ANNUAL REPORT 2016

Arcus ASA

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THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

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THINK BEFORE
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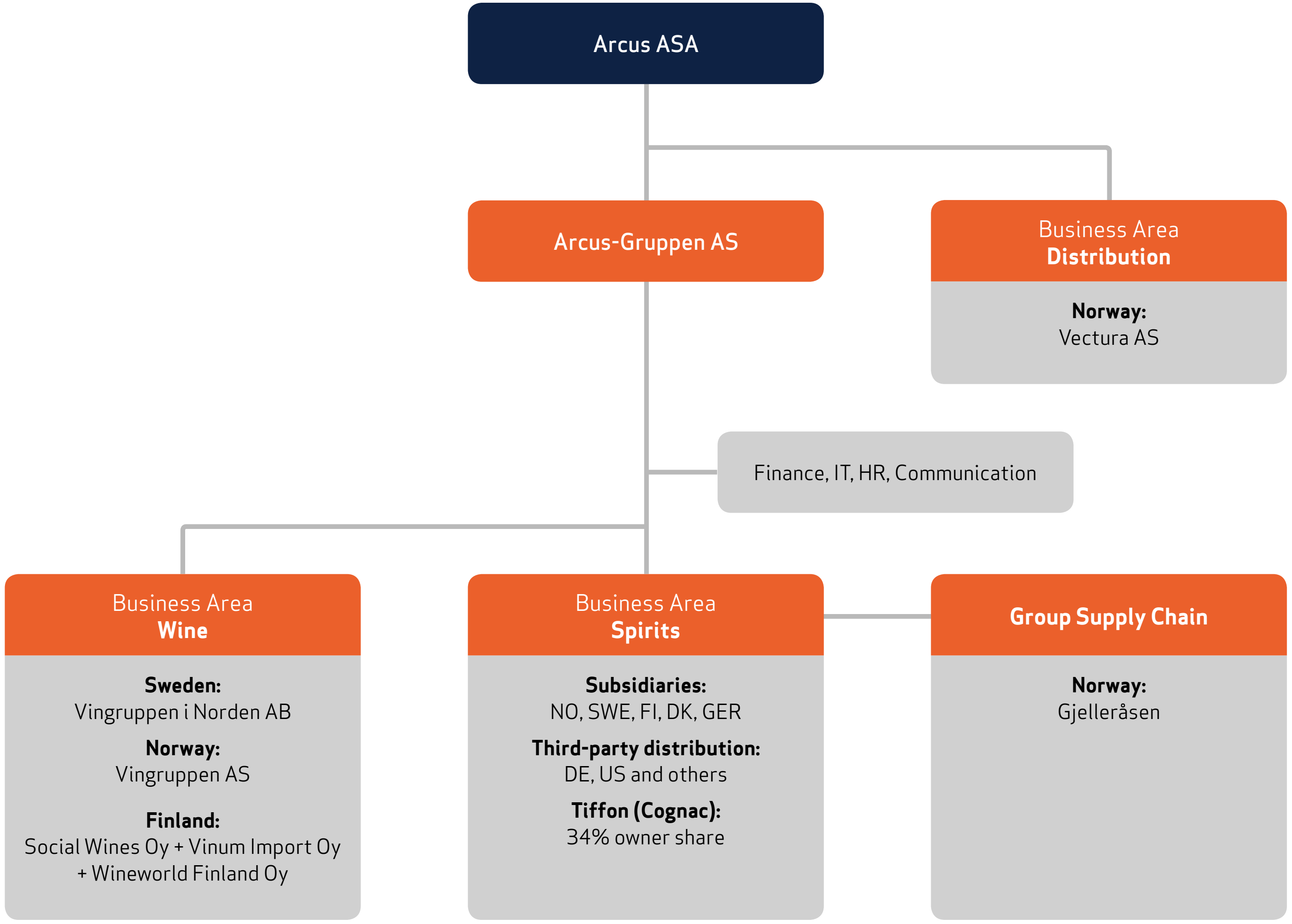
Arcus

BUSINESS STRUCTURE



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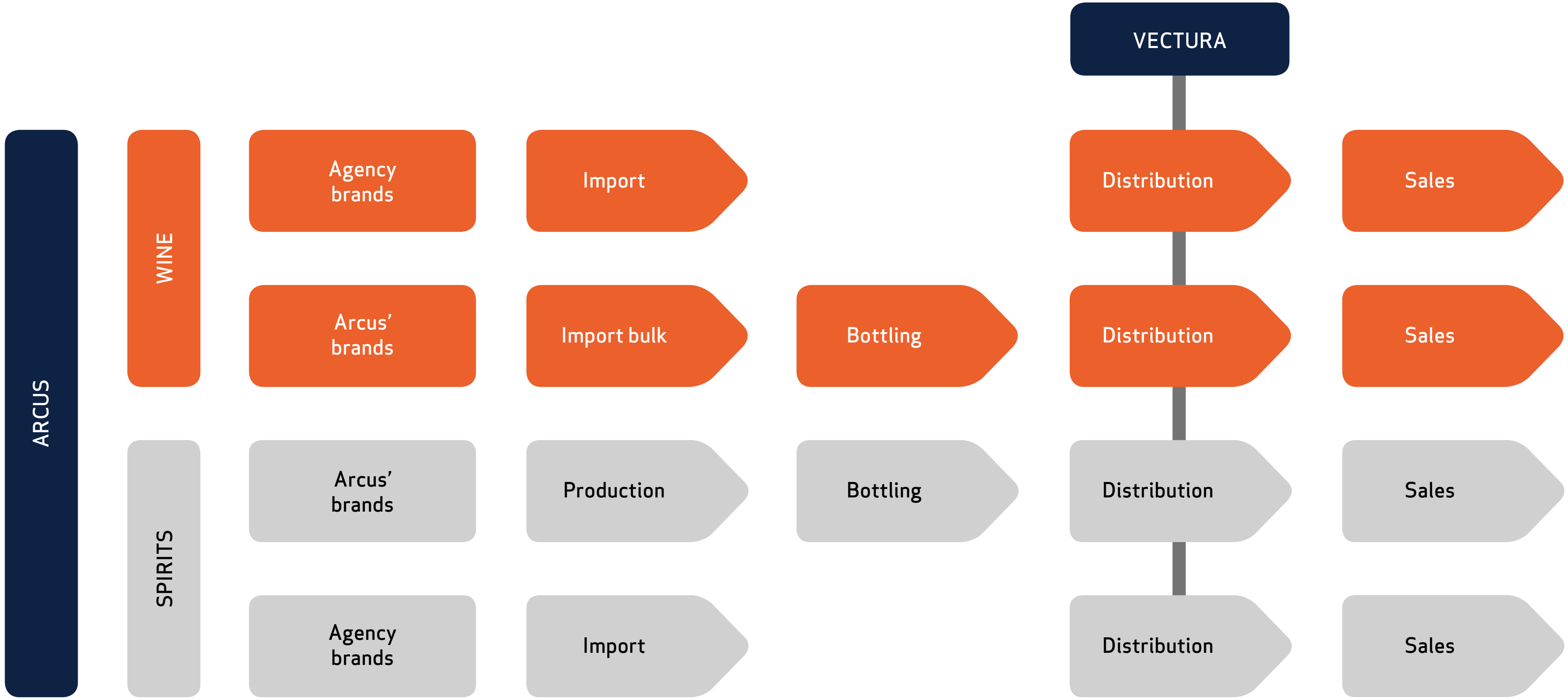
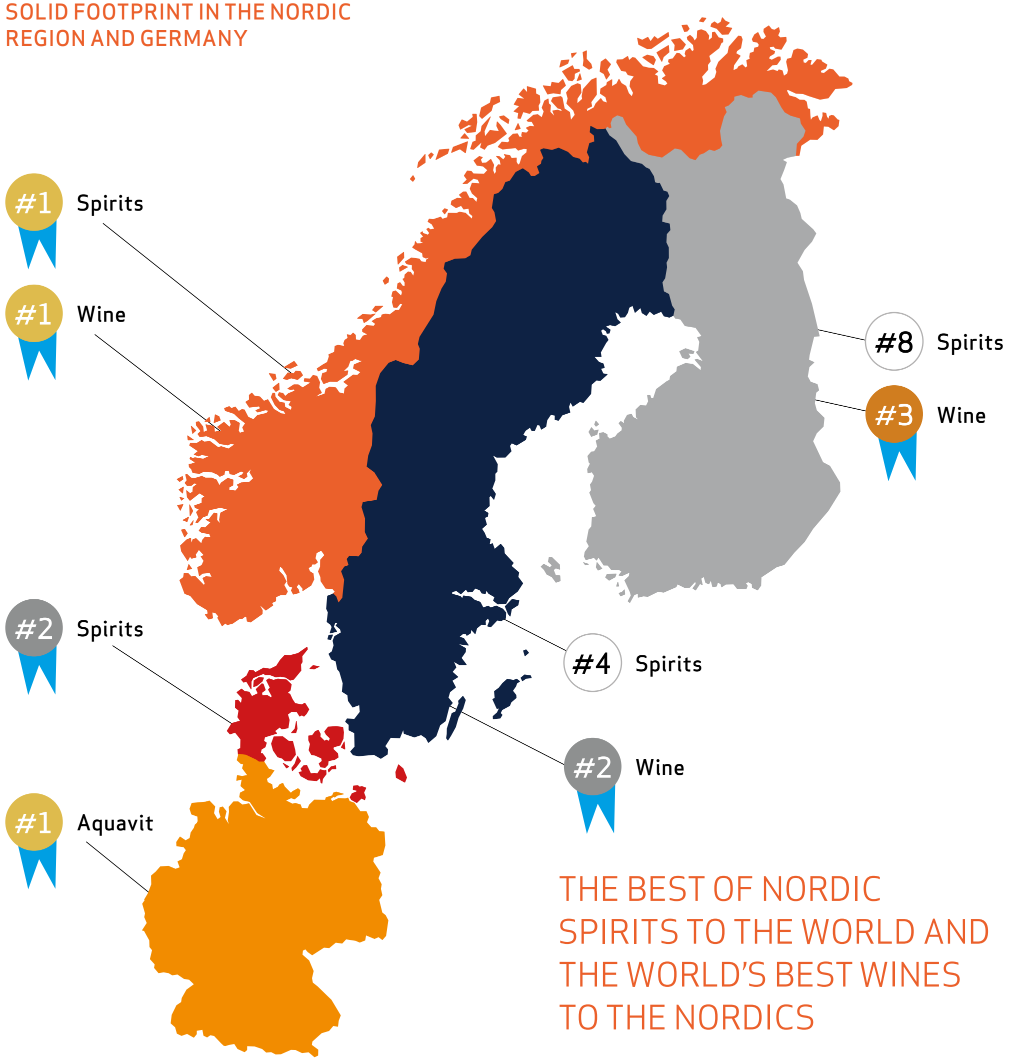
BUSINESS MODEL



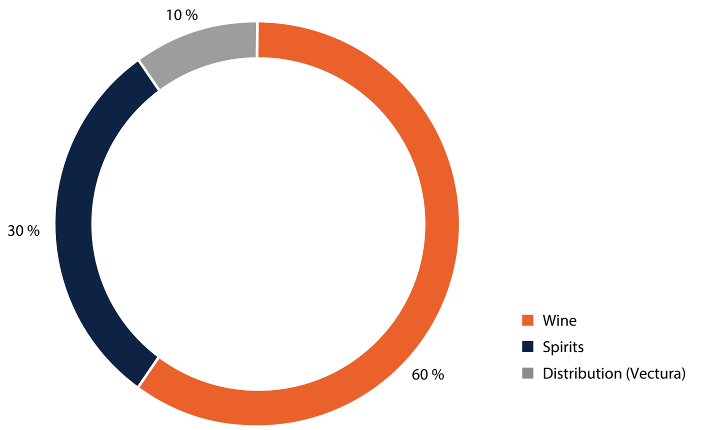
A LEADING NORDIC BRAND COMPANY

SOLID FOOTPRINT IN THE NORDIC REGION AND GERMANY

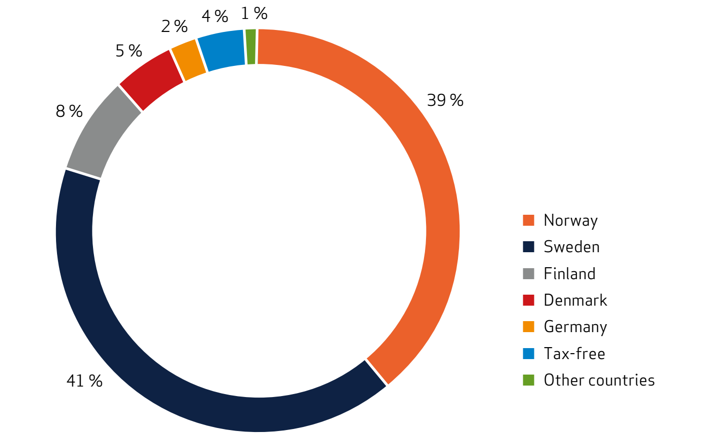


THE BEST OF NORDIC SPIRITS TO THE WORLD AND THE WORLD'S BEST WINES TO THE NORDICS

SALES REVENUE BY BUSINESS AREA IN 2016



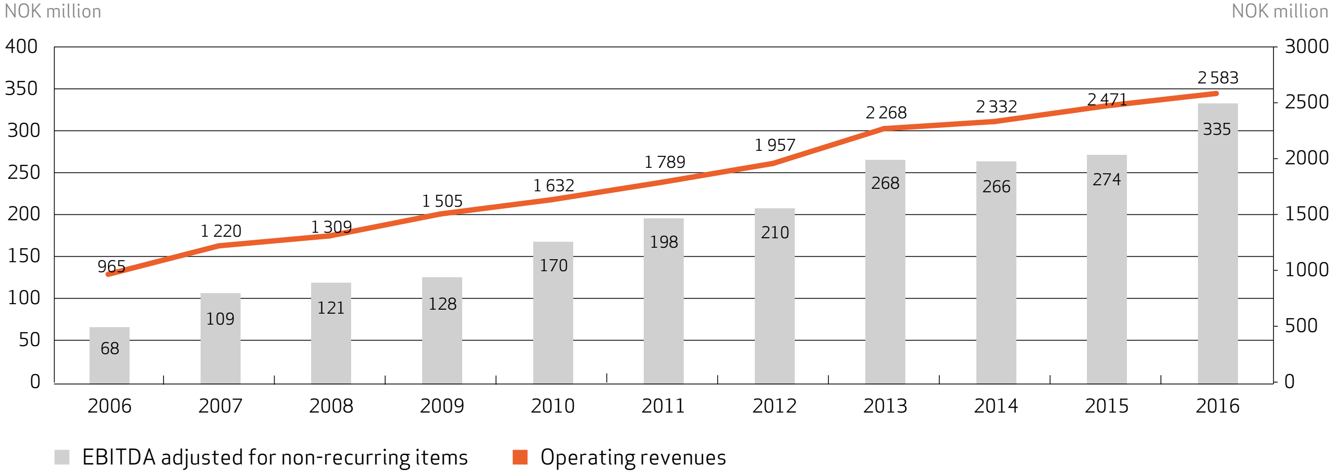
SALES REVENUE BY COUNTRY IN 2016



KEY FIGURES 2016

Arcus ASA Group		2016	2015	2014	2013	2012
Operating revenues	NOK million	2,582.5	2,470.9	2,332.4	2,268.2	1,957.2
Of which operating revenues outside Norway	NOK million	1,567.7	1,479.5	1,288.5	1,255.9	977.6
EBITDA	NOK million	290.5	257.8	272.1	259.0	38.2
EBITDA adjusted for non-recurring items	NOK million	335.3	274.4	266.3	268.0	209.6
EBITDA margin adjusted for non-recurring items	(%)	13.0%	11.1%	11.4%	11.8%	10.7%
Number of FTEs, 31.12	Number	409	422	448	441	469

GROWTH 2006–2016



OPERATING REVENUES NOK million
2583

EBITDA adjusted for non-recurring items NOK million
335

NUMBER OF EMPLOYEES
409

IMPORTANT EVENTS IN 2016

LØITEN TURAKEVITT

In March, Løiten Tur Aquavit was launched, a rapidly increasing success. Initially, Løiten Turakevitt was only available in Vinmonopolet's order assortment, but after six months it was available on the shelves of more than half of the outlets. As from the autumn of 2016, Løiten Turakevitt has a permanent listing.

AQUAVIT IN DRINKS

Lysholm No. 52 was launched in January 2016. It is the first aquavit made especially to meet the growing interest in using aquavit in drinks.

RUBY ZIN

The Ruby Zin red wine is an example of good Arcus cooperation across national borders: Ruby Zin has been developed especially for the Swedish market by the Swedish wine company Vinunic and Norwegian Arcus Wine Brands. Vinunic has put a lot of effort into sales and marketing, which has made good results. Within a short time, Ruby Zin has become extremely popular in Sweden, and at the turn of the year was available in 372 Systembolag out of 426 in total.

