
Accounts receivable	4	335 505	327 705
Accounts receivable from group companies	4	208 065	175 300
Prepayments to suppliers Other		4 305	13 239
receivables	15	40 468	9 453
Other receivables from group companies	15	23 283	20 998
Total receivables		**611 626**	**546 695**

Cash and cash equivalents in the group cash pool system	4, 17	235 898	97 785
Other cash and cash equivalents	4, 17	148 682	148 176
Cash and cash equivalents		**384 580**	**245 961**
Total current assets		**1 393 352**	**1 111 725**
TOTAL ASSETS		**2 827 760**	**2 558 019**

STATEMENT OF FINANCIAL POSITION AT DECEMBER 31.	NOTE	2014	2013
EQUITY AND LIABILITIES (Figures in NOK 1000)			
Equity			
Paid-in equity			
Share capital	19	276 552	276 000
Share premium		990 993	23 545
Total paid-in equity		**1 267 545**	**299 545**
Retained earnings			
Retained earnings		449 787	214 333
Total retained earnings		**449 787**	**214 333**
Non-controlling interests		27 301	24 749
Total equity		**1 744 633**	**538 627**
Liabilities			
Provisions			
Deferred tax liability	11	102 708	97 018
Pension obligations	9	27 763	24 575
Liabilities at fair value through profit or loss	4, 20	106 097	171 137
Other provisions	21	422	733
Total provisions		**236 990**	**293 463**
Other long-term liabilities			
Debt to credit institutions	4, 19	149 048	159 690
Long-term liabilities to group companies		40 000	882 794
Total other long-term liabilities		**189 048**	**1 042 484**

Current liabilities			
Debt to credit institutions	19	10 653	10 034
1st year's repayment on long-term liabilities to group companies		0	85 500
Liabilities at fair value through profit or loss	4, 20	37 113	0
Accounts payable		316 179	244 040
Accounts payable to group companies	11	8 114	4 027
Tax payable	22	24 533	52 205
Public taxes	21, 22	129 850	145 893
Current liabilities to group companies	21, 22	8 721	32 012
Other current liabilities		121 926	109 734
Total current liabilities		**657 089**	**683 445**
Total liabilities		**1 083 127**	**2 019 392**
TOTAL EQUITY AND LIABILITIES		**2 827 760**	**2 558 019**

Statement of cash flows 01.01. – 12.31.

Statement of cash flows 01.01. – 12.31.	NOTE	2014	2013
CASH FLOWS FROM OPERATIONS (Figures in NOK 1000)			
Pre-tax profit		266 260	269 024
Ordinary depreciation	12, 13	32 655	33 481
Share of profit from associated companies and jointly controlled entities	2	-9 074	-10 733
Tax payable		-88 783	-60 437
Pension costs without cash effect		2 832	-318
Interest costs without cash effect	10	2 464	2 686
Value changes without cash effect	10	-13 787	-18 986
Loss/gain on sale of shares/fixed assets		-292	-14 056
Other financial items without cash effect			
Unrealized agio		0	6 856
Change in inventories		-13 585	14 595
Change in accounts receivable	16	-78 077	-35 688
Change in accounts payable		-40 565	-146 722
Change in other current assets and other		76 226	64 247
liability items		-48 791	81 774
Net cash flows from operational activities		**87 483**	**185 723**

	Note		
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	13	-5 252	0
Proceeds from sales of tangible fixed assets	12, 13	298	172 446
Payments on acquisition of tangible fixed assets	12, 13	-18 862	-14 446
Payments on acquisition of business		-27 129	-680 469
Net cash effect through sale of business		0	-75 426
Payments on acquisition of other financial investments	3	0	-2 031
Net cash flow from investment activities		**-50 945**	**-599 926**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds – Incentive program		4 000	0
Dividends received from associated companies and jointly controlled entities	2	5 806	1 966
Proceeds from new long-term interest-bearing debt to credit institutions	4, 19	0	160 000
Repayment of long-term interest-bearing debt to credit institutions		-10 022	-235 173
Proceeds from new long-term interest-bearing debt to group companies		40 000	808 294
Repayment of long-term interest-bearing debt to group companies		-294	-24 676
Proceeds from settlement of interest-bearing loans to group companies		67 420	0
Payments on the allocation of long-term interest-bearing loans to group companies		0	-62 478
Payments of dividends/group contributions		-21 977	-44 792
Net cash flow from financing activities		**84 933**	**603 141**
Effect of exchange rate changes on bank deposits, cash and cash equivalents		17 148	28 504
Effect of exchange rate changes on cash and cash equivalents		**17 148**	**28 504**
Cash flows from discontinued operations		**0**	**-326 944**
Net change in bank deposits, cash and cash equivalents		**138 619**	**-109 502**
Holding of bank deposits, cash and cash equivalents on 01.01.		245 961	355 463
Holding of bank deposits, cash and cash equivalents on 12.31.		**384 580**	**245 961**

STATEMENT OF CHANGES IN EQUITY

Statement of changes in equity (figures in NOK 1000)	Share Capital	Share premium	Translation-differences	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the group
Equity 12.31.2012	**276 000**	**23 545**	**-5 011**	**-110 515**	**184 019**	**23 266**	**207 285**
Profit for the year 2013	0	0	0	153 095	153 095	27 656	180 751
Total other comprehensive income 2013	0	0	143 581	-4 312	139 269	2 199	141 468
Total profit for the year 2013	**0**	**0**	**143 581**	**148 783**	**292 364**	**29 855**	**322 219**
Transactions with owners 2013							
Dividend paid to non-controlling interests	0	0	0	0	0	-33 065	-33 065
Capital increase **	0	0	0	42 188	42 188	0	42 188
Changes in non-controlling interests	0	0	0	-78	-78	78	0
Transfer profit for the year from minority to majority *	0	0	0	-4 615	-4 615	4 615	0
Total transactions with the owners 2013	**0**	**0**	**0**	**37 495**	**37 495**	**-28 372**	**9 123**
Equity at 12.31.2013	**276 000**	**23 545**	**138 570**	**75 763**	**513 878**	**24 749**	**538 627**
Profit for the year 2014	0	0	0	176 480	176 480	27 011	203 491
Total other comprehensive income 2014	0	0	60 201	-22	60 179	383	60 562
Total profit for the year 2014	**0**	**0**	**60 201**	**176 458**	**236 659**	**27 394**	**264 053**
Transactions with owners 2014							
Dividend paid to non-controlling interests	0	0	0	0	0	-21 977	-21 977
Capital increase ***	552	967 448	0	0	968 000	0	968 000
Changes in non-controlling interests	0	0	0	0	0	-4 070	-4 070
Transfer profit for the year from minority to majority *	0	0	0	-1 205	-1 205	1 205	0
Total transactions with the owners 2014	**552**	**967 448**	**0**	**-1 205**	**966 795**	**-24 842**	**941 953**
Equity at 12.31.2014	**276 552**	**990 993**	**198 771**	**251 016**	**1 717 332**	**27 301**	**1 744 633**

* The Group owns 90.7% and 51%, respectively, of subsidiaries Vingruppen i Norden AB and Excellars AS. In addition, put and call options exist associated with the non-controlling interests, although the Group was not considered to have control of the shares at the end of the reporting period. These companies have been recognized as though they had been wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, whereas only direct non-controlling interests are stated in the equity statement. The transfer refers to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.
** The acquisition of De Danske Spritfabrikker i Aalborg (Arcus Denmark A/S) was made in 2013 from Pernod Ricard. The counterparty to the agreement with Pernod Ricard was the ArcusGruppen's parent company, Arcus-Gruppen Holding AS. Subsequent to the transaction, ownership was transferred from Arcus-Gruppen Holding AS to ArcusGruppen, based on accounting continuity. A technical accounting capital increase has been made in ArcusGruppen in connection with this transfer.
*** In the first quarter of 2014, long-term intercompany balances of NOK 968 000 to Arcus-Gruppen Holding AS were converted to equity with an increase in nominal value per share. See note 18.