FALLING FEATHER

The bestseller Falling Feather was Norway's most popular wine in 2016. Sales rose by 6 per cent from 2015. The Norwegian wine journalist Ingvild Tennfjord said to TV2: "Falling Feather is like a popular radio song. It's easy to like and everyone can sing along to the Falling Feather chorus."

DWOREK

In the third quarter, Arcus acquired the Dworek brand. This is the largest vodka brand at Vinmonopolet and the third largest at Systembolaget, measured by the number of litres sold.
During the autumn, all production of Dworek was moved to Arcus' own facility outside Oslo.

STOCK-EXCHANGE LISTING

On 1 December, Arcus was listed on the Oslo Stock Exchange. By year-end, Arcus had more than 3,000 shareholders, and 40 per cent of the employees had invested in Arcus shares.

Group CEO Kenneth Hamnes:

2016 – A HISTORIC YEAR FOR ARCUS

December 1st, Arcus ASA was listed on the Oslo Stock Exchange, and by year-end had more than 3,000 shareholders. The stock-exchange listing has strengthened Arcus' financial situation, giving a good and sound basis for the company's further development.

2016 was the 18th consecutive year with revenue growth, while underlying profitability (adjusted EBITDA) improved significantly. Total operating revenue was NOK 2,582 million, which was 4.5 per cent higher than in 2015, while adjusted EBITDA amounted to NOK 335 million, which is an improvement of 22.5 percent from 2015.

Our iconic spirits brands continued to be subject to high demand. The Wine business area delivered good results despite the challenging currency market, and distribution activities gained new contracts.

The fourth quarter was a good conclusion to 2016, with underlying sales growth for wine, and increased earnings for spirits. The performance of the distribution business has turned to positive results, and in the fourth quarter this business was profitable for the second consecutive quarter.

I promise that we will work hard to keep on creating growth and shareholder value in the coming years.

Kenneth Hamnes
Group CEO

The company in brief

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

Arcus ASA owns the brand company Arcus-Gruppen AS and the distribution company Vectura AS. The Group's operational activities are run via the Spirits, Wine and Distribution business areas. Group Supply Chain (GSC) is reported as part of the Spirits business area.

The Spirits and Wine business areas handle product development, imports, sales and marketing within their respective product categories. GSC is responsible for purchasing, production, storage and bottling. Vectura handles all distribution operations in Norway. In other countries, this function is handled by external partners.

Vectura offers logistics services for producers, agents and importers of wine, spirits, beer and other beverages, delivering their goods to Vinmonopolet's shops, as well as to hotels, restaurants and cafés (HORECA) in Norway.

AGENCIES, PRODUCTION AND BRANDS

Arcus is the world's largest producer of aquavit and one of the major spirits players in the Nordic region. The company has an extensive brand portfolio and a modern, efficient production facility outside Oslo. The well-known Norwegian aquavit brands are produced here and, as from 2015, also the traditional Danish spirits, such as Aalborg Akvavit and Gammel Dansk. As from September 2016, the popular Dworek vodka is also bottled at the Gjelleråsen facility. Arcus owns 34 percent of the French cognac house, Tiffon, the producer of Braastad Cognac. In addition to its own production, Arcus holds a number of agencies.

ArcusGruppen is the largest importer of wine in Norway, the second largest in Sweden and the third largest in Finland. The Group's wine-related operations cover a wide range of agencies, representing all categories in all the important wine producing countries. In addition, Arcus has significant sales of its own brands, produced according to tailor-made specifications for each market. These products are imported in bulk and bottled at Gjelleråsen.

HISTORY

Arcus-Gruppen AS, including Vectura, was established as a state-owned enterprise on 1 January 1996. As part of Norway's adaptation to the EEA rules, the operations of Vinmonopolet AS were split. Sales to Norwegian consumers remained the responsibility of the state monopoly, while the newly established commercial enterprise took over the activities related to imports, production, distribution and exports. The traditional distilleries and recipes, and the rights to the extensive brand portfolio with an emphasis on aquavit, were also included in the commercial enterprise. The company was partly privatised in 2001 and fully privatised in 2003. As from 2005, the investment company Ratos was the largest owner, with an interest of 83.4 per cent, and Hoff was the next largest owner with an interest of 9.9 per cent. On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and by year-end had more than 3,000 shareholders.

THE NORDIC ALCOHOL MARKET

The Nordic alcohol market is complex, with significant variations in each market. The structure, regulatory regimes, advertising opportunities and pricing mechanisms differ greatly from country to country. Vinmonopolet in Norway, Systembolaget in Sweden and Alko in Finland all have a monopoly on consumer sales. The monopolies are the consequence of social policies designed to regulate and restrict access to alcohol by means of availability, pricing and responsible trading practices. Apart from the monopoly outlets, importers and producers can sell directly to hotels, restaurants and cafés, usually referred to as the HORECA market, as well as to duty-free outlets. Around 90 percent of the domestic volume is sold off-trade, which means via monopolies in countries with a monopoly structure, and via supermarket chains in Denmark.

The remaining approximately 10 percent is sold on-trade (HORECA).

SALES THROUGH MONOPOLIES

Arcus' companies in Norway, Sweden and Finland each have years of experience from interacting with the retail monopolies in their respective countries, and are highly knowledgeable about how the monopolies work. This creates an important competitive advantage over other operators, that may be producers and agents.

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

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

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

CROSS-BORDER SHOPPING AND DUTY-FREE

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

The volume of duty-free sales is also substantial in the Nordic countries. The duty-free retailers primarily purchase their goods directly from the producer. They are therefore an important customer group for the Spirits business area, while the wine companies sell very little to this customer segment.

Aalborg Basis is an organic "do it yourself" aquavit to which the consumer can add flavour. Aalborg Taffel is Denmark's most sold aquavit.

Business Area
SPIRITS

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

The primary focus of the Spirits business area is to develop and market Nordic spirits brands. Norwegian, Danish and Swedish aquavit constitute the core of the product range, followed by bitters, vodka and cognac. In addition, the business area has its own brands within most of the other important spirits categories, as well as extensive agency operations for foreign products.

The operations of the Spirits business area include product development, marketing and sales.

THE NORDIC MARKETS

Norway, Sweden and Finland are characterised by the three major state-owned retail monopolies, Vinmonopolet, Systembolaget and Alko respectively. In Denmark, spirits sales are unrestricted and spirits are primarily sold to consumers via supermarket chains. Sales are subject to highly competitive pricing, and participation in campaigns run by the chains is essential to promote sales. Spirits advertising is permitted in Denmark, while the monopoly markets in Norway, Sweden and Finland are heavily regulated in this respect.

Arcus has an important competitive advantage over its international competitors, due to the distinctive market situation, with state-run alcohol monopolies. The operations in all the Nordic countries are run through local sales companies that have many years' experience from selling to the retail monopolies in their respective countries, and detailed knowledge of how these monopolies work.

GERMANY

In Germany, which together with the Nordic countries constitutes Arcus' domestic market, there are no restrictions on the sale of spirits. For Arcus, aquavit is the largest export category, and both Norwegian and Danish brands are well-represented. Malteser Aquavit has a long tradition in the German market. LINIE Aquavit and Aalborg Taffel Akvavit are also popular. Sales and marketing in Germany take place via a local importer.

Arcus' expertise from working with the alcohol monopolies is an important competitive advantage.

BUSINESS AREA SPIRITS	2016	2015	2014	2013	2012
Total operating revenue (NOK million)	904.0	855.0	903.2	887.5	647.1
EBITDA (NOK million)	158.7	112.2	154.3	163.8	47.5
EBITDA adjusted for non-recurring items (NOK million)	162.6	113.0	142.0	166.3	94.8
EBITDA margin adjusted for non-recurring items	18.0%	13.2%	15.7%	18.7%	14.7%

DUTY-FREE

Duty-free retailers mainly purchase their goods directly from the producer. Due to its significant portfolio of own products and popular brands, the Spirits business area is a significant supplier in the Nordic region. The most important categories are Norwegian and Danish aquavit, although cognac and vodka also hold a strong position.

BRANDS AND AGENCY BRANDS

The largest proportion of brands produced in-house are Norwegian and Danish aquavits, although significant volumes of vodka, bitters and gin are also produced. In addition, Arcus offers its own brands of whisky and grape spirits, based on imported spirits, bottled at the Gjelleråsen facility. The company owns a 34 percent stake in the French cognac house, Tiffon SA, the producer of Braastad Cognac.

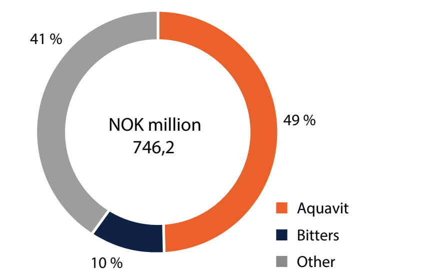
Arcus manages agencies for producers in several countries, the largest of which are the USA, the UK and France. When competing for the most attractive agencies, the Spirits business area's expertise, consumer insight and close cooperation with the Swedish, Norwegian and Finnish alcohol monopolies are important competitive advantages.

Another advantage is the fact that Arcus is one of only a few players in the industry who are able to operate throughout the Nordic region. Even though the Nordic countries individually represent small markets for major international suppliers, the Nordic region in total generates a large customer base.

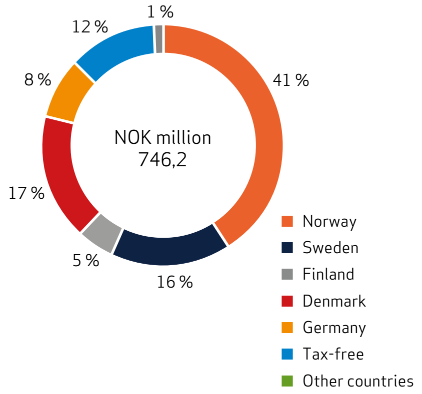
PREFERENCES AND TRENDS

For several years now, there has been an international trend for growth in the premium segment for the most important

External sales revenue by category



External sales revenue by country



spirits categories, with increasing interest in specialised whiskey and exclusive aquavits, for example. In parallel, a sharp growth in the low price segment indicates a degree of polarisation in the market.

Vodka is the best-selling category in the western world, and the Nordic region is no exception. Overall, aquavit and whisky are slowly gaining ground in the market at the expense of cognac and grape spirits, although there are fluctuations from year to year and between markets. Bitters are relatively stable, although also with certain variations between the countries. Low alcohol products are also gaining ground.

Small niche manufacturers of spirits are found in all the Nordic countries, producing primarily gin, aquavit and whisky. The number of micro distilleries is increasing, showing how the local production of spirits is following the same trend as microbreweries and a growing interest for local food traditions. Arcus is capitalising on this trend through its broad selection of regional aquavits and other locally-distilled spirits. With the small-scale craft beer operations at Atlungstad Brenneri in Stange, Norway, and the Snälleröds brewery in Ljungbyhed in Skåne, Sweden, Arcus has created excellent conditions for enhancing its position in the craft spirits market.

STRATEGY 2020

One of our highest priorities is to ensure a continued strong aquavit and bitter position in our home market (the Nordic countries and Germany). To succeed, we must continuously adapt and deliver on our strategy of strong brands. In the long term, we will also be focusing on increased growth in Sweden and Finland, and innovation is of great importance in all markets.

OPERATIONS IN NORWAY

The management of the Spirits business area, which handles central sales, marketing and R&D, is located at Gjelleråsen, outside Oslo. This is also the home of Arcus' main facility for production, bottling and storage.

OPERATIONS IN DENMARK

In Denmark, marketing and sales of Arcus' spirits products are handled by Det Danske Spiritus Kompagni A/S (DDSK).

OPERATIONS IN SWEDEN

Arcus Sweden AB handles marketing, sales and agency management for the Swedish market. The company is a wholly owned subsidiary of Arcus-Gruppen AS. The operations are located in the same premises as Vingruppen i Norden AB in Stockholm.

OPERATIONS IN FINLAND

Arcus Finland Oy handles marketing, sales and agency management in Finland. This is a wholly owned subsidiary of Arcus-Gruppen AS. Its operations are located in the same premises as Vingruppen i Norden's wine companies in Helsinki.

OPERATIONS IN GERMANY

Arcus Deutschland GmbH, in close cooperation with the German wine and spirits importer Eggers & Franke, handles marketing and sales in Germany.

LEARN MORE ABOUT SPIRITS

Welcome to a tour of our production!

See arcus.no/om-oss/besøk-vårt-destilleri for a programme, tastings and menus, or contact opplevelse@arcus.no


LYSHOLM
ETABLERT 1821
Nº52
BOTANISK
AQUAVIT
BLANK
Gammel Opland
SIDEN 1891
Aquavit
DESTILLERT, MODNET OG TAPPET I NORGE
LØITEN
LINIE
AQUAVIT
16
KRYSSET LINIEN PÅ ÅPENT HAV
OPPRINNELIGE TRADISJON
LØITEN BRS DESTILLATION
VIKINGFJORD
VODKA
DISTILLED IN POLAND
VODKA
DWOREK
TRADE MARK
THE FAMOUS VODKA
CRYSTAL CLEAR
BRAASTAD
COGNAC
ENTREPRISE FAMILIALE
V.S.O.P
ROUND & MELLOW

Business Area

WINE

Arcus is the largest player in the Norwegian wine market and the second largest in Sweden. In addition, Arcus has secured a significant position in Finland through ambitious growth initiatives.

The Wine business area covers imports, marketing and sales of wine in Sweden, Norway and Finland. The core business for Arcus' wine import companies in each country, is to manage their respective agencies. However, operations also include in-house brands, produced according to specifications from the wine companies, and bottled in Arcus' facilities at Gjelleråsen.

THE NORDIC MARKETS

In Sweden, Norway and Finland, all wine sales to consumers are channelled through state retail monopolies.

The situation in Denmark is different, where consumers are free to buy wine in grocery stores and supermarkets.

The Danish market is subject to fiercely competitive pricing. So far, Arcus has chosen to concentrate its Danish operations on spirits.

Marketing opportunities also vary between the countries.

In Norway, alcohol advertising is forbidden, apart from the trade press. The regulations were eased in 2016 to permit the publication of sober product images with sober text. This is the basis for Arcus' new website www.arcus.no, launched November 2016. Alcohol advertising in Sweden and Finland is also subject to significant restrictions. This necessitates a specialised insight into the relevant marketing tools when launching and promoting new products.

The media is an important channel, together with fairs for consumers, and employees of the monopolies, as well as the hotel and restaurant industry.

DUTY-FREE

Duty-free players make the bulk of their purchases directly from the producers, and therefore their contribution to Arcus' wine revenue growth is minimal. In the autumn of 2016, Heinemann at Gardermoen began to sell Ruby Zin red wine in bag-in-box.

AGENCIES AND BRANDS

Most of Arcus' wine sales in Sweden, Norway and Finland take place through national import companies in each country. These companies manage overseas producers' agencies for established and new brands.

Arcus' wine companies have substantial consumer insights in the Nordic wine market.

THE COMPANY
The Company in brief
Spirits
Wine
Group Supply Chain
Distribution
Organisation
Group Management

BUSINESS AREA WINE	2016	2015	2014	2013	2012
Total operating revenue (NOK million)	1,552.4	1,466.6	1,281.3	1,177.1	1,128.7
EBITDA (NOK million)	194.2	197.1	180.3	192.8	198.5
EBITDA adjusted for non-recurring items (NOK million)	194.2	197.5	179.4	195.6	199.2
EBITDA margin adjusted for non-recurring items	12.5%	13.5%	14.0%	16.6%	17.7%

Winning and retaining attractive agencies requires a strong network of contacts, in addition to professional wine expertise, to earn the trust and respect of the suppliers. The industry is characterised by personal relationships between producers and agents. This is why Arcus' import operations are organised into a number of smaller companies, several of which are owned by founders or key people with strong relationships to attractive suppliers. This model also encourages the continuation of an entrepreneurial approach and the continued development of the business.

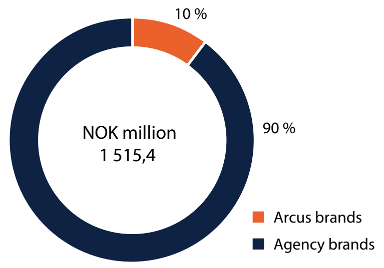
There is a clear trend towards closer cooperation between producers and importers to develop products adapted to local preferences. Wines produced on special order from Arcus, and marketed under its brands, is one manifestation of this trend. Arcus holds a leading position in this segment.