BRIEF HISTORY OF THE GROUP

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

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

2014

- December 1, 2014 acquired all shares in Arcus Deutschland GmbH from its parent company, Arcus-Gruppen Holding AS.
- Established Vingruppen AS as new holding structure for the wine business in Norway.
- Start-up of adaptation of the production plant at Gjelleråsen in order to take over the production and bottling of the Danish brands beginning 2015 (Aalborg, Malteser and Gammel Dansk).

2013

– January 4, 2013, acquired all the shares in Arcus Denmark A/S from Pernod Ricard, which included the brands Aalborg Aquavit and Maltezerkreutz, as well as Gammel Dansk.
– Sold the subsidiary Vectura AS (Distribution business area) to the parent company, Arcus-Gruppen Holding AS, from September 30, 2013.

2012

– Completed new production and distribution building and head office at Gjelleråsen.
– Moved from Hasle in Oslo to Gjelleråsen.
– Signed agreement with Pernod Ricard on acquisition of the aquavit brands Aalborg Aquavit and Malteserkreutz, as well is the bitters brand, Gammel Dansk.

2011

– Acquired 28.2% of the shares in Vingruppen i Norden AB, increasing holding from 62.5% to 90.7%. Entered into an option agreement on the remaining 9.3%.
– Acquired 51% of the shares in Excellars AS, with option for the remaining 49%.
– Swapped 34% of the shares in SAS de l'Ile Madame for 32.6% of the shares in Tiffon SA. Acquired a further 106 shares and increased holding in Tiffon SA to 34%.
– Continued construction of new production and distribution building and head office at Gjelleråsen.

2010

– Implemented agreement on sale of Gjelleråsen prosjekt 1 AS.
– Started construction of new production and distribution building and head office at Gjelleråsen.

2009

– Acquired the brands Star Gin, Red Port and Dry Anise from Pernod Ricard.
– Acquired 80% of the company Symposium Wines AS.
– Entered into an agreement on the sale of Gjelleråsen prosjekt 1 AS with takeover on February 1, 2010.

2008

– Acquired Gjelleråsen Prosjekt 1 AS which contains the site of the new operating location at Gjelleråsen in Nittedal Municipality north of Oslo.

2007

– Sold Arcus Eiendom AS, Arcus Eiendom Anders Winsvoldsvei AS, Hjemmel Haslevangen AS and Hjemmel Anders Winsvolds vei AS
– Sold Tendex OY
– Liquidated Arcus Danmark A/S

2006

– Acquired 62.5% of Swedish Vingruppen i Norden AB
– Sold the Group's chemical operation

2005

– Arcus AS demerged from TMS AS (Technical Medical Alcohol Division) which in turn merged with Arcus Kjemi AS with accounting effect from January 1, 2005
– Spun off the property companies Arcus Eiendom Hamar AS, Arcus Eiendom AS and Arcus Eiendom Anders Winsvoldsvei AS with accounting effect from January 1, 2005 and with accounting and tax continuity

New accounting standards

Adopted IFRS's and IFRIC's with future effective date The standards and interpretations adopted up to the date for 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 presentation of the consolidated financial statements.

Changes relevant to ArcusGruppen:

IFRS 9 Financial instruments (unofficial Norwegian translation) In July 2014, the IASB published the final subproject of IFRS 9 and the standard is now finalized. IFRS 9 includes changes related to the classification and measurement, hedge accounting and impairment. IFRS 9 will replace IAS 39 Financial Instruments – Recognition and Measurement. The parts of IAS 39 that were not changed as part of this project were transferred and included in IFRS 9.
The standard has not yet been approved by the EU. For entities outside the EU/EEA, the standard will apply with effect from the fiscal year beginning January 1, 2018 or later.
The new standard may affect the Group's classification and measurement of financial assets and liabilities as well as impairment assessment related to goodwill and other intangible assets.
IFRS 15 Income from customer contracts (unofficial Norwegian translation) The IASB and FASB have released a new common standard for revenue recognition, IFRS 15.
The standard is not yet approved by the EU. For entities outside the EU/EEA, the standard will apply with effect from the fiscal year beginning January 1, 2017 or later.
The new revenue recognition standard is not expected to have any impact on ArcusGruppen's consolidated financial reporting.
IFRS 10 Consolidated financial statements and IAS 28 Investments in associated companies and joint ventures The most significant change is that the gain or loss is recognized in full when a transaction involves a business (regardless of whether this is placed in a subsidiary or not). Gains or losses are recognized partially when a transaction includes assets that do not constitute a business, also when the assets are placed in a subsidiary.
The changes are not yet approved by the EU. For entities outside the EU/EEA, the changes will apply with effect from the reporting year beginning January 1, 2016 or later
The changes may affect ArcusGruppen regarding any transfer of assets between group companies.
IAS 1 Presentation of Financial Statements The changes to IAS 1, released as part of the IASB's «Disclosure Initiative», are intended to promote the use of professional judgment to a greater extent when it comes to what information should be included in the notes and how to structure the financial statements.
The changes are not yet approved by the EU. For entities outside the EU/EEA, the changes will apply with effect from the fiscal year beginning January 1, 2016 or later.
The changes to IAS 1 may have potential effects on how ArcusGruppen in the future will structure its financial statements and what the Group believes should be included in the notes.

IFRIC 21 Levies IFRIC 21 is an interpretation of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The standard sets the criteria for recognition of liabilities. One of the criteria is that the company has an existing obligation arising from previous events, also known as an obligating event. The interpretation clarifies that the obligating event that gives rise to charges the government levies is the activity described in the relevant legislation that triggers the payment obligation for the levy. The interpretation also covers guidance illustrating how the interpretation is to be applied. Within the EU/EEA, the interpretation is effective for the reporting year beginning January 1, 2015 or later.
For entities outside the EU/EEA, the interpretation will apply for the reporting year beginning January 1, 2014 or later.
The changes are not expected to have any effect on the Group's annual financial statements, but it may have an effect on periodic financial statements.

Annual Improvement Project 2010 – 2014

Annual Improvements Project 2010 – 2014 IASB's annual improvements project 2010 – 2012 contains changes to several standards. With the exception of IFRS 8, none of these are expected to have any material impact on the Group.

IFRS 8 Operating Segments

If operating segments are merged, the entity must report the economic characteristics (e.g., sales and gross margins) used in the assessment of whether the segments are «equivalent».
The change may potentially have an impact on the Group in cases where the Group decides to change its operating segments.

Consolidation principles

Consolidation principles The consolidated financial statements cover Arcus-Gruppen AS and subsidiaries in which Arcus-Gruppen AS has controlling influence. Normally these will be companies in which Arcus-Gruppen AS, either directly or indirectly via subsidiaries, owns more than 50% of the shares with voting rights.
See Note 1 for a summary of all the companies included in the consolidation.
The consolidated financial statements have been prepared in accordance with the purchase method and present the Group as though it were an entity. In the consolidated financial statements all intragroup 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. Added value beyond the underlying equity in subsidiaries is attributed to those assets with which the added value may be associated. That part of the cost price that cannot be attributed to identifiable assets and liabilities represents goodwill. Accounting value including goodwill and added value belonging to foreign subsidiaries is translated from the functional currency to NOK according to the exchange rate at the end of the period. With staged acquisition of subsidiaries, the value of the assets and liabilities at the time of the formation of the Group is used. Subsequent acquisition of holdings in existing subsidiaries in excess of the majority will not affect the valuation of assets or liabilities. Goodwill is included in the consolidated financial statements as an intangible asset.