PREFERENCES AND TRENDS

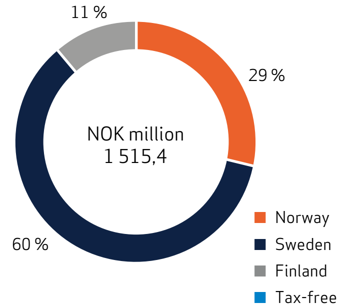
There are major differences in the taste preferences of consumers in Sweden, Norway and Finland. This applies to grape varieties and country of origin, as well as brands. In both Sweden and Norway, Italian and French wines are popular. In Sweden, new wine countries such as South Africa, Chile and Australia are relatively strong, while traditional wine producing countries such as Germany and Spain have high market shares in Norway. Chile and Spain are the most popular wine producing countries in the Finnish market.

All three markets are characterised by a high change rate, with a strong focus on new products. Wine brands have shorter life cycles than spirits brands. Consumer insight and the ability to innovate in combination with market knowledge, is crucial to maintain a product portfolio that can be quickly adapted to meet new customer preferences.

External sales revenue by brands



External sales revenue by country



OPERATIONS IN SWEDEN

The Wine business area in Sweden is run by Vingruppen i Norden AB, parent company of Arcus' Swedish and Finnish wine companies. The parent company is responsible for functions such as finance, IT, HR and logistics for all of the wine companies, while each wine company manages its own agencies and undertakes imports, marketing and sales. Sales to the HORECA market are organised through the parent companies in Sweden and Norway.

The primary strategy of Vingruppen i Norden is to achieve continued growth by winning new agencies, through acquisitions, new product launches and product development.

http://www.vingruppen.se

OPERATIONS IN NORWAY

Operations in Norway are run through Vingruppen AS, parent company for Arcus' Norwegian wine companies. Internal functions such as finance, IT and HR are provided centrally by Arcus. The individual wine companies manage their own agencies and are responsible for imports, marketing and sales.

Vingruppen's strategy is to expand through organic growth in its existing companies, growth in new agencies, and the establishment of new companies.

http://www.arcus.no/vin/vingruppen-as/

OPERATIONS IN FINLAND

Operations in Finland are run through Social Wines Oy, Wineworld Finland Oy and Vinum Import Oy, which are owned by Vingruppen i Norden AB. The Finnish wine companies manage their own agencies and are responsible for imports, marketing and sales.

The strategy of Vingruppen i Norden in Finland is also to achieve continued growth by winning new agencies, acquisitions, new product launches and product development.


Falling FEATHER
LAV PÅ GARVESTOFF OG HISTAMIN
The tradition of Falconry dates back to the 1st Century BC and was considered a status symbol in many cultures. Falcons were used both for hunting and for play while the owner of a falcon was commonly considered to be noble and fierce. Falling Feather is named after the introduction of falcons in vineyards to protect the crops from invading flocks of birds causing worries among the landowners.
Falcons are particularly useful for protection in the season when the grapes begin to colour. One single falcon is able to cover about 500 acres of land and keeps other birds off the crops simply by showing its presence. The use of this ancient method has been found to be a gentle, silent and environmentally friendly way to protect the grapes of a wine. Falling Feather is a classic and delicious red wine from California.
Finest Red Wine
RUBY CABERNET
PRODUCE OF CALIFORNIA
espelt
Viticultors de l'Empordà
Old Vines
Garnacha
2014
FREDAG!
75cl
RØDVIN
Indication Géographique Protégée Vaucluse
PRODUKT FRA FRANKRIKE

GROUP SUPPLY CHAIN

Group Supply Chain ensures the efficient flow of goods across business areas and national borders. At its advanced production facilities at Gjelleråsen, outside Oslo, Arcus' Norwegian and Danish aquavit brands are produced, and large volumes of wine are bottled.

Group Supply Chain (GSC) is responsible for purchasing, production, storage, bottling, distribution and logistics across the business areas. GSC's financial figures are reported together with the accounts of the Spirits business area.

Based on their own sales forecasts and other underlying material, the Wine and Spirits business areas place orders with GSC, which then plans the purchasing, production and stock levels. The purchase of finished goods, as part of the agency operations, is handled by the Wine and Spirits business areas themselves.

PRODUCTION FACILITIES

At Gjelleråsen outside Oslo, GSC is responsible for operating the raw materials warehouse and casks warehouse, the latter consisting of around 7,300 casks for the maturing of aquavit and other spirits. At all times there are always around 1,100 casks on board the Wallenius Wilhelmsens ships, a four-month voyage during which the Equator is crossed twice. GSC is also responsible for the operation and maintenance of the spirits production facility and the spirits and wine bottling facility.

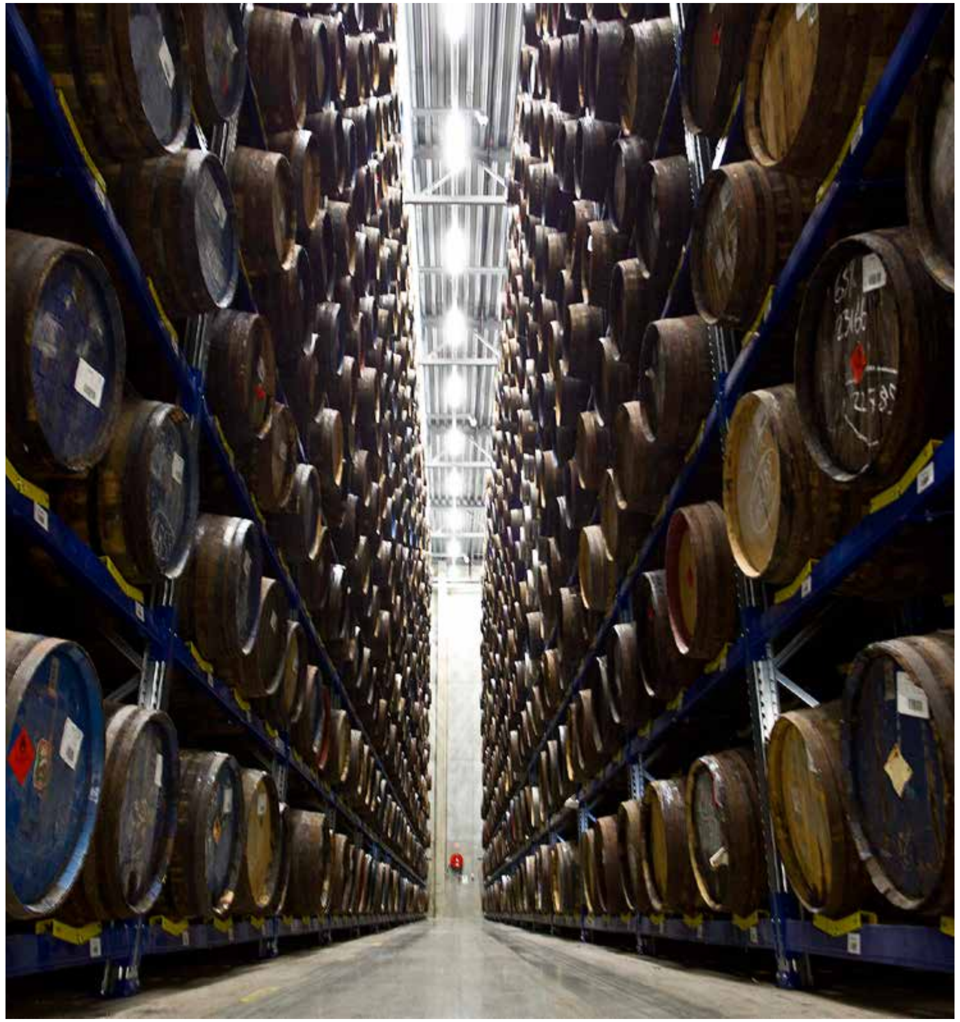
The facilities at Gjelleråsen, is one of Europe's newest and most advanced. It is one of the very few to have its own accredited laboratory for quality assurance and monitoring. The laboratory carries out chemical, microbiological and sensory tests. All products to be bottled at the facilities in Gjelleråsen are checked and approved by the laboratory prior to bottling.

The facilities offer extensive capacity and one of GSC's strategic goals is to achieve the highest possible degree of utilisation. In line with this, production and bottling of the Aalborg aquavits, Gammel Dansk and Malteserkreuz were moved from Denmark to Norway during 2015.

RESTRUCTURING AND INNOVATION

With modern facilities GSC now perform large bottling assignments for external companies.

Finished goods warehousing and distribution are part of GSC's responsibility. In Norway, these functions are outsourced to Vectura, who distribute directly to Vinmonopolet and HORECA. In other countries' distribution takes place via partners and wholesalers with agreements with GSC.



Arcus stores around 7,300 casks for maturing of aquavit and other spirits.

Business Area DISTRIBUTION

Vectura AS is Norway's leading logistics operation for alcoholic drinks, with a market share of approximately 44 per cent. Vectura makes use of one of the industry's most modern facilities. Arcus is the largest customer, and accounts for approximately 30 per cent of sales revenue.

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

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

Vectura has in total 166 employees and an annual turnover of NOK 263 million.

PURCHASING AND WHOLESALE SERVICES

Vectura's purchasing department is made up of experienced buyers. Close dialogue with importers and advanced IT systems enable them to deliver correct amounts at the right time and price. This provides excellent, consistent results for purchasing portfolios managed by Vectura: increased delivery precision, reduced stocks, low costs, high stability and a high degree of predictability. Vectura also offers purchasing forecasts, extensive advisory services and various key performance reports that measure delivery services, circulation and forecasting accuracy.

In addition to the role as a logistics supplier for importers, Vectura has its own wholesale operation, targeting the HORECA market. The portfolios of all importers with logistics agreements with Vectura, are automatically available to all HORECA customers.

SALES FORCE

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

SHIPPING AND CUSTOMS

Through its network, Vectura offers shipments to Norway from more than 800 suppliers. The size of its network makes it possible to be competitive, both with fully loaded cargoes and singular transports. Vectura has its own

Vectura has state-of-the-art logistics facilities, among the most modern in the industry, and handles approximately 10,000 different products.

BUSINESS AREA VECTURA	2016	2015	2014	2013	2012
Volume (millions of litres)	43.5	40.6	45.0	48.0	50.5
Total operating revenue (NOK million)	262.9	250.1	272.0	286.7	307.2
EBITDA (NOK million)	2.2	-19.2	-37.2	-68.9	-123.2
EBITDA adjusted for non-recurring items (NOK million)	2.6	-15.7	-34.6	-63.1	-57.9
EBITDA margin adjusted for non-recurring items	1.0%	-6.3%	-12.7%	-22.0%	-18.9%

customs service for all goods imported via the company's warehouse.

WAREHOUSING SERVICES

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

DISTRIBUTION

As the only beverage supplier for alcoholic beverages in Norway, Vectura has country-wide distribution to both the HORECA market and all of Vinmonopolet's stores. In the regions close to Oslo (Østlandet), this service is provided via an in-house fleet of 21 trucks with a dedicated maintenance and repair shop. For the rest of the country, distribution is handled via a partnership agreement with postal services, Bring.

Organisation

EMPLOYEES AND EXPERTISE

Committed employees are crucial to the success of each business area. The Group, therefore, invests in competence development and measures to increase the mastery of those skills. Increased mastery encourages greater commitment, improved performance and increased work quality.

To strengthen the leadership within Arcus, a leadership programme, ArcusAcademy, was launched in January 2015. All managers and key employees of Arcus are enrolled for the programme, and the aims are to enthuse customers, make change happen, and inspire teams and employees.

Twice a year, a survey is conducted to assess the commitment of our employees. For Arcus-Gruppen the survey in 2016 showed progress from the survey in 2015. On a scale of 1-5, where 5 is the best, the result of the survey was 3.9 in November 2016. The biggest improvement was related to managers' ability to give recognition and praise. The target for 2020 is 4.1. The result for Vectura in 2016 was 3.5, a decline of 0.1 since 2015.

Arcus has established tools and processes for performance management. The purpose is to set clear goals for the Group's employees, and to create an understanding of how they relate to the Group's overall objectives and priorities. Performance evaluation in addition to career and succession planning are important elements. An annual Management Audit report is submitted, with focus on a succession plan for the Board of Directors.

HEALTH, SAFETY AND THE ENVIRONMENT

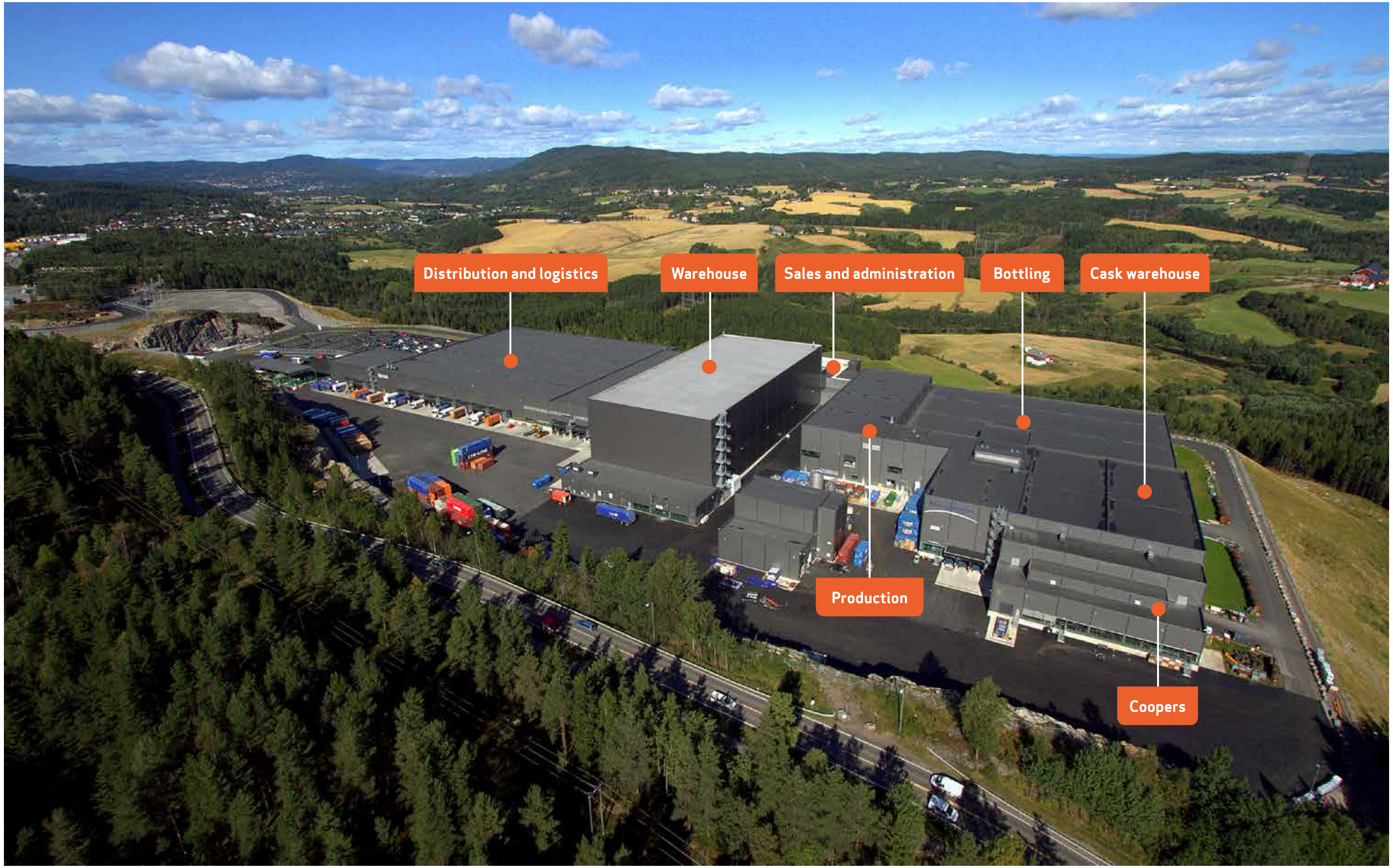
Arcus is strongly focused on health, safety and the environment (HSE).

Great emphasis is placed on avoiding accidents and injuries. Risk assessments, job safety analyses and root cause analyses are therefore performed on a regular basis at our facilities in Norway.

Arcus is a company that handles flammable liquids. In addition to the high degree of safety embedded in the buildings, production processes and procedures,comprehensive emergency measures are in place for dealing with adverse incidents. Employees take part in annual courses and training on how to best handle accidents. A separate rescue staff team undergoes annual training in a hypothetical, but comprehensive emergency situation. This training is conducted with police, fire brigade and ambulance personnel present.

Arcus is an IA (inclusive working life) company in Norway, and works closely with occupational health services and NAV (Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. In 2016, sick leave amounted to 4.2 per cent in Norway. For 2017, the Group's target is a maximum of 4.2 per cent sick leave. In Vectura, sick leave was 9.1 per cent in 2016, and the target for 2017 is 7.5 per cent.

Sick leave statistics and HSE incidents are presented each month at departmental meetings and on bulletin boards.



Arcus' production facility outside Oslo, inaugurated in 2012, is as large as six football grounds.