Discontinued operations/held for sale

Discontinued operations/held for sale If a substantive part of the Group's operation is sold, held for sale, or in the event of loss of control/significant influence, this operation is presented as "Discontinued operations" on a separate line in the statement of income and the statement of cash flows. Substantive means a distinct segment or a significant asset.

This means that all other figures presented are exclusive the “Discontinued operation”. The comparison figures in the statement of income and the statement of cash flows are reworked and presented with the ”Discontinued operation” on a single line. Comparison figures for the statement of financial position are not correspondingly reworked. If operations or assets representing less than a segment are held for sale, assets and liabilities are separated out on their own lines in the statement of financial position as “held for sale”. The statement of income and cash flows are not reworked.

Currency

Currency The functional currency of the subsidiaries is the local currency in the country in which they are domiciled. All transactions in foreign currency are translated to functional currency on the date of transaction. Money items in foreign currency are translated at the end of the reporting period to functional currency using the exchange rate at the end of the reporting period.
The Group’s presentation currency is NOK, which is also the parent company’s functional currency.
On consolidation of subsidiaries that have functional currency other than NOK, items of income and expenses are converted to the Group’s presentation currency in accordance with monthly average conversion rates. This means that at the end of each period, items of income and expenses are translated in accordance with the average exchange rate to date in the year. For the statement of financial position, including added value and goodwill, the closing exchange rate at the end of the reporting period is used. Currency differences arising on consolidation of entities with other 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.
As of December 31, 2014 the following exchange rates have been used in translation of income and financial position figures from subsidiaries with functional currencies other than NOK: EUR average rate 8.3571 / EUR closing rate 9.0307 SEK average rate 0.9190 / SEK closing rate 0.9590 DKK average rate 1.1210 / DKK closing rate 1.2128

Investments in associated companies and jointly controlled entities

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

Non-controlling interests

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 instances where there are put and/or call options associated with the non-controlling interests, and where the Group does not have control over the exercising of the options, the subsidiary is presented as if it were wholly owned, but with partial presentation of non-controlling interests. Partial presentation of non-controlling interests means that for each reporting period the non-controlling interests will receive their part of the profit for the year, which is shown under the profit allocation in the consolidated statement of income and in the statement of changes in equity. At the end of each period, the non-controlling minority interests' share of profit, adjusted for the distribution of dividend for the period to the non-controlling interests, will be transferred as an equity transaction from the non-controlling interests' share of equity to the majority's equity. The option liabilities will be recognized in the statement of financial position at fair value through profit or loss.

Important accounting estimates and discretionary assessments

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 accounting 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 choice of principles and presentation will be changed. Estimates and underlying assumptions are examined and evaluated continuously, and changes in accounting estimates are recognized in the period the estimates are changed.
Areas in which estimates have major significance will be: *Figures in NOK 1000*

Statement of financial position line	**Note**	**Assumptions**	**Book value**
Goodwill	13	Present value of future cash flows	633 278
Brands	13	Present value of future cash flows	431 174
Other intangible assets	13	Recoverable amounts and correct utilizable life	12 464
Tangible fixed assets	12	Recoverable amounts and correct utilizable life	270 971
Deferred tax assets	11	Assessment of the ability to exploit tax assets in the future	34 606
Pension liabilities	9	Economic and demographic assumptions	27 763
Liabilities at fair value through profit or loss	20	Present value of future cash flows	143 210
Provisions	21	Correct basis for estimate calculations	10 324

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 capitalized goodwill, brands and liabilities at fair value through profit/loss, on the basis that the capitalized sums are substantial. The estimates are based on assumptions on future cash flows that are discounted by a selected discount rate. Estimates and assumptions are described in the various notes.

Fair value on acquisition

Fair value on acquisitions On acquisitions, the cost price of the acquired entity is attributed, so that the consolidated opening balance reflects estimated fair value of assets and liabilities acquired. To determine fair value on acquisition for those assets for which there is no active market, alternative methods must be used to assess fair value. Added value beyond that which can be attributed to identifiable assets and liabilities is capitalized as goodwill. If fair value of the equity in an acquired company exceeds the consideration, a new valuation is carried out associated with the valuation of observable assets and liabilities; if the new valuation does not reveal variance, the variance is taken to profit or loss on the date of takeover. Allocation of cost price on business merger is changed if new information emerges on fair value, applicable on the date of takeover of control and until final added value analysis, no later than 12 months after the acquisition has been made.

Income recognition principles

Income recognition principles Income associated with sales of goods and services is recognized when the Group has transferred risk and rights to the purchaser. This is normally on delivery of the goods and services. Other income is recognized when it is probable that transactions will involve future financial gains that will accrue to the company and the size of the sum can be estimated reliably.
Sales revenues are presented net after deduction of discounts, VAT, alcohol and packaging tax.

Other Income and expences

Other income and expenses To provide more information in the Group’s consolidated income statement, individual items are separated out to a separate line in the statement of income called other income and expenses. See also detailed specifications of what these items include in the notes relating to the individual line items.

Inventories

Inventories Inventories are valued at the lower of acquisition cost/production cost and net selling value. Purchased inventories are valued at acquisition cost, and inventories produced in-house are valued at production cost with deduction for obsolescence.

Receivables

Receivables Accounts receivable and other receivables are shown at nominal value after deduction for provisions for expected losses. Provision for losses is made on the basis of an individual assessment of the receivables. In addition, for other trade debtors, a provision is made to cover estimated losses.

Prepayments to suppliers

Prepayments to suppliers Prepayments to suppliers apply to financing the purchase of inventory for individual collaborative partners. The prepayment is shown at nominal value after deduction for provisions for expected losses. Provision for losses is made on the basis of an individual assessment of the materials.

Cash and cash equivalents

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 acquisition date.
Arcus-Gruppen Holding AS, Vectura AS, Arcus-Gruppen AS, Arcus AS, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy, Vingruppen AS, Arcus Wine Brands AS, Vinuniq AS, Symposium Wines AS, Vinordia AS, De Lysholmske Brenneri- og Destillasjonsfabrikker ANS, Siemers & Cos Destillasjon ANS, Løiten Brændris Destillation ANS and Oplandske Spritfabrik ANS are included in the Group's Group cash pool system.
The Group cash pool system is managed by the parent company, Arcus-Gruppen Holding AS.

Tangible fixed assets

Tangible fixed assets Tangible fixed assets are capitalized at cost price with deduction for accumulated depreciation and accumulated write-downs in the event of non-transitory fall in value. Depreciation is 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 life. Assets under construction are not depreciated. Depreciation is taken to expenses only when the asset is ready for use. Gains and losses on sales of fixed assets are set at the difference between the selling price and the book value at the time of sale. On sale of fixed assets, gains are recognized as operating income and losses as operating costs. 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. Depreciation methods, residual values and estimated life are continuously assessed.

Intangible assets

Intangible assets Intangible assets comprise brands, software and goodwill. Intangible assets are capitalized at cost price with deduction for accumulated depreciation and accumulated write-downs in the event of non-transitory impairment.
Intangible assets with limited usable life are depreciated by the straight-line method over the expected usable life.
The capitalized value of goodwill, brands and other intangible assets with indeterminate life is tested for impairment at least once a year, or more often if there are indications that the value of the asset has decreased. This requires estimates of the amount recoverable by cash-generating entities to which goodwill and other intangible assets are attributed. For brands, the cash generating entity is the brand itself.
To determine the recoverable amount, the Group estimates expected future pre-tax cash flows from the cash generating entity as well as applying suitable discount rates to calculate present value of future cash flows. Cash flows for brands are calculated based on a «relief from royalty» method before tax.
Expectations regarding future cash flows will vary over time. Changes in the market conditions and expected cash flows may cause losses in the event of impairment in the future. The most important assumptions with significance for the present value of the cash flows associated with the investments are future profits and growth as well as the discount rate used.