GROUP MANAGEMENT

Kenneth Hamnes
Group CEO of Arcus ASA
Master of Business Administration
Group CEO since August 2015. CEO Maarud 2009-15, sales director at Orkla-owned Stabburet 2006-09 and Bakers 2004-06. Consultant/project manager Boston Consulting Group 2000-04 and brand manager/key account manager Lilleborg (Orkla) 1997-00.

Erlend Stefansson
Group Director Spirits
Master of Business Administration
Member of Group management since 2012. Sales Director Ringnes 2008-12, CEO Spits ASA 2006-08, CEO Virtual Garden/Staal 2003-06, between 1993 and 2003 various roles within sales, marketing and consulting (incl. McKinsey 1993-1996).

Thomas Patay
Group Director Wine Norway
Bachelor of Arts, Major in Marketing
Member of Group management since 2008. Managing Director of Bibendum, 2003-08. Previously held management positions within sales and marketing of FMCG in Norway and internationally, including as Marketing Director of Steen & Strøm ASA.

Claes Lindquist
CEO Vingruppen i Norden (Wine Sweden and Finland)
Master of Business Administration
Established Vingruppen in 1992. Member of Group Management at Hexagon AB with responsibility for M&A, IR and trading company (1994-00). Broad experience from Indutrade, VBG and Svedberg i Dalstorp

Sigmund Toth
CFO, Group Director Finance/IT
Master, Business Administration (Diplôme ESSEC), ESSEC, France
Member of Group management since 2016. Head of business controlling & treasury, Arcus-Gruppen 2015-16. Associate and Engagement Manager McKinsey 2012-15, and Sales Finance Manager, Business Controller , etc. Procter & Gamble 2011–12.

Erik Bern
Group Director Group Supply Chain, Purchasing and Property Management
Master in Engineering
Member of Group management since 2012. Managing Director Vectura AS, Factory Manager 2000-03, Technical Director Ringnes 1999-08 and Sales Manager Landteknikk 1986-99.

Christian Granlund
CEO Vectura AS (commencement by 1 July 2017)
Master of Business Administration
VP Sales, on-trade Ringnes 2015–2017. Logistics Director, Ringnes 2012–2015. Factory Director, Farris/Imsdal 2010–2012. Planning Director, Ringnes 2008–2010. Prognosis & Planning TINE 2003–2008.

Per Bjørkum
Group Director IR and Communications
Bachelor of Commerce, Master of Business Administration
Member of Group management since January 2013. Partner in First House 2009-12, Director of Trolltind Kommunikasjon 2003-09, GCI Monsen 2000-03, VP Communications NetCom 1996-00, journalist and editor Reuters Norge 1992-96.

Bjørn Delbæk
Group Director HR
Military Academy and Master's program in HR & Change Management
Member of Group management since June 2015. HR Director Vectura og Director Change program in Arcus, Program Director NHO, Partner and Advisor, HR Director/Vice President Ringnes/ Carlsberg 1995-08. . Long experience as Head of Negotiation and about 9 years as an army officer (Major R).

Corporate Social Responsibility

Corporate social responsibility is important to Arcus and we are particularly committed to encouraging a responsible approach to alcohol consumption

To preserve competitiveness and realise the ambition of becoming the leading wine and spirits brand company in the Nordic region, Arcus must have a relationship of trust with its most important stakeholders: employees, customers, suppliers, owners, politicians and government authorities.

This involves integrating a responsible approach to alcohol consumption, workers' rights, social issues, the environment and anti-corruption in the day-to-day operations of the company.

An annual assessment of the corporate social responsibility report, prepared by management, is evaluated by the Board of Directors.

NAM CODE OF CONDUCT

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

UN GLOBAL COMPACT

Arcus supports the UN Global Compact initiative for social responsibility work. The Group adheres to the ten principles laid down in the Global Compact for the environment, human rights, standards for working life and anti-corruption.

Arcus' annual Global Compact reports are available at *www.unglobalcompact.org*

ETHICAL GUIDELINES

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

The Group's ethical guidelines stipulate that Arcus has zero tolerance for discrimination, harassment and corruption. All employees are required to sign a declaration stating that they are familiar with the CSR policy and the company's ethical guidelines, and that they understand what it means to comply with these. All managers with staff responsibility are required to discuss the ethical guidelines with their employees on an annual basis. This will strengthen compliance with the guidelines.

As part of the ethical guidelines, provision is also made for the notification of any misconduct within the Group. Whistle-blowers can use a designated phone number, established for this purpose. All employees have been made aware of this, and the fact that their anonymity is guaranteed. There were no reported cases of whistle-blowing in 2016.

DRUGS AND ALCOHOL POLICY

As a major provider of alcohol, Arcus has assumed an active role in promoting responsible alcohol consumption. In 2015 and 2016, a public awareness campaign related to responsible alcohol consumption was launched. All of the target groups relevant for Arcus must in a simple way be familiar with and understand the Group's approach to alcohol and responsible consumption. This is the background to the "Think before you drink" campaign, which is continuing in 2017.

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

ENVIRONMENTAL POLICY

Consideration of the external environment is an important part of corporate social responsibility at Arcus. The Group's operations affect the external environment through the production and distribution of its products.

Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of the business on the external environment.

The two coopers at Arcus ensure that the old craft is kept alive and that the 8,400 oak casks can still be used to mature aquavit and other spirits.

THINK BEFORE YOU DRINK. MAKE GREAT MOMENTS EVEN BETTER.

Arcus takes a clear stance on responsible alcohol consumption.

Our aim is to raise awareness and understanding among all of the target groups relevant for Arcus about our corporate approach to alcohol and responsible consumption. This is the background to our "Think before you drink" campaign, launched in the autumn of 2015. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus.

The main message of the campaign - to think before you drink – is based on Arcus' mission:
We are passionate about creating great moments, that's why we bring the best of Nordic spirits to the world and the world's best wines to the Nordics.

GREAT MOMENTS

We are passionate about creating great moments. We want to help our customers enjoy themselves – at home, in restaurants, or in bars and clubs. We are proud of our products. We generate revenue, we create good places to work, and we preserve Nordic culture.

But we are also aware of the dark side of alcohol. We have to take both its good and its bad aspects into account. At Arcus we are as keen as everyone else to live in a safe and healthy society.

Arcus is a leading Nordic wine and spirits company, and we have always taken our corporate social responsibility seriously. We will continue to do so in the future.

RESPONSIBILITY

We are proud of our products. We are pleased that our products help our customers enjoy themselves. Arcus is an important partner to the Nordic alcohol monopolies. One fundamental requirement for us is to follow their initiatives to contribute to the safety of the entire supply chain.

Regardless of the external requirements we are expected to meet: Arcus will not and cannot remain indifferent to the consequences of the abuse of alcohol, both for people and society. We are therefore committed to responsible and sensible consumption of alcohol.

ARCUS' ENVIRONMENTAL GOALS

THE BOARD OF DIRECTORS AT ARCUS HAS SET SPECIFIC ENVIRONMENTAL GOALS.

GOAL	TARGET	STATUS 2016
To increase the energy efficiency of our production processes.	0.323 KWh/litre produced	The 12-month rolling measurement per December was 0.28 KWh.
To increase the percentage of renewable energy used in the operation of our buildings.	62 per cent	The percentage was 70 per cent in 2016. The most important contribution to this was the geothermal heating system.
To reduce our water consumption in production.	10 per cent reduction in 2016	Measurements in 2016 show that the consumption of water has been reduced by 8 per cent on average from the level when measurement began.
To reduce the amount of waste in production per bottled litre.	10 per cent reduction in 2016 per bottled litre. To establish a reference point for spirits.	Since setting this goal in 2014, wine wastage has been reduced by around 40 percent. The production process for spirits is far more complex than for wine. This means that a reference point for spirits, sub-goals and an action plan will not be established until during 2017.

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

CORPORATE SOCIAL RESPONSIBILITY
ENVIRONMENTALLY-FRIENDLY PRODUCTION

Clean water

In the Nordic countries, we take clean drinking water for granted. But even though all the water we use is clean and ready for bottling, Arcus is still committed to water quality. The Group has its own water treatment plant, where the water is continuously sampled and, if necessary, the natural salinity is adjusted.

The water used by Arcus is locally produced. It arrives at the bottling plant without the use of polluting transport, through the established pipeline network in the area. Most of the water used for bottling and cleaning purposes is sourced locally, from Nittedal Municipality.

For Vikingfjord Vodka, we use water from the Folgefonna glacier in Hardanger, transported by tank trucks.

Clean energy

Before inaugurating the bottling plant and head office at Gjelleråsen in May 2012, the local authorities set clear requirements for energy consumption: 40 per cent of Arcus' total energy consumption should be emission-free. Hence, a geothermal heating system was installed.

Geothermal energy is surplus heat from the ground and, therefore, classified as clean energy. Geothermal energy does not contribute to global warming.

Arcus' geothermal systems deliver 70 percent of the total energy consumed. Natural gas, also a clean and pollution free energy source, makes up the additional energy supply.

Plastic bottles

Every year, Arcus fills 4 million plastic bottles (PET) in many different sizes. This is equivalent to approximately 19 per cent of all the bottles filled. PET bottles weigh little and are recycled like other plastics.

An ordinary wine bottle made of glass (75 cl), weighs 350 grammes. A similar PET bottle weighs only 50 grammes. The low weight makes transport easier and less resource-demanding.

PET is also advantageous to consumers: PET bottles are easy to carry and they do not smash.

Bag in Box

Boxed wine (Bag in Box, BiB) was introduced to the Nordic region in the 1980s and has become very popular. In 2016, 58 per cent of all red wine sold in Sweden, and 59 per cent in Norway, was BiB. For white wine, BiB sales were 57 per cent in Sweden and 55 per cent in Norway.

BiB has a number of practical features such as low weight, large volume and the fact that it is unbreakable. Wine in a BiB will keep for six weeks after opening, without comprising the quality of the product.

There are huge environmental savings with BiB: the wine is poured into large flexi-tanks in the country of origin and then transported to Arcus, where it is bottled. This form of transport ensures low weight and large volumes per load, compared with the transport of ordinary glass bottles.

CORPORATE SOCIAL RESPONSIBILITY
ENVIRONMENTALLY-FRIENDLY PRODUCTION

High-quality spices

To ensure high-quality end products, Arcus is particularly careful about the raw materials used and where they are sourced. Caraway, which is the most important spice used in Norwegian aquavits, is exclusively produced in Norway.

The wild caraway type used is of very good quality and has a high content of essential oils. In this way, we are able to maintain a high level of the essential oils that contribute to the nice and spicy flavour of the aquavit.

Locally-produced Norwegian spirits

Every year, Arcus uses around two million litres of 96 per cent rectified alcohol in the production of its spirits. The alcohol is produced from Norwegian potatoes and delivered to Arcus by HOFF. The potatoes used to make the alcohol are potatoes that would have otherwise been discarded.

Tanker trucks from the HOFF plant at Gjøvik transport the potato spirit to Arcus' production facility at Gjelleråsen. The organic aquavit manufacturer Snälleröds in Skåne, Sweden, bases the production of its aquavit on organic wheat spirit.

LINIE voyage

Arcus' LINIE aquavit spends four months of the year on board a Wallenius Wilhelmsen ship and crosses the Equator twice. This method of maturing aquavit dates back to 1807 and is essential for the quality, taste and smell of the aquavit. Before, during and after the trip, the aquavit is kept in casks that were previously used to store sherry. The voyage through different climate zones with varying degrees of humidity, temperature and waves gives the aquavit a unique nose and flavour. Arcus has approximately 1,100 casks on the high seas at all times.

Traditional craftsmanship

Arcus has approximately 8,400 casks for storing aquavit. Each of these casks was bought from Spanish sherry and port wine producers, and they are used over and over again. The oldest are 100 years old, and all the casks need to be maintained. The two coopers who maintain the casks represent a traditional Norwegian craft.

Cooperage was widespread in Norway until 1930, and the main products produced by Norwegian coopers were herring barrels. However, as time passed, the wooden barrels were replaced with plastic.

By the 1960s, most of the barrel production in Norway had ceased.

The two coopers at Arcus ensure that a traditional craft lives on, and that the around 8,400 oak casks still can be used to store aquavit and other spirits.

CORPORATE SOCIAL RESPONSIBILITY
ENVIRONMENTALLY-FRIENDLY PRODUCTION

Testing in our own laboratory

Arcus has its own laboratory that performs chemical, microbiological and sensory tests. All liquids to be bottled at the Gjelleråsen facility are checked and approved by the laboratory before the bottling can begin. In addition, samples are taken of spices, wine and spirits even before they are bought.

Five employees, with an academic background from organic analytical chemistry and food science, each year perform several thousand tests, including smelling and tasting everything that is produced.

Production at Arcus is certified according to the ISO 9001 standard. The laboratory is accredited according to ISO 17025, meaning there is a strict regime to ensure that the test results are accurate. Each month, along with more than a hundred other laboratories, the laboratory takes part in a proficiency testing program to ensure that its results are comparable.

CORPORATE GOVERNANCE

Arcus ASA ("Arcus" or the "Company") considers good corporate governance to be a prerequisite for value creation and trustworthiness and for access to capital. In order to secure strong and sustainable corporate governance, it is important that the Company ensures good and healthy business practices, reliable financial reporting and an environment of compliance with legislation and regulations. Arcus' Board of Directors (the "Board") actively adheres to good corporate governance standards and will at all times ensure that Arcus complies with "The Norwegian Code of Practice for Corporate Governance" most recently revised 30 October 2014 (the "Code") as issued by the Norwegian Corporate Governance Policy Board, or explain possible deviations from the Code. The Code can be found at www.nues.no. Arcus has governance documents setting out principles for how business should be conducted, and these also apply to Arcus' subsidiaries (together with Arcus, the "Group"). The Code covers 15 topics, and this statement covers each of these topics. Information concerning corporate governance pursuant to section 3-3 b of the Norwegian Accounting Standard Act is included in section below.

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

1. IMPLEMENTATION AND REPORTING ON CORPORATE GOVERNANCE

A corporate governance policy was adopted by the Board on 10 October 2016 for and on behalf of the Company and is, in all material respects based on the Code, to which the board has resolved that the company shall adhere. The Board will ensure that the Company at all times has sound corporate governance.

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

Deviations from the Code: None

2. BUSINESS

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

Arcus' business is defined in the Company's articles of association as follows:

> *The Company's purpose is to operate, import, export, produce, store and distribute alcoholic beverages and other goods, and other business activities in connection therewith, including participation in other companies engaged in such activities.*

The articles of association are available on the Company's website at www.arcus.no/investor. To achieve the objective set forth in the articles of association, the Company has established a strategy for profitable growth primarily in the Group's home markets, the Nordic countries and Germany, based on its own brands and agency brands within wine and spirits.

Deviations from the Code: None

3. EQUITY AND DIVIDENDS

The shareholder's equity as of 31 December 2016 was TNOK 1.503.590, which represents 35 per cent of the Company's total assets. In the opinion of the Board, Arcus' equity capital is appropriate for its objectives, strategy and risk profile.

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

The Board may obtain authorisation from the general meeting of shareholders to buy back Arcus shares in the market. In such cases, the Board will normally request that the shares be acquired in the open market, and that the authority lasts no longer than until the next general meeting. At the extraordinary general meeting on 20 October 2016, the Board was given an authorization to acquire own shares in the Company on behalf of the Company with an aggregate nominal value of up to NOK 100,000. The authorisation expires on at the annual general meeting in 2017.

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

At the extraordinary general meeting on 20 October 2016, the Board was given an authorisation to increase the share capital of the Company by up to NOK 400,000 in connection with the offering and listing of the Company's shares on the Oslo Stock Exchange. The authorisation could only be used to issue shares in connection with the offering and the listing of the Company's shares including issuance of shares in connection with the settlement of synthetic shares and synthetic options and has thus lapsed.

At the extraordinary general meeting on 20 October 2016, the Board was furthermore given an authorisation to increase the share capital of the Company by up to NOK 100,000 following the listing of the Shares on the Oslo Stock Exchange. The authorisation may only be used to finance further growth and to issue shares as consideration in connection with acquisitions of other companies/businesses/assets or to finance such acquisitions. The authorisation expires at the annual general meeting in 2017.

Deviations from the Code: None

4. EQUAL TREATMENT OF SHAREHOLDERS AND TRANSACTION WITH CLOSE ASSOCIATES

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

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

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

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

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

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

The Company has implemented rules of procedure which state that the members of the Board and the Company's chief executive officer may not participate in discussions or decision of issues of significant importance to the relevant person or anyone affiliated with him/her.

Deviations from the Code: None

5. FREELY NEGOTIABLE SHARES

All shares are freely negotiable with no form of restriction on negotiability.

Deviations from the Code: None

6. GENERAL MEETING

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

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

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

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

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

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

The annual general meeting elects a chair to preside over the meeting and one person to sign the minutes of the meeting together with the elected chair. The minutes are published on the Company's website.

The annual general meeting approves the annual accounts and annual report, and any proposed dividend. The annual general meeting also approves the remuneration to be paid to the members of the Board, the nomination committee (as defined below) and the external auditor.