Pensions

Pensions Net pension costs for defined benefit plans comprise the period's service cost, including future growth in salary and interest rates on the estimated obligation, less contributions and expected returns on the pension assets. Prepaid pension is shown as a long-term asset in the statement of financial position where it is probable that the over-financing can be used or repaid. Correspondingly, a long-term 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 recognized against equity and are presented in the statement of other comprehensive income.

Restructuring

Restructuring Provisions for restructuring are recognized as expenses when the program is decided and announced and the costs are identifiable, quantifiable and are not covered by associated income. Provisions linked to restructuring are included as other provisions for liabilities calculated at present value. Agreements securing future work input are recognized as expenses over the period the work input is delivered.

Taxes

Taxes The tax expense comprises both tax payable and 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. Tax payable is calculated based on tax rates that are adopted at the end of the period.
Deferred tax is capitalized on the basis of the temporary differences and any deficit to be carried forward existing at the end of the accounting 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 based on nominal tax rates (rates adopted at the end of the period in the individual country) multiplied by temporary differences and deficit to be carried forward. Deferred tax assets are capitalized when the probability exists that future taxable income will enable utilization of the asset.

Classification principles

Classification principles Cash and cash equivalents mean cash, bank deposits and other liquid investments that can be converted to cash within 3 months. The Group's Group cash pool system is linked to cash and credit facilities within the same cash pool system and is presented net.
Other assets included in the operating cycle or falling due within 12 months are classified as current assets. Remaining assets are classified as fixed assets.
Liabilities included in the operating cycle or falling due within 12 months are classified as current liabilities. Remaining liabilities are classified as long term.
Proposed dividend/Group contribution is capitalized in the statement of financial position as a liability when the Group has an irreversible obligation to make dividend payments/Group contribution, normally after adoption by the annual general meeting.

Measurement and classification of financial instruments

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

Financial instruments at fair value through profit or loss Financial instruments at fair value through profit or loss are either financial instruments held for trading purposes or financial assets held to maturity. 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. Derivatives that are included in hedging, but that are not brought to book in accordance with the rules for hedge accounting, are classified in the category “held to maturity”. Assets in this category are classified as current assets if it is expected that they will be settled within 12 months, otherwise they are classified as fixed assets. The Group’s measurement of 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. Loans and receivables Loans and receivables are financial assets that are not derivatives and 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 end of the period. 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 amortized cost, and value changes resulting from interest rate changes are not taken to account.

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 the investment does not fall due or the management does not intend to sell the investment within 12 months from the end of the period. Financial instruments available for sale are measured at fair value following the same principles as financial instruments at fair value.

Financial liabilities Financial liabilities not falling into the category “financial instruments at fair value through profit or loss” are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments. Financial liabilities borrowed from credit institutions are recognized at amount received net after transaction costs. Transaction costs (arrangement charges) are capitalized in the statement of financial position and depreciated over the period of the loan. Borrowing in currency other than functional currency is translated at the exchange rate at the end of the period.

Financial derivates and hedging

Financial derivatives and hedging The Group uses financial derivatives to reduce the financial loss in the event of unfavorable movements in currency or interest rates. Derivatives not qualifying for hedge accounting are on first recognition brought to book as financial instruments at fair value and value changes are taken to profit or loss. As of December 31, there are no companies in the Group that have financial instruments being treated for accounting purposes in accordance with the rules on hedge accounting. All financial derivatives are capitalized at fair value. Financial derivatives are capitalized when the contract is signed. Financial derivatives are removed from the statement of financial position when the contract expires or when gain or loss is to all intents and purposes completed. At the end of the period, fair value of currency hedge instruments is calculated on the basis of the market prices for contracts with similar due date profiles. Financial derivatives are classified as current assets or short-term liabilities in the financial position statement.

Leases

Leases Leases where a significant part of 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 in regard to tangible fixed assets in which the Group principally has all risk and control are classified as financial leasing. Financial leasing is capitalized at the start of the lease period at the lower of fair value of the leased fixed asset and the present value of the total minimum lease amount. Each lease payment is allocated between a repayment element and an interest element in such a way that a constant interest cost on the outstanding capitalized lease liability is achieved. The lease cost is charged to profit or loss as financial expenses. The lease liability, less the cost of interest, is classified as other short-term liabilities and other long-term liabilities. Tangible fixed assets acquired through a financial lease agreement are depreciated over the expected life or the period of the lease if this is shorter.

Statement of cash flows

Statement of cash flows The indirect method is used in 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.

Related parties

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, as well as companies in which some 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. Assets and liabilities to its sister company Vectura AS and its parent company Arcus-Gruppen Holding AS, are presented as assets and liabilities of Group companies in the statement of financial position.

Segment information

Segment information Operating segments are reported in the same way as for internal reporting to Group management. The Group's business areas comprise Spirits and Wine. The Group's businesses consist of sales and marketing of Spirits, sales and marketing of Wine, as well as Supply Chain. Sales and marketing of Spirits and Wine are defined as profit center, while Supply Chain is defined as a cost center. For external reporting, Supply Chain is reported together with the Spirits business area, which is the primary user. Spirits is defined as the primary user on the basis that the plant at Gjelleråsen was primarily built for the production of Spirits. The Wine business area is defined as a secondary user, as bottling of wine is a much simpler process, and as stand-alone had required significantly simpler production facilities. The Spirits business area comprises the following companies: Arcus AS, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy, Arcus Deutschland GmbH, De Lysholmske Brenneri- og Destillasjonsfabrikker ANS, Siemers & Cos Destillasjon ANS, Løiten Brænderis Destillation ANS and Oplandske Spritfabrik ANS. The Wine business area comprises the following companies: Vingruppen i Norden AB and subsidiaries, and Vingruppen AS and subsidiaries. In addition, there are the remaining Group income and expenses that comprise Arcus-Gruppen AS. 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.

AUDITOR'S REPORT

Report on the financial statements

We have audited the financial statements for Arcus-Gruppen AS, which comprise the financial statements of the parent company and the consolidated financial statements. The parent company financial statements include the balance sheet as at 31 December 2014, the income statement, the cash flow statement for the financial year ended on this date and a summary of significant accounting policies and other notes. The consolidated financial statements include the balance sheet as at 31 December 2014, the statement of comprehensive income, the statement of changes in equity, the cash flow statement for the financial year ended on this date and a summary of significant accounting policies and other notes.

Building a better working world

The Board of Directors' and the CEO's responsibility for the annual report

The Board of Directors and the CEO are 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 parent company, and in accordance with International Financial Reporting Standards as adopted by the EU for the consolidated financial statements, and for such internal control as the Board of Directors and CEO determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's assignments and responsibilities

Our assignment is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with laws, regulations and accounting standards and practices generally accepted in Norway, including International Standards on Auditing. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal cont¬rol. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion about the parent company financial statements and our opinion about the consolidated statements.

Opinion regarding the consolidated financial statements

In our opinion, the consolidated financial statements of Arcus-Gruppen AS have been prepared in accordance with laws and regulations and provide a fair presentation of the financial position of the group as at 31 December 2014 and its financial performance and its cash flows for the financial year ended on this date in accordance with International Financial Reporting Standards as adopted by the EU.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the disclosures presented in the Board of Directors' Report concerning the financial statements the going concern assumption and the proposed appropriation of profit are consistent with the financial statements and comply with the law and regulations.

Opinion on registration and documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, «Assurance Engagements Other than Audits or Reviews of Historical Financial Information», it is our opinion that the Board of Directors and CEO have fulfilled their duty to ensure that the Company's accounting information is properly recorded and documented as required by law and generally accepted bookkeeping practice in Norway.

Oslo, 16 March 2015

Ernst & Young AS

Jan Wellum Svensen

State Authorised Public Accountant