All shares carry an equal right to vote at general meetings. Resolutions at the annual general meeting are normally passed by simple majority unless otherwise required by Norwegian law.

The chairperson of the board of directors, the nomination committee representative and the auditor attend the general meeting.

Deviations from the Code: None

7. NOMINATION COMMITTEE

In accordance with Arcus' articles of association, the Company shall have a nomination committee consisting of three members. The current members of the nomination committee are Sverre R. Kjær (head of the nomination committee), Lars Johansson and Karin Bing Orgland. The members of the nomination committee were elected at the extraordinary general meeting on 2 March 2017 in order to propose a new board member to replace Isabelle Ducellier at the annual general meeting in 2017.

The members of the nomination committee shall be shareholders or representatives of shareholders. The members of the nomination committee, including its chairman, are elected by the general meeting. The members of the nomination committee's period of service shall be two years unless the general meeting decides otherwise. The members of the nomination committee's fees shall be determined by the general meeting.

The majority of the nomination committee will be independent of the Board and the Company's executive management.

The nomination committee will submit its recommendations to the annual general meeting regarding the election of members to the Board and the nomination committee and their respective remuneration. The nomination committee should have contact with shareholders, the board of directors and the company's executive personnel as part of its work on proposing candidates for election to the board. The nomination committee shall justify its recommendations.

On 21 October 2016 the general meeting approved a set of instructions defining the responsibilities of the nomination committee. All shareholders are invited to propose candidates to the Board and the nomination committee through the Company's website.

Deviations from the Code: None

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

The Company does not have a corporate assembly.

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

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

At present, the Board consists of ten members, of which 7 are elected by the general meeting and three are representatives of the employees. One position at the Board is to be elected at the General meeting 3 May, filling the vacant position.

Other than Eilif Due who is chairman of the board of Hoff SA, which is the sole supplier of potato spirits to the Group, all Board members are considered independent of the Company's executive management and material business partners. All shareholder-elected members of the Board are independent of the Company's largest shareholders other than Mikael Norlander who is employed by Ratos AB, the Company's largest shareholder holding 23.63% of the outstanding shares in Arcus. No executives are members of the Board.

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

The members of the Board, including their CVs, are presented on the Company website. The shareholdings of Board members are listed in Note 8 in the Annual Report 2016. The Board is of the opinion that it has sufficient expertise and capacity to perform its duties in a satisfactory manner. Board members possess strong experience from finance, distribution and retail in general, and wine and spirits in particular.

The Board has conducted a total of 13 ordinary board meetings (5 by mail and 5 by conference call).

Participation in the Board meetings for the present Board (since 1 September 2016) is summarized below:

Name	Number of meetings attended
Michael Holm Johansen	8/8
Mikael Norlander	8/8
Hanne Refsholt	8/8
Eilif Due	8/8
Leena Maria Saarinen	8/8
Isabelle Valerie Ghislaine Ducellier	6/8
Trond Berger (from 1.12)	1/1
Erik Hagen	6/8
Kjell Arne Greni	7/8
Ingrid Elisabeth Skistad (from 02.11)	5/5
Arne Larsen (deputy for Erik Hagen/Kjell Arne Greni)	3

Deviations from the Code: None

9. THE WORK OF THE BOARD

The Board has an overall responsibility to oversee the management of the Company, while the chief executive officer is responsible for day-to-day management. The Board is responsible for ensuring that the Group's activities are soundly organized and for approving all plans and budgets for the activities of the Group. The Board approves a statement of the chief executive officer's duties, responsibilities and authorizations.

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

The Board establishes annual plans for its work with particular emphasis on business objectives, strategy and implementation. The Board has established instructions for its own work as well as for the executive management with particular emphasis on clear allocation of responsibilities and duties.

If the chairperson of the board is or has been actively involved in a given case, for example in negotiations on mergers, acquisitions etc., another board director will normally lead discussions concerning that particular case.

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

The Board has elected an audit committee amongst the members of the Board. The committee currently comprises of two members: Trond Berger as the chair person and Mikael Norlander as member. The two members of the audit committee are independent of the Company's largest shareholders other than Mikael Norlander who is employed by Ratos AB, the Company's largest shareholder holding 23.63% of the outstanding shares in Arcus.

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

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

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

The Company has adopted guidelines that describe the responsibility and tasks of the remuneration committee. The remuneration committee shall ensure that the Company has a remuneration scheme that contributes to promote and grant incentives for governance of and control with the Company's risks, counteract a high degree of risk taking and avoid conflict of interests.

Deviations from the Code: None

10. RISK MANAGEMENT AND INTERNAL CONTROL

Management is responsible for risk management and internal control in the Company and ensures that business opportunities are used through safe and efficient operations with reliable reporting in accordance with applicable laws and regulations, including requirements for ethics and social responsibility.

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

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

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

Deviations from the Code: None

11. REMUNERATION OF THE BOARD

The remuneration of the Board is proposed by the nomination committee and decided by the shareholders at the annual general meeting of the company. The level of remuneration of the Board reflects the responsibility of the board, its expertise and the level of activity in both the Board and any Board committees. The remuneration of the Board is not linked to the Company's performance. All members of the Board, with the exception of the chairman of the Board receive the same remuneration. The members of the audit committee and remuneration committee receive separate, additional remuneration. The remuneration paid to members of the Board is disclosed in Note 8 to the Arcus financial statements.

Deviations from the Code: None

12. REMUNERATION OF EXECUTIVE PERSONNEL

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

The Board is directly responsible for determining the chief executive officer's salary and other benefits. The chief executive officer is, in consultation with the chairman of the Board, responsible for determining the salary and other benefits for the Group's other senior executives.

The purpose of Arcus' terms and conditions policy is to attract personnel with the competence that the Group requires, to further develop and retain employees with key expertise, and to promote a long-term perspective and continuous improvement with a view to achieving Arcus' business goals. In general, Arcus' policy shall be competitive but not market-leading in terms of the total compensation package. For further detail of the Groups policy regarding salaries and other remuneration to executive personnel, see note 8 to the Group's consolidated financial accounts for 2016.

Deviations from the Code: None

13. INFORMATION AND COMMUNICATIONS

The Board has established guidelines for investor communication. The Company's objective is to ensure that the financial market and the shareholders have sufficient information about the Company to be certain that pricing reflects underlying values. Care will be taken by the Company to ensure an impartial distribution of information when dealing with shareholders and analysts.

Arcus will publish its financial calendar every year, identifying the dates on which it will present its quarterly reports, when the annual general meeting will be held and other key events.

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

The Company will publish an annual, electronic finance calendar with an overview of the dates for important events, such as the annual general meetings and publishing of interim reports. Any communication with shareholders outside the Company's general meeting will take place in accordance with applicable equal treatment requirements and applicable legislation regarding inside information.

Deviations from the Code: None

14. COMPANY TAKE-OVERS

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

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

The Board will not seek to prevent any take-over bid unless it believes that the interests of the Company and the shareholders justify such actions. The Board will not exercise mandates or pass any resolutions with the intention of obstructing any take-over bid unless this is approved by the general meeting following the announcement of the bid. There are no defence mechanisms against take-over bids in Arcus' articles of association or in any underlying steering document. Neither has the Company implemented any measures to limit the opportunity to acquire shares in the Company.

If a take-over bid is made, the Board will issue a statement in accordance with statutory requirements and the recommendations in the Code.

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

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

Deviations from the Code: None

15. AUDITOR

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

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

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

Deviations from the Code: None

Directors' Report

ARCUS ASA

Arcus ASA is a holding company whose purpose is the import, export, production, storage and distribution of alcoholic beverages and other goods, as well as other activities related to this business, and the ownership of interests in other companies that conduct such business. With its head office at Gjelleråsen in Nittedal Municipality, the Group is a leading wine and spirits company in the Nordic region. The Group is a global market leader in the aquavit category, a market leader in spirits in Norway and number two in Denmark. The Group is also the market leader for wine in Norway, number two in Sweden, and number three in Finland. The consolidated financial statements of Arcus ASA are in accordance with IFRS (International Financial Reporting Standards).

FINANCIAL DEVELOPMENT

Statement of income

In 2016, the Group's total operating revenue was NOK 2,583 million (NOK 2,471 million). The revenue increase was primarily due to increased demand for aquavit and other spirits products, continued high sales of wine, and new customers for Vectura.

Consolidated operating costs totalled NOK 2,305 million (NOK 2,257 million). The increase in costs was primarily related to higher commodity costs due to increased sales and challenging currency market.

In 2016, the Group's operating profit before depreciation (EBITDA) was NOK 290 million, compared with NOK 258 million in 2015. Operating EBITDA (adjusted for non-recurring items) was NOK 335 million, compared with NOK 274 million in 2015.

The Group's net financial items amounted to NOK -237 million (NOK -101 million). The decline was mainly due to the costs related to the IPO and the buy-out of former and current employees' synthetic shares and options, related to Arcus' gradually increased value.

The Group's pre-tax profit was NOK 2.1 million (NOK 101.7 million).

The Group's profit for the year after tax was NOK -24.1 million (NOK 84.4 million).

The parent company has no operating revenues.

The pre-tax profit of the parent company, Arcus ASA, was NOK -232.6 million, compared with NOK -105.1 million in the previous year.

Financial position, investments and liquidity

At year-end, the Group had intangible assets of NOK 1,710 million (NOK 1,742 million). The decrease is mainly related to foreign exchange effects concerning brands and goodwill in foreign currency. The change is also affected by the acquisition of the Dworek brand in the third quarter of 2016.

In 2016, the Group invested NOK 15 million in fixed assets and software. No significant investments are expected in the coming years.

In 2016, financial assets totalled NOK 58 million (NOK 55 million).

Total current assets were NOK 2,004 million, compared with NOK 1,674 million at the same time last year. Receivables at year-end amounted to NOK 1,426 million (NOK 1,095 million). The change is affected by a factoring agreement with SEB for NOK 225 million that was concluded in 2016.

At the end of 2016, cash and bank deposits were NOK 199 million (NOK 190 million).

Group equity was NOK 1,503 million as of 31 December (NOK 876 million). Changes in equity are significantly positively affected by the IPO, but reduced by the year's deficit and dividends paid to minority shareholders, as well as changes related to increased ownership interests in companies with non-controlling interests. At year-end, the equity ratio was 35 per cent, compared with 22 per cent at the end of 2015.

The Group is financed through non-current loans of NOK 711 million. In addition to non-current bank debt, the Group has NOK 199 million in non-current liabilities related to financial leasing. As of 31 December 2016, the Group's total liabilities amounted to NOK 2,792 million (NOK 3,135 million). Interest-bearing debt amounted to 32 per cent.

Consolidated net cash flow from operating activities was NOK -2 million (NOK 282 million). The decrease is significantly affected by the termination of the factoring agreement with SEB (NOK -225 million).

Net cash flow from investment activities was NOK -48 million (NOK -91 million). Net cash flow from investment activities was affected by the acquisition of the Dworek brand.

Net cash flow from financing activities was NOK 75 million (NOK -193 million). The cash flow from financing activities is affected by the refinancing of the non-current credit financing with SEB, the settlement of former and current employees' synthetic shares and options, and increased ownership interests in subsidiaries with non-controlling interests.

Holdings of cash and cash equivalents were NOK 199 million (NOK 190 million). Deviations between the company's operating profit and operating cash flow are the Group's financial expenses, changes in working capital and tax paid during the period.

Financial risk and risk management

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

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

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

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

From Arcus' modern production facility outside Oslo.

Credit risk

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

Outstanding receivables are continuously monitored by the finance department in cooperation with the marketing departments of the individual businesses.

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

Interest-rate risk

The Group is exposed to interest-rate risk through financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2016, the Group's non-current liabilities consisted of credit facilities at SEB and financial leasing at Nordea Finans. The interest-rate hedging policy entails that up to 50 per cent of the base rate on non-current loans can be hedged. At the end of 2016, none of the Group's interest-bearing debt was hedged. The interest-rate margin on credit facilities at SEB is related to the size of the Group's net interest-bearing debt relative to EBITDA, while the agreement with Nordea Finans involves a fixed interest-rate margin.

Liquidity risk

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

Arcus aims for the highest possible degree of flexibility in terms of utilising liquid assets as effectively as possible in day-to-day operations.

This is achieved through a Group cash pool system with a drawing facility managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. The Arcus Group acquired the Dworek brand in the third quarter of 2016, and during 2016 also acquired additional non-controlling interests in existing subsidiaries for NOK 146 million.

The Group refinanced its credit facilities with SEB in connection with the IPO in December 2016. The entire original credit exposure was redeemed and replaced with new non-current financing. This entailed net reduction of external debt by NOK 262 million.

Currency risk

The Group is exposed to currency risk as it operates in several countries and makes significant purchases in foreign currencies. The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in Norwegian kroner. Changes in purchase costs from suppliers in functional currency, due to exchange rate fluctuations, are continuously sought to be offset by changes in customer prices and through renegotiation of purchase prices from suppliers. The most significant currencies are Euro, Danish krone, Swedish krona and US dollar.

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

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

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

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS AT 31.12.2016

	Arcus Norway AS	Arcus Gruppen AS	Vingruppen AS	Vingruppen i Norden AB - Sweden	Vingruppen i Norden AB - Finland	Arcus Sweden AB	Arcus Denmark A/S	Arcus Finland OY	Arcus Deutschland GmbH	Total AG	Vectura AS	Total Arcus ASA
Women	38	12	14	21	7	2	0	1	1	94	28	122
Men	74	25	12	18	5	7	4	2	0	149	138	287
Total	**112**	**37**	**26**	**39**	**12**	**9**	**4**	**3**	**1**	**243**	**166**	**409**

DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	92	23	0	8	1	122
Men	249	25	4	7	0	287
Total	**341**	**48**	**4**	**15**	**1**	**409**

	Women	Men	Total
Spirits	42	87	129
Wine	40	37	77
Arcus-Gruppen AS	12	25	37
Vectura	28	138	166
Total	**122**	**287**	**409**

ABOUT THE COMPANY

Arcus ASA owns all of the shares in Arcus-Gruppen AS and Vectura AS. The purpose of the company is to manage shares and other company holdings and the Group operates in the business areas of spirits, wine and distribution.

The Spirits business area imports, produces, bottles, markets and sells wine and spirits primarily in the Nordic region and Germany, but also in other selected export markets. The company also provides bottling services for associated companies.

The Wine business area imports, bottles, markets and sells wine in Norway, Sweden and Finland.

The Distribution business area distributes wine and spirits in the Norwegian market.

The company's registered office is in Nittedal Municipality.

Employees, working environment and sick leave

At year-end, the Group had 405 FTEs (Full Time Equivalents) distributed as 409 permanent employees. The parent company, Arcus ASA, had no employees, but will gain some employees as from 1 January 2017. The Board considers the working environment and cooperation with employee representatives to be good. The co-involvement of employees is assured at several levels of the Group. Permanent co-operation committees, consisting of employee representatives and representatives from management, have been set up in the operating companies in Norway. At these meetings, the management provides information, and engages in discussions when needed. A corporate committee has also been established where the employees' Board members and key represent-atives meet before each Board meeting to discuss relevant issues. The Group's operating companies work systematically with health, safety and the environment. Individual action plans are established and followed up, both centrally and regionally.

The companies in Arcus ASA in Norway are IA (inclusive working life) companies and work closely with the occupational health service and NAV (Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. In 2016, sick leave for Arcus-Gruppen AS with subsidiary in Norway was 4.2 per cent. The goal for 2017 has been set at a maximum of 4.2 per cent. In Vectura, sick leave was 9.1 per cent in 2016, and the target for 2017 is 7.5 per cent.

Sick leave statistics and HSE incidents are presented each month at departmental meetings and on bulletin boards.

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

All injuries are investigated to discover the underlying cause and measures are then implemented to avoid similar incidents. One injury resulting in absence due to illness was reported in 2016. This injury was not serious and the person returned to work after a brief absence. In 2015, seven injuries resulted in leave of absence. The Group's goal for 2017 is zero absence due to injuries.

Equal opportunities

Of the Group's 409 employees at year-end, 30.0 per cent were women and 70.0 per cent were men. Arcus ASA had no employees in 2016.

At year-end, the management group (Group Management) at Arcus ASA consisted of eight men and one woman. The management group at Vectura AS consisted of one woman and four men.

At the end of 2016, the Board of Directors of the holding company (Arcus ASA) comprised nine Board members, of whom three were women. There was one vacant position. Three of the Board members were employee representatives.

The Group's goal for the operating companies is for them to be workplaces with no discrimination. At the end of 2016, the employees represented 35 different languages. The Group has a stated policy not to discriminate on the basis of gender, disability, ethnicity, religion, etc. The Board of Directors and the management groups of the operating companies' consider this in relation to recruitment, appointments, salaries and working conditions, as well as through awareness-raising activities.

Environment

Consideration for the external environment is an important part of corporate social responsibility at Arcus. The Group's operations affect the external environment via the production and distribution of its products. Arcus supports a precautionary approach to environmental challenges, and works systematically to reduce the impact of its activities on the external environment.

Alcohol

Arcus takes a clear stance on responsible alcohol consumption. Our aim is to raise awareness and understanding among all of the target groups which are relevant for Arcus about our corporate approach to alcohol and responsible consumption. This is the background to our "Think before you drink" campaign, launched in the autumn of 2015. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus. AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies.

The Annual Report includes a separate report on Arcus' corporate social responsibility and organisation.

Ownership

On 1 December 2016, Arcus ASA was listed on the Oslo Stock Exchange, and by year-end had more than 3,000 shareholders. Three shareholders each held more than 5 per cent of the company's shares. The largest owner was the Swedish investment company, Ratos, with an interest of 23.6 per cent. Arcus attaches importance to a good and open dialogue with the share market. In conjunction with the IPO, investor meetings were held in Norway, Sweden, Germany, Finland, the UK and the USA. In connection with the coming quarterly reporting, investor meetings will be held in Norway and also certain other countries.

The Annual Report includes a separate report on Arcus' corporate governance compliance.

Continued operations

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

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

In January 2017, Arcus acquired the remaining 50 per cent of the shares in the Joint Venture company, Det Danske Spiritus Kompagni A/S (DDSK). After this transaction, Arcus owns 100 per cent of the shares. DDSK will be consolidated in Arcus' financial statements as from 1 January 2017. Based on the 2016 results, this would have contributed annual revenue growth of around NOK 25 million and improved EBIT by approximately NOK 5 million.

APPROPRIATION OF PROFITS

The parent company Arcus ASA reported a result for the year of NOK -199.7 million in 2016, compared with NOK -85.3 million in 2015. The Board proposes the allocation of dividend of NOK 1.47 per share, in total NOK 100.0 million, and that the loss of NOK -199.7 million be transferred from other equity.

FUTURE PROSPECTS

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

DECLARATION

The Board of Directors and the General Manager confirm that, to the best of their knowledge, the annual financial statements have been prepared in accordance with current accounting standards and that the information presented in the financial statements provides a true and fair view of the assets, debt, financial position and overall results of the Group. The Board of Directors and the General Manager also confirm that, to the best of their knowledge, the Annual Report presents a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risks and uncertainty factors faced by the company.

Gjelleråsen, 15 March 2017

Michael Holm Johansen Chairman of the Board	Mikael Norlander	Hanne Refsholt	Eilif Due
Trond Berger	Leena Saarinen	Erik Hagen	Kjell Arne Greni
Ingrid E. Skistad	Kenneth Hamnes Group CEO		

BOARD OF DIRECTORS

Michael Holm Johansen
Chairman of the Board

Mikael Norlander
Board member

Hanne Refsholt
Board member

Eilif Due
Board member

Trond Berger
Board member

Leena Saarinen
Board member

Erik Hagen
Board member

Kjell Arne Greni
Board member

Ingrid E. Skistad
Board member

Financial Statements and Notes

CONSOLIDATED FINANCIAL STATEMENTS

Statement of income 01.01. - 31.12.

Figures in NOK 1,000	Note	2016	2015
OPERATING REVENUE AND EXPENSES			
Sales	5,6	2,521,826	2,365,242
Net gain on sale of fixed assets	12	144	223
Other operating revenues	5	60,571	105,397
Total income	**5**	**2,582,541**	**2,470,862**
Cost of sales	16	-1,467,920	-1,394,637
Salaries and other personnel costs	8.9	-392,545	-380,301
Depreciation and amortisation	12.13	-51,625	-51,123
Write-downs	12.13	0	-4,380
Other operating expenses	7.14	-392,516	-426,128
Share of profit from associated companies and jointly controlled entities	2	5,789	4,557
Operating profit before other income and expenses		**283,724**	**218,850**
Other income and expenses	7	-44,874	-16,507
Operating profit		**238,850**	**202,343**

Figures in NOK 1,000	Note	2016	2015
FINANCIAL INCOME AND EXPENSES			
Interest income	10	7,944	9,859
Other financial income	10.20	10,419	21,510
Interest costs	10	-70,414	-77,805
Other financial costs	10.20	-184,677	-54,190
Net financial profit		**-236,728**	**-100,626**
PRE-TAX PROFIT		**2,122**	**101,717**
Tax	11	-26,211	-17,329
Profit for the year		**-24,089**	**84,388**
The profit for the year is allocated to			
Non-controlling interests	1	10,480	20,305
Parent company shareholders		-34,569	64,083
		-24,089	**84,388**
Earnings per share (NOK)			
Earnings per share	18	-0.67	1.28
Diluted earnings per share	18	-0.67	1.28

Total comprehensive income 01.01. - 31.12.

Figures in NOK 1,000	Note	2016	2015
Profit for the year		**-24,089**	**84,388**
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	9	-1,278	6,402
Total items that will not be reclassified against the statement of income, before tax		**-1,278**	**6,402**
Tax on items that will not be reclassified against the statement of income	11	320	-1,729
Total items that will not be reclassified against the statement of income, after tax		**-959**	**4,673**
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		-39,242	58,888
Total items that may be reclassified against the statement of income, before tax		**-39,242**	**58,888**
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		**-39,242**	**58,888**
TOTAL OTHER COMPREHENSIVE INCOME		**-40,201**	**63,561**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**-64,290**	**63,561**
The total comprehensive income for the year is allocated as follow			
Non-controlling interests		7,703	20,699
Parent company shareholders		-71,993	42,862
		-64,290	**63,561**
Total comprehensive income per share (NOK)			
Earnings per share	18	-1.40	0.86
Diluted earnings per share	18	-1.40	0.86

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	13	1,010,176	1,042,182
Brands	13	669,237	665,689
Software	13	30,651	34,042
Total intangible assets		**1,710,064**	**1,741,913**
Tangible assets			
Machinery and equipment	12	326,049	284,875
Fixtures and fittings, tools, office equipment etc.	12	21,454	25,600
Assets under construction	12	2,732	67,417
Total tangible assets		**350,235**	**377,892**
Deferred tax assets	11	**172,120**	**162,370**
Financial assets			
Investments in associated companies and jointly controlled entities	2	56,811	54,719
Other investments in shares	3	200	200
Other long-term receivables	15	1,235	471
Total financial assets		**58,246**	**55,390**
Total fixed assets		**2,290,665**	**2,337,565**

Figures in NOK 1,000	Note	2016	2015
Current assets			
Inventories	16	378,777	388,217
Receivables			
Trade receivables	4	1,344,067	1,003,328
Prepayments to suppliers	15	62,810	65,290
Other receivables	11.15	19,112	26,383
Total receivables		**1,425,989**	**1,095,001**
Bank deposits	4.17	199,385	190,419
Cash and cash equivalents		**199,385**	**190,419**
Total current assets		**2,004,151**	**1,673,637**
TOTAL ASSETS		**4,294,816**	**4,011,202**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	18	1,360	1,000
Share premium		770,743	794
Total paid-in equity		**772,103**	**1,794**
Retained earnings			
Other equity		716,582	843,010
Total retained earnings		**716,582**	**843,010**
Non-controlling interests	1	13,905	31,603
Total equity		**1,502,590**	**876,407**
Liabilities			
Provisions			
Deferred tax liability	11	92,628	96,562
Pension obligations	9	34,092	35,902
Liabilities at fair value through profit or loss	4.20	0	70,264
Other provisions	21	627	1,140
Total provisions		**127,347**	**203,868**

Figures in NOK 1,000	Note	2016	2015
Other non-current liabilities			
Debt to financial institutions	4.19	886,255	1,033,486
Other long-term liabilities		0	271
Total other non-current liabilities		**886,255**	**1,033,757**
Current liabilities			
Debt to financial institutions	19	16,498	172,222
Liabilities at fair value through profit or loss	4.20	24,135	48,735
Trade payables		628,347	551,457
Tax payable	11	0	13,504
Unpaid public duties	22	912,310	879,099
Other current liabilities	21.22	197,334	232,153
Total current liabilities		**1,778,624**	**1,897,170**
Total liabilities		**2,792,226**	**3,134,795**
TOTAL EQUITY AND LIABILITIES		**4,294,816**	**4,011,202**

Gjelleråsen, 15 March 2017

Michael Holm Johansen, Chairman of the Board
Mikael Norlander
Hanne Refsholt
Eilif Due
Trond Berger

Leena Saarinen
Erik Hagen
Kjell Arne Greni
Ingrid E. Skistad
Kenneth Hamnes, Group CEO

Statement of cash flows 01.01. - 31.12.

Figures in NOK 1,000	Note	2016	2015
CASH FLOWS FROM OPERATIONS			
Pre-tax profit		2,122	101,717
Ordinary depreciation	12.13	51,625	55,503
Share of profit from associated companies and jointly controlled entities	2	-5,789	-4,557
Dividends received from associated companies and jointly controlled entities	2	2,947	4,553
Taxes paid		-46,711	-50,613
Interest costs during the period		70,414	77,805
Pension costs without cash effect		-3,601	1,324
Value changes without cash effect	10	144,338	-18,235
Loss/profit on sale of shares/fixed assets		-1,051	-15,603
Other financial items without cash effect		20,636	9,756
Unrealised agio		-15,964	32,610
Change in inventories	16	9,440	22,690
Change in trade receivables[1]		-340,739	40,442
Change in trade payables		76,890	-31,651
Change in other current assets and other liabilities		33,491	56,690
Net cash flows from operational activities		**-1,952**	**282,431**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	13	-36,429	-13,209
Proceeds from sale of tangible fixed assets	12.13	1,060	14,701
Payments on purchase of tangible fixed assets	12.13	-11,379	-65,719
Payments on acquisition of business	24	0	-34,583
Net cash effect from sale of business	24	0	8,284
Payment of loans to minority interests		-810	-305
Payments on acquisition of other financial investments	3	0	0
Net cash flow from investment activities		**-47,558**	**-90,831**

Figures in NOK 1,000	Note	2016	2015
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds - incentive programme	20	1,000	2,000
Payments - incentive programme	20	-158,316	-2,500
Capital increase		768,883	0
Proceeds from non-current interest-bearing debt to financial institutions	4.19	802,632	124,298
Repayment of non-current interest-bearing debt to financial institutions	4.19	-1,081,048	-149,811
Change in other non-current loans		-246	0
Interest cost paid during the period		-83,031	-76,887
Payments for acquisition of non-controlling interests		-146,325	-70,828
Payments of dividends/Group contributions		-28,260	-19,155
Net cash flow from financing activities		**75,289**	**-192,883**
Effect of exchange rate fluctuations on cash and cash equivalents		-16,813	16,577
Effect of exchange rate fluctuations on cash and cash equivalents		**-16,813**	**16,577**
Net change in cash and cash equivalents		**8,966**	**15,294**
Holdings of cash and cash equivalents as at 01.01.		190,419	175,125
Holdings of cash and cash equivalents as at 31.12.	17	**199,385**	**190,419**

1. The increase in trade receivables includes NOK 225 million related to the Group's termination of a factoring agreement with SEB in 2016.

Statement of changes in equity

NOK 1,000	Share capital	Share premium	Translation differences	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity 31.12.2014	**1,000**	**794**	**208,028**	**523,879**	**733,701**	**27,301**	**761,002**
Profit for the year 2015	0	0	0	64,083	64,083	20,305	84,388
Total other comprehensive income 2015	0	0	57,225	4,673	61,898	1,663	63,561
Total profit for the year 2015	**0**	**0**	**57,225**	**68,756**	**125,981**	**21,968**	**147,949**
Transactions with owners 2015							
Dividend paid to non-controlling interests	0	0	0	0	0	-25,429	-25,429
Changes in non-controlling interests	0	0	0	-5,912	-5,912	-1,203	-7,115
Transfer of profit for the year from minority to majority*	0	0	0	-8,966	-8,966	8,966	0
Total transactions with owners 2015	**0**	**0**	**0**	**-14,878**	**-14,878**	**-17,666**	**-32,544**
Equity as at 31.12.2015	**1,000**	**794**	**265,253**	**577,757**	**844,804**	**31,603**	**876,407**
Profit for the year 2016	0	0	0	-34,569	-34,569	10,480	-24,089
Total other comprehensive income 2016	0	0	-36,465	-959	-37,424	-2,777	-40,201
Total profit for the year 2016	**0**	**0**	**-36,465**	**-35,528**	**-71,993**	**7,703**	**-64,290**
Transactions with owners 2016							
Share issue	360	769,949	0	0	770,309	0	770,309
Share-based payment	0	0	0	606	606	0	606
Dividend paid to non-controlling interests	0	0	0	0	0	-21,896	-21,896
Changes in non-controlling interests	0	0	0	-49,877	-49,877	-8,670	-58,547
Transfer of profit for the year from minority to majority*	0	0	0	-5,163	-5,163	5,163	0
Total transactions with owners 2016	**360**	**769,949**	**0**	**-54,434**	**715,875**	**-25,403**	**690,472**
Equity as at 31.12.2016	**1,360**	**770,743**	**228,788**	**487,796**	**1,488,687**	**13,903**	**1,502,590**

* At the end of 2016 the Group owns 90.1 per cent of the subsidiary Excellars AS. In addition, put and call options exist which are associated with the non-controlling interests, although the Group was not considered to have control of the shares as of the close of the financial year. These companies are recognised as though they were wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, but not in the equity statement. The transfer relates to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period. At the end of 2015 this also applied to the subsidiary Vingruppen i Norden AB (subsidiary Group), of which the Group then owned 99.37 per cent. As at 31.12.2015 the direct minority interests in the subsidiaries under Vingruppen i Norden AB are also stated as minority interests in the Group's equity, while the shares in the parent company Vingruppen i Norden AB are booked as though the Group held 100 per cent ownership, and this means that no minority interests are related to these in equity.

Brief history of the Group

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

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

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

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

2014
- Established Vingruppen AS as new holding structure for the wine business in Norway.

2013
- In January, acquired all the shares in Arcus Denmark A/S from Pernod Ricard, which included the Aalborg Aquavit and Gammel Dansk brands, and all the shares in Arcus Deutschland GmbH, which owns the Malteserkreutz brand.

2012
- Completed the new production and distribution facility and head office at Gjelleråsen, and moved the business there.

2011
- Acquired 28.2 per cent of the shares in Vingruppen i Norden AB, increasing the holding from 62.5 per cent to 90.7 per cent.
  At the same time, entered into an option agreement for the remaining 9.3 per cent.
- Acquired 51 per cent of the shares in Excellars AS, with an option for the remaining 49 per cent.
- Swapped 34 per cent of the shares in SAS de L'île Madame for 32.6 per cent of the shares in Tiffon SA. Acquired a further 106 shares and increased the holding in Tiffon SA to 34 per cent.

2010
- Implemented an agreement on sale of Gjelleråsen Prosjekt 1 AS.
- Started construction of a new production and distribution facility and head office at Gjelleråsen.

2009
- Acquired the brands Star Gin, Red Port and Dry Anise from Pernod Ricard.
- Acquired 80 per cent of the company Symposium Wines AS.

2008
- Acquired Gjelleråsen Prosjekt 1 AS which included 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.

Accounting policies

The consolidated financial statements for 2016, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2016, and as described in the note on the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board on 15 March 2017. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core activities are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA was listed on the Oslo Stock Exchange on 1 December 2016. The price on 31.12.2016 was NOK 44.50 per share, compared to the opening price of NOK 43.00.

NEW ACCOUNTING STANDARDS

No changes which have significantly affected the Group's financial statements have been made to the framework conditions from IFRS in the current year. The most important changes to the accounting standards that will affect the Group in the future are presented below.

Adopted IFRS and IFRIC with future effective dates:

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

CHANGES RELEVANT TO THE ARCUS GROUP:

IFRS 9 Financial instruments

In July 2014, the IASB published the final subproject of IFRS 9 and the standard has now been finalised. IFRS 9 includes changes related to classification and measurement, hedge accounting and impairment IFRS 9 will replace IAS 39 Financial Instruments – Recognition and Measurement. The parts of IAS 39 that were not changed as part of this project were transferred and included in IFRS 9.

The standard will be implemented retrospectively, with the exception of hedge accounting, although the preparation of comparative figures is not a requirement. The rules for hedge accounting will mainly be implemented prospectively, with a few exceptions. The Group has no plans for the early implementation of the standard. The new standard will apply with effect from reporting years beginning on 1 January 2018 or later.

The new standard is not expected to have any material impact on the Group's financial reporting, but may affect the Group's classification and measurement of financial assets and liabilities.

IFRS 15 Revenue recognition

IASB has released a new standard for revenue recognition, IFRS 15 Revenue from Contracts with Customers. The standard replaces all existing standards and interpretations for revenue recognition. The core principle of IFRS 15 is that revenue is recognised in order to reflect the transfer of agreed goods or services to customers, and at an amount that reflects the consideration the company expects to be entitled to in exchange for these goods or services

The standard applies, with a few exceptions, to all revenue-generating contracts with customers and includes a model for recognition and measurement of the sale of individual non-financial assets. IFRS 15 will be implemented using either a fully retrospective or a modified method. The new standard will apply with effect from reporting years beginning on 1 January 2018 or later.

During 2017 all revenue types will be reviewed and assessed in relation to the new standard. As the Arcus Group largely sells products where the shipping and billing times coincide, the new revenue recognition standard is not expected to have any material impact on the Group's financial reporting.

IFRS 16 Leases

IFRS 16 Leases replaces the existing IFRS standard for leases, IAS 17 Leases IFRS 16 sets out principles for recognition, measurement, presentation and disclosure of leasing agreements for both parties to a leasing agreement, i.e., the customer (lessee) and provider (lessor). The new standard requires the lessee to recognise the assets and liabilities of most leasing agreements, which is a significant change from current principles. The standard comes into force on 1 January 2019 but has not yet been approved by the EU. The new standard will apply with effect from reporting years beginning on 1 January 2019 or later.

The new standard for the recognition of leases is expected to have a significant impact on the Group's reported balance sheet and results, see Note 14.

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

ACCOUNTING POLICIES

Consolidation principles

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

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

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

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

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

Any remaining investment is recognised at fair value.

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

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

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

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

As of 31 December 2016, the following exchange rates have been used when translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2016	2015
EUR average rate	Income statement items	9.2980	8.9477
EUR closing rate	Financial position items	9.0865	9.6156
SEK average rate	Income statement items	0.9830	0.9562
EUR closing rate	Financial position items	0.9484	1.0467
DKK average rate	Income statement items	1.2488	1.1997
DKK closing rate	Financial position items	1.2223	1.2886

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

Investments in associated companies and jointly controlled entities
Associated companies are companies in which the Group has significant influence, normally between a 20 and a 50 per cent holding. The equity method is used for associated companies in the consolidated financial statements.

Excess value analysis has been carried out 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 excess value resulting from the cost price of the shares being higher than the acquired holding of capitalised equity. The share of profit is shown in the statement of income on a separate line before operating profit and the investment is shown as a line under financial fixed assets.

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

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

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

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

Revenue recognition principles
Revenues associated with sales of goods and services is recognised when the Group has transferred risk and rights to the purchaser. This is normally on delivery of the goods and services. Other revenues is recognised when it is probable that transactions will involve future financial gains that will accrue to the company and the size of the sum can be estimated reliably. Variable discounts and bonuses are allocated and accrued in the period in which they are expected to occur.

Sales revenues are presented net after deduction of discounts, VAT, alcohol and packaging tax.

Information on revenue recognition in the Distribution segment
All sales that are distributed and sold through Vectura AS are invoiced by the company, including special duties, cost of goods, handling charges, etc. Sales revenues for the services are presented net after deductions for special duties and associated goods and handling charges, etc. Vectura AS' sales revenues are presented net based on an assessment of the fact that the company's revenues are related to the delivery of services, etc., and that the product flow risk is the suppliers' responsibility.

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

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

Receivables
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 each receivable based on identified indicators of impairment.

Sold accounts receivable that are included in the factoring agreement are presented as reduced accounts receivable in the statement of financial position. At the end of 2016 the Group had entered into a factoring agreement with SEB concerning the sale of trade receivables from Vinmonopolet with a limit of NOK 225 million, which was fully utilised. This agreement was terminated during 2016 and at the end of 2016 the Group has no significant factoring agreements.

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

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

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

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

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

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

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

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

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

To determine the recoverable amount, the Group estimates expected future pre-tax cash flows from the cash-generating unit and applies suitable discount rates in order to calculate the present value of future cash flows. Cash flows for brands are calculated based on a market-based (FVLCD - fair value less costs of disposal) "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
Net pension costs for defined benefit plans comprise the period's service cost, including future growth in salaries and interest rates on the estimated obligation, less expected returns on the pension assets. Prepaid pension is shown as a 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 recognised against equity and are presented in the statement of other comprehensive income.

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

Restructuring

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

Taxes

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

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

Share-based payment

The Group has a share-based incentive programme for managerial employees under which a specific number of persons will receive a specific number of shares at a specific future time, provided that they are still employed by the Group at the future time (matching shares).

The costs related to the share-based payment are accrued during the vesting period, which is the period between the allocation date and the date of receipt. The costs which are accrued are the value of the matching shares as of the allocation date, and this value is not adjusted during the vesting period. This cost is booked directly to Group equity.

The related employer tax is accrued during the same period. The costs of the employer tax in each period are calculated on the basis of the fair value of the matching shares. The costs are booked as debt in the statement of financial position.

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

Classification principles

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

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

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

Measurement and classification of financial instruments

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

Financial instruments at fair value via profit or loss

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

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

Loans and receivables

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

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

Financial assets available for sale

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

Other financial liabilities

Financial liabilities not falling into the category of "financial instruments at fair value via profit or loss" are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 4.

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

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

Categorisation of financial assets and debt
The Group's measurement of financial assets, debt and other financial instruments at fair value can be divided into three categories:
Level 1: Listed (unadjusted) prices in active markets.
Level 2: Direct or indirect inputs other than listed prices included in Level 1, that are observable for the asset or the liability.
Level 3: Techniques for calculation of fair value based on other than observable market data.

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

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

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

Segment information
Operating segments are reported in the same way as for internal reporting to Group management. The Group's business areas comprise Spirits, Wine and Distribution.

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

The Spirits business area comprises the following companies: Arcus Norway AS with subsidiaries, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy and Arcus Deutschland GmbH. Supply Chain is also included as a production facility in the Spirits business area.

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

The Distribution business area comprises the Vectura AS company.

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

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

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

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

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

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

Future events and changes in the regulatory framework may mean that estimates and assumptions must be changed, while new opinions

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

Accounting item	Note	Assumptions	Book value
Goodwill	13	Present value of future cash flows	1,010,176
Brands	13	Present value of future cash flows	669,237
Other intangible assets	13	Recoverable amounts and correct useful life	30,651
Tangible fixed assets	12	Recoverable amounts and correct useful life	350,235
Deferred tax assets	11	Assessment of the ability to exploit tax assets in the future	172,120
Pension liabilities	9	Economic and demographic assumptions	34,092
Liabilities at fair value through profit or loss	20	Present value of future cash flows	24,135
Provisions	21	Correct basis for estimate calculations	12,903

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

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

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

Estimates and assumptions are described in the various notes.

Notes

NOTE 1 COMPANIES IN THE GROUP

The consolidated financial statements for 2016 cover the following subsidiaries and associated companies:

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Company name				
Arcus ASA (parent company)	Nittedal	NOK	1,360	
Subsidiaries				
Arcus-Gruppen AS	Nittedal	NOK	276,552	100%
Vectura AS	Nittedal	NOK	14,014	100%
Shares owned by Arcus-Gruppen AS				
Arcus Norway AS	Nittedal	NOK	62,100	100%
Arcus Denmark AS	Copenhagen	DKK	10,324	100%
Vingruppen AS	Nittedal	NOK	60	100%
VinGruppen Sweden Holding AB	Stockholm	SEK	50	100%
Arcus Deutschland GmbH*	Bremen	EUR	500	100%
Shares owned by Arcus Norway AS				
Arcus Sweden AB	Stockholm	SEK	100	100%
Arcus Finland OY	Helsinki	EUR	311	100%
De Lysholmske Brenneri- og Destillasjonsfabrikker ANS	Nittedal	NOK	0	100%
Siemers & Cos Destillasjon ANS	Nittedal	NOK	0	100%
Løiten Brænderis Destillation ANS	Nittedal	NOK	0	100%
Oplandske Spritfabrik ANS	Nittedal	NOK	0	100%
Shares owned by VinGruppen Sweden Holding AB				
Vingruppen i Norden AB	Stockholm	SEK	4,192	100%
Shares owned by Vingruppen AS				
Arcus Wine Brands AS	Nittedal	NOK	100	100%
Vinordia AS	Nittedal	NOK	968	97%
Symposium Wines AS	Nittedal	NOK	500	78%
Vinuniq AS	Nittedal	NOK	100	97%
Excellars AS	Nittedal	NOK	181	90%
Heyday Wines AS	Nittedal	NOK	100	70%
Shares owned by Symposium Wines AS				
Hedoni Wines AS	Nittedal	NOK	30	78%
Shares owned by Vingruppen i Norden AB				
Vinunic AB	Stockholm	SEK	145	100%
Wineworld Sweden AB	Stockholm	SEK	500	90%
The WineAgency Sweden AB	Stockholm	SEK	100	90%
Valid Wines Sweden AB	Stockholm	SEK	1,100	97%
Social Wines OY	Helsinki	EUR	8	94%
Wineworld Finland Oy	Helsinki	EUR	220	76%
Vinum Import Oy	Åbo	EUR	3	88%
Owned by Vinunic AB				
Vingaraget AB	Stockholm	SEK	50	100%
Owned by Wineworld Sweden AB				
Quaffable Wines Sweden AB	Stockholm	SEK	100	72%
Owned by The WineAgency Sweden AB and WineWorld Sweden AB				
Your Wineclub Sweden AB	Stockholm	SEK	50	90%
Associated company				
Tiffon SA	Jarnac	EUR	1,131	34%
Jointly controlled entities				
Det Danske Spiritus Kompagni A/S	Copenhagen	DKK	6,500	50%

* Arcus Deutschland GmbH's accounting year runs from 1 July to 30 June. As from 1 January 2017, the company's financial year follows the calendar year. Impacts on earnings from the company in the consolidated financial statements are based on an estimated annual result for the calendar year, which is the Group's financial year.

Profit, dividends and equity attributable to non-controlling interests

Figures in NOK 1,000	**Profits attributable to non-controlling interests in 2016**	**Accumulated non-controlling interests 31.12.2016***	**Dividend distributed to non-controlling interests in 2016**
Symposium Wines AS	1,382	1,975	-1,560
Excellars AS*	772	0	-4,900
Vingruppen i Norden AB	0	0	-375
Wineworld Sweden AB	6,148	4,766	-12,919
The WineAgency Sweden AB	1,342	4,169	-1,607
Social Wines OY	140	1,111	0
Vinum Import Oy	396	933	-359
Other companies with minority interests	300	951	-176
Total	**10,480**	**13,905**	**-21,896**

Figures in NOK 1,000	**Profits attributable to non-controlling interests in 2015**	**Accumulated non-controlling interests 31.12.2015****	**Dividend distributed to non-controlling interests in 2015**
Symposium Wines AS	1,718	2,149	-1,114
Excellars AS **	5,248	0	-6,370
Vingruppen i Norden AB **	25	0	-7,227
Wineworld Sweden AB	8,415	15,919	-7,450
The WineAgency Sweden AB	3,510	9,656	-2,980
Social Wines OY	404	2,130	0
Vinum Import Oy	981	894	-224
Other companies with minority interests	4	855	-64
Total	**20,305**	**31,603**	**-25,429**

* At the end of 2016 the Group owns 90.1 per cent of the subsidiary Excellars AS. In addition, put and call options exist which are associated with the non-controlling interests, although the Group was not considered to have control of the shares as of the close of the financial year. These companies are recognised as though they were wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, but not in the equity statement. The transfer relates to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

** At the end of 2015 the Group owned 99.4 per cent and 51.0 per cent, respectively of the subsidiaries Vingruppen i Norden AB and Excellars AS. In addition, put and call options existed which were associated with the non-controlling interests, although the Group was not considered to have control of the shares as of the close of the financial year. These companies were recognised as though they were wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, whereas only the direct non-controlling interests in underlying subsidiaries are stated in the equity statement. The transfer relates to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

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

2016

Figures in NOK 1,000	Symposium Wines AS	Excellars AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Net sales revenues	95,568	87,612	277,856	191,997	129,352	46,075
Other operating revenues	0	0	2,901	4,582	6,298	1,054
Operating expenses excluding depreciation	-86,981	-77,028	-230,422	-179,430	-130,932	-42,974
Depreciation	0	-440	-29	-13	-1,497	0
Operating profit	**8,587**	**10,144**	**50,306**	**17,136**	**3,221**	**4,155**
Net financial profit	-266	332	-6	157	-73	-1
Tax	-2,120	-2,679	-11,743	-3,870	-818	-828
Profit for the year	**6,201**	**7,797**	**38,557**	**13,424**	**2,330**	**3,326**
Fixed assets	107	2,973	2,905	386	2,628	418
Current assets	35,608	45,098	122,956	84,281	65,546	26,933
Total assets	**35,715**	**48,071**	**125,861**	**84,667**	**68,174**	**27,351**
Equity	2,863	3,614	50,256	41,522	17,792	7,834
Liabilities	32,852	44,457	75,605	43,145	50,382	19,517
Equity and liabilities	**35,715**	**48,071**	**125,861**	**84,667**	**68,174**	**27,351**

2015

Figures in NOK 1,000	Symposium Wines AS	Excellars AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Net sales revenues	95,000	77,982	276,290	187,178	101,066	32,509
Other operating revenues	0	0	1,889	6,868	3,798	684
Operating expenses excluding depreciation	-84,480	-62,694	-226,159	-171,955	-98,655	-30,484
Depreciation	0	-462	-33	-18	-1,318	0
Operating profit	**10,520**	**14,826**	**51,987**	**22,073**	**4,891**	**2,709**
Net financial profit	89	-18	-46	-14	14	-13
Tax	-2,905	-4,096	-10,900	-4,940	-1,084	-532
Profit for the year	**7,704**	**10,712**	**41,041**	**17,119**	**3,821**	**2,164**
Fixed assets	290	3,373	1,270	408	3,226	471
Current assets	45,179	64,495	157,156	92,692	64,166	24,843
Total assets	**45,469**	**67,868**	**158,426**	**93,100**	**67,392**	**25,314**
Equity	2,635	4,076	79,583	48,279	21,475	8,269
Liabilities	42,834	63,792	78,843	44,821	45,917	17,045
Equity and liabilities	**45,469**	**67,868**	**158,426**	**93,100**	**67,392**	**25,314**

NOTE 2 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

2016

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2016	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2016
Tiffon SA *	TS	34%	46,280	0	1,749	0	0	**48,029**
Det Danske Spiritus Kompagni A/S **	FKV	50%	8,439	0	4,040	-2,946	-751	**8,782**
Total investments in associated companies and jointly controlled entities			**54,719**	**0**	**5,789**	**-2,946**	**-751**	**56,811**

2015

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2015	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2015
Tiffon SA *	TS	34%	45,510	0	1,400	-630	0	**46,280**
Vinunic OY	TS	0%	1,805	-1,525	0	-396	116	**0**
Det Danske Spiritus Kompagni A/S **	FKV	50%	8,004	0	3,157	-3,527	805	**8,439**
Total investments in associated companies and jointly controlled entities			**55,319**	**-1,525**	**4,557**	**-4,553**	**921**	**54,719**

* The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 6. Tiffon SA has a financial year from 1 July to 30 June. The share of profit from Tiffon is based on an estimated annual profit for the calendar year that is equivalent to the Group's financial year.

** Det Danske Spiritus Kompagni A/S was established to handle sales of Arcus' products in Denmark. It is owned jointly with Flemming Karberg Familieholding ApS, which also owns Hans Just, which has been the Arcus Group's distribution partner in the Danish market. Both ownership and voting shares, as well as Board composition, are divided 50/50 between Arcus and Flemming Karberg Familieholding ApS. See detailed information on transactions with related parties in Note 6.

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

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

2016

Figures in NOK 1,000	Total current assets 31.12.2016	Total fixed assets 31.12.2016	Total current liabilities 31.12.2016	Total long-term liabilities 31.12.2016	Total equity 31.12.2016	Operating revenues 2016	Operating expenses 2016	Profit for the year 2016
Tiffon SA	301,695	16,390	35,031	136,547	146,507	107,964	96,067	5,145
Det Danske Spiritus Kompagni A/S*	44,883	21	52,950	0	15,886	161,188	150,827	8,081

2015

Figures in NOK 1,000	Total current assets 31.12.2015	Total fixed assets 31.12.2015	Total current liabilities 31.12.2015	Total long-term liabilities 31.12.2015	Total equity 31.12.2015	Operating revenues 2015	Operating expenses 2015	Profit for the year 2015
Tiffon SA	317,875	18,598	38,820	147,936	149,717	96,980	86,085	4,114
Det Danske Spiritus Kompagni A/S*	68,826	20	53,691	0	15,155	160,858	152,639	6,314

* As a consequence of both ownership and voting rights being divided 50/50 between the owners, the Group is not deemed to have control of DDSK A/S. DDSK A/S is therefore not consolidated in the Group accounts.

NOTE 3 OTHER INVESTMENTS IN SHARES

Figures in NOK 1,000	Registered office	Ownership interest	Currency	Cost price currency	Cost price NOK	Book value NOK 31.12.2016	Book value NOK 31.12.2015
Atlungstad Brenneri AS	Stange	12.1%	NOK	200	200	**200**	200
Other investments in shares					**200**	**200**	**200**

The Atlungstad Brenneri property is a historical distillery at Stange in Hedmark. In 2011, the property was taken over by the company, Atlungstad Brenneri AS, which will run the facility as a museum and national experience centre. The Arcus Group owns 12 per cent of this company.

These investments are classified as available for sale in the categorisation of financial assets: see also Note 4.

NOTE 4 MANAGEMENT OF FINANCIAL RISK

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

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

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

Credit risk
Credit risk must be assessed before establishing a customer relationship by examining financial statements and other relevant and available information. Credit periods and credit limits must then be determined. Once a customer relationship is established, credit risk and credit limits are continuously assessed in relation to the client's financial performance and payment history.

Outstanding amounts are continuously monitored in cooperation between the finance department and the marketing departments of the individual businesses.

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

At the end of 2016 the Group had entered into a factoring agreement with SEB concerning the sale of accounts receivable with Vinmonopolet, with a limit of NOK 225 million, which was fully utilised. This agreement was terminated during 2016 and at the end of 2016 the Group has no significant factoring agreements.

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

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	31.12.16	31.12.15
Nominal accounts receivable	1,345,199	1,005,000

The provision for bad debt on accounts receivable as at 31.12.2015 was TNOK 1,131 (2015: 1,672). Losses on accounts receivable are classified as other operating expenses in the statement of income.

The change in provision for losses is as follows:

Figures in NOK 1,000	2016	2015
Opening Balance	-1,672	-2,310
Provision for losses for the year	-334	-459
Confirmed losses for the year	181	347
Received on previously written-off receivables during the period	-13	0
Reversal of previous provisions	677	750
Translation differences	30	0
Closing Balance	**-1,131**	**-1,672**

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

Figures in NOK 1,000	Total	Not due	Due 0-60 days	Due 61-365 days	Due More than 1 year
31.12.16[1]	1,345,199	1,245,439	99,842	-82	0
31.12.15	1,005,000	994,661	12,625	-2,286	0

1. As at 31.12.2016, the Group had significant accounts receivable that had fallen due. Of this amount, NOK 76 million is related to accounts receivable from Vinmonopolet which fell due during the Christmas period in 2016, and these were paid in early January 2017.

Interest-rate risk

The Group is exposed to interest-rate risk via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2016, the Group's long-term liabilities were associated with credit facilities at SEB and financial leasing at Nordea Finans. Group policy is to hedge up to 50 per cent of the base interest rate on long-term loans. The Group assesses the policy on an ongoing basis, and as at 31.12.2016 all interest rates were variable. The margin on credit facilities at SEB is related to the ratio of net interest-bearing debt in relation to EBITDA, while the margin at Nordea Finance is fixed.

Figures in NOK 1,000	Currency	Interest-rate profile	Due date	2016	2015
Current interest-bearing debt					
1st year's instalment on non-current loans to financial institutions	NOK	Partly hedged	2016	0	73,723
1st year's instalment on non-current loans to financial institutions	SEK	Partly hedged	2016	0	83,126
Current liabilities related to financial leasing	NOK	Variable	2016	16,498	15,373
Non-current interest-bearing debt					
Non-current loan to financial institutions	NOK	Partly hedged	2018	0	455,435
Non-current loan to financial institutions	SEK	Partly hedged	2018	0	397,867
Non-current loan to financial institutions	SEK	Variable	2021	711,300	0
Non-current liabilities related to financial leasing	NOK	Variable	2017	182,987	200,181

Sensitivity analysis 2016

Figures in NOK 1,000	Increase/reduction in basis points	Effect on pre-tax profit
Loans in NOK	50	-4,554
Loans in NOK	-50	4,554

Liquidity risk

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

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

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

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

2016	Remaining period		
	0-1 year	1-5 years	More than 5 years
Debt to financial institutions – mortgage loans	0	711,300	0
Debt to financial institutions – leasing*	16,498	182,987	0
Liabilities at fair value	24,135	0	0
Other provisions	0	627	0
Trade payables	628,347	0	0
Current liabilities**	1,109,643	0	0
Interest related to mortgage loans	12,803	51,214	0
Interest related to financial leasing debt	5,713	2,528	0
Total	**1,797,139**	**948,656**	**0**

2015	Remaining period		
	0-1 year	1-5 year	More than 5 years
Debt to financial institutions – mortgage loans	156,849	853,302	0
Debt to financial institutions – leasing*	15,373	200,181	0
Liabilities at fair value	48,735	70,264	0
Other provisions	0	1,140	0
Trade payables	551,457	0	0
Current liabilities**	1,135,869	0	0
Interest related to mortgage loans	53,296	56,399	0
Interest related to financial leasing debt	5,443	664	0
Total	**1,967,021**	**1,181,950**	**0**

* Read more about the maturity profile of financial leases in Note 14 concerning Leasing agreements.
** Current liabilities include collected alcohol taxes.

Currency risk

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

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

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

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk when translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31 December 2016, the net translation difference associated with the majority's equity was positive at NOK 229.8 million, corresponding to a negative change in 2016 of NOK 36.5 million (positive by NOK 265.3 million at the end of 2015).

The table below shows the Group's purchase of non-functional foreign exchange during 2016.

Figures in 1,000 (in the currency concerned)	Purchase of currency 2016 Spot	Forward	Total	Proportion hedged via forward contracts
EUR	89,114	23,450	**112,564**	20.8%
USD	9,116	780	**9,896**	7.9%
AUD	1,043	0	**1,043**	0.0%
GBP	830	195	**1,025**	19.0%
SEK	70	0	**70**	0.0%

Figures in 1,000 (in the currency concerned)	Purchase of currency 2015 Spot	Forward	Total	Proportion hedged via forward contracts
EUR	89,985	23,827	**113,812**	20.9%
USD	10,958	445	**11,403**	3.9%
AUD	950	0	**950**	0.0%
GBP	380	186	**566**	32.9%
DKK	31,470	0	**31,470**	0.0%
SEK	54,000	0	**54,000**	0.0%

At the end of the year, the Group had the following forward contracts (hedging of cash flows) that hedged financial position statement items and orders already entered into (firm commitments), which were recognised at fair value with value changes via profit or loss:

31.12.16

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	3,600	32,711	33,579	**-868**	2017
Purchase contracts	GBP	25	265	270	**-5**	2017
Purchase contracts	USD	80	692	664	**28**	2017
Total					**-844**	

31.12.15

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - end of period	Forward value in NOK	Fair value in NOK	Due date
Purchase contracts	EUR	3,800	36,539	35,391	**1,148**	2016
Purchase contracts	GBP	40	522	637	**-115**	2016
Purchase contracts	USD	75	660	517	**143**	2016
Total					**1,176**	

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

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

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31 December 2016 in foreign currency (non-functional currency). This includes hedging derivatives recognised at fair value with value changes via profit or loss.

The effect on other comprehensive income (OCI) is calculated as the effect of the translation differences associated with subsidiaries in foreign currency as at 31 December 2016.

Figures in NOK 1,000	Change in exchange rate	Effect on pre-tax profit	Total effect on OCI before tax
EUR	5%	-2,712	1,321
EUR	-5%	2,712	-1,321
SEK	5%	-302	-4,868
SEK	-5%	302	4,868
DKK	5%	3,099	37,988
DKK	-5%	-3,099	-37,988

The Group's exposure to other currencies is insignificant as at 31 December 2016.

Categorisation of financial assets and liabilities:

Assets

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Loans and receivables	Assets available for sale	Total book value of financial assets, 31.12	Prepaid costs	Total in the statement of financial position 31.12.
Assets						
Other investments in shares	0	0	200	**200**	0	**200**
Other non-current receivables	0	1235	0	**1,235**	0	**1,235**
Trade receivables	0	1,344,067	0	**1,344,067**	0	**1,344,067**
Other receivables	0	67,914	0	**67,914**	14,008	**81,922**
Bank deposits	0	199,385	0	**199,385**	0	**199,385**
Total financial assets 31.12.2016	**0**	**1,612,601**	**200**	**1,612,801**	**14,008**	**1,626,809**
Other investments in shares	0	0	200	**200**	0	**200**
Other non-current receivables	0	471	0	**471**	0	**471**
Trade receivables	0	1,003,328	0	**1,003,328**	0	**1,003,328**
Other receivables	1,153	75,265	0	**76,418**	15,255	**91,673**
Bank deposits	0	190,419	0	**190,419**	0	**190,419**
Total financial assets 31.12.2015	**1,153**	**1,269,483**	**200**	**1,270,836**	**15,255**	**1,286,091**

Liabilities

Figures in NOK 1,000	Financial instruments at fair value with value changes through profit or loss	Financial liability	Total book value of financial liabilities 31.12.	Provision for accrued expenses and statutory liabilities	Total in the statement of financial position 31.12.
Liabilities					
Debt to financial institutions	0	902,753	**902,753**	0	**902,753**
Liabilities at fair value	24,135	0	**24,135**	0	**24,135**
Other non-current liabilities	0	0	**0**	0	**0**
Trade payables	0	628,347	**628,347**	0	**628,347**
Other current liabilities	844	7,793	**8,637**	188,697	**197,334**
Total financial liabilities 31.12.2016	**24,979**	**1,538,893**	**1,563,872**	**188,697**	**1,752,569**
Debt to financial institutions	0	1,205,708	**1,205,708**	0	**1,205,708**
Liabilities at fair value	118,999	0	**118,999**	0	**118,999**
Other non-current liabilities	0	271	**271**	0	**271**
Trade payables	0	551,457	**551,457**	0	**551,457**
Other current liabilities	18,145	10,211	**28,356**	203,797	**232,153**
Total financial liabilities 31.12.2015	**137,144**	**1,767,647**	**1,904,791**	**203,797**	**2,108,588**

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

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

As at 31 December 2016, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.16	Level 1	Level 2	Level 3	Book value 31.12.2016
Currency derivatives	0	0	0	**0**
Total assets	**0**	**0**	**0**	**0**

	Level 1	Level 2	Level 3	Book value 31.12.2016
Liabilities at fair value	0	0	24,135	**24,135**
Currency derivatives	0	844	0	**844**
Total liabilities	**0**	**844**	**24,135**	**24,979**

31.12.15	Level 1	Level 2	Level 3	Book value 31.12.2015
Currency derivatives	0	1,153	0	**1,153**
Total assets	**0**	**1,153**	**0**	**1,153**

	Level 1	Level 2	Level 3	Book value 31.12.2015
Liabilities at fair value	0	0	118,999	**118,999**
Interest derivatives	0	18,145	0	**18,145**
Total liabilities	**0**	**18,145**	**118,999**	**137,144**

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

Reconciliation of liabilities (Level 3):

	Book value 31.12.2015	Used/ exercised 2016	Provision made/ issued 2016	Value changes 2016	Recognised interest 2016	Book value 31.12.2016
Liabilities at fair value	118,999	-244,275	1,000	148,155	256	**24,135**
Total	**118,999**	**-244,275**	**1,000**	**148,155**	**256**	**24,135**

	Book value 31.12.2014	Used/ exercised 2015	Provision made/ issued 2015	Value changes 2015	Recognised interest 2015	Book value 31.12.2015
Liabilities at fair value	198,375	-64,670	2,000	-17,624	918	**118,999**
Total	**198,375**	**-64,670**	**2,000**	**-17,624**	**918**	**118,999**

Further information on liabilities measured at fair value via profit or loss is provided in Note 20.

Capital management

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

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2016 is managed by Arcus ASA.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. In the fourth quarter of 2016, Arcus refinanced its borrowing from its primary bank, SEB, in conjunction with the listing of the parent company's shares on the Oslo Stock Exchange. At the same time, the requirements of key financial ratios were re-negotiated, and at the end of 2016 the mortgage loan facility agreement includes one clause (covenant), which is the net interest-bearing debt a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As of 31.12.2016 the Group was well within the required ratio. The Group also has financial leasing agreements for major investments in production equipment.

NOK million	**2016**	**2015**
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	886,255	1,033,486
Current interest-bearing debt to credit institutions	16,498	172,222
Capitalised front-end arrangement fees	8,032	19,997
Value of interest-rate swap	0	18,145
Cash and cash equivalents	-199,385	-190,419
Net interest-bearing debt	**711,400**	**1,053,431**

NOTE 5 SEGMENT INFORMATION

2016 *Figures in NOK 1,000*	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenues – external	746,230	1,515,379	260,217	0	0	**2,521,826**
Sales revenues between the segments	4,877	23,297	-28,174	0	0	**0**
Other operating revenues – external	28,045	11,478	20,646	403	0	**60,571**
Other operating revenues between the segments	124,731	2,220	10,235	173,011	-310,197	**0**
Net profit on sale of fixed assets	144	0	0	0	0	**144**
Total income	**904,027**	**1,552,373**	**262,924**	**173,414**	**-310,197**	**2,582,541**
Cost of sales	-427,031	-1,165,620	0	0	124,731	**-1,467,920**
Salaries and other personnel costs	-117,244	-93,289	-124,008	-58,004	0	**-392,545**
Depreciation and amortisation	-23,906	-1,014	-13,632	-8,363	-4,710	**-51,625**
Write-downs	0	0	0	0	0	**0**
Other operating expenses	-202,954	-99,302	-136,320	-139,405	185,465	**-392,516**
Share of profit from TS and FKV	5,789	0	0	0	0	**5,789**
Operating profit before other income and expenses	**138,681**	**193,148**	**-11,036**	**-32,358**	**-4,711**	**283,724**
Other income and expenses	-3,916	0	-399	-40,559	0	-44,874
Operating profit	**134,765**	**193,148**	**-11,435**	**-72,917**	**-4,711**	**238,850**
Interest income	118	287	2,248	5,291	0	**7,944**
Interest income between the segments	1,702	0	5,732	929	-8,363	**0**
Other financial income	0	4,636	422	10,849	-5,488	**10,419**
Interest costs	-5,983	-22,268	-1,887	-40,020	-256	**-70,414**
Interest costs between the segments	-929	0	0	-7,434	8,363	**0**
Other financial costs	-3,994	-231	-6,111	-153,000	-21,341	**-184,677**
Net financial result	**-9,086**	**-17,576**	**404**	**-183,385**	**-27,085**	**-236,728**
PRE-TAX PROFIT	125,679	175,572	-11,031	-256,302	-31,796	2,122

2015 *Figures in NOK 1,000*	**Spirits**	**Wine**	**Distribution**	**Other**	**Eliminations/ reclassifications**	**Group**
Sales revenues – external	709,827	1,403,250	252,165	0	0	**2,365,242**
Sales revenues between the segments	4,274	25,228	-29,502	0	0	**0**
Other operating revenues – external	51,379	36,171	17,846	1	0	**105,397**
Other operating revenues between the segments	89,318	1,938	9,541	178,921	-279,718	**0**
Net gain on sale of fixed assets	223	0	0	0	0	**223**
Total income	**855,021**	**1,466,588**	**250,050**	**178,922**	**-279,718**	**2,470,862**
Cost of sales	-412,769	-1,071,461	0	0	89,594	**-1,394,637**
Salaries and other personnel costs	-111,898	-84,017	-129,328	-55,058	0	**-380,301**
Depreciation and amortisation	-24,421	-1,273	-13,754	-6,966	-4,709	**-51,123**
Write-downs	-2,399	-21	0	-1,960	0	**-4,380**
Other operating expenses	-221,897	-113,597	-136,435	-144,322	190,124	**-426,128**
Share of profit from TS and FKV	4,557	0	0	0	0	**4,557**
Operating profit before other income and expenses	**86,193**	**196,218**	**-29,467**	**-29,384**	**-4,709**	**218,850**
Other income and expenses	-797	-367	-3,448	-11,895	0	-16,507
Operating profit	**85,396**	**195,851**	**-32,915**	**-41,279**	**-4,709**	**202,343**
Interest income	318	318	2,780	6,443	0	**9,859**
Interest income between the segments	2,407	0	4,096	3,705	-10,208	**0**
Other financial income	-631	1,383	2,044	11,365	7,349	**21,510**
Interest costs	-5,102	-2,632	-2,276	-66,696	-1,099	**-77,805**
Interest costs between the segments	-2,675	-1,034	0	-6,680	10,389	**0**
Other financial costs	-7,896	-936	-5,170	-51,289	11,101	**-54,190**
Net financial result	**-13,579**	**-2,900**	**1,474**	**-103,152**	**17,531**	**-100,626**
PRE-TAX PROFIT	71,817	192,951	-31,441	-144,431	12,822	101,717

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

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

	2016			2015		
Revenues by market - Group:	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenues**	**Other operating revenues**	**Total**
Norway	993,760	20,990	**1,014,750**	969,046	18,313	**987,359**
Sweden	1,028,103	11,682	**1,039,785**	946,403	37,809	**984,212**
Finland	207,728	0	**207,728**	167,014	4,588	**171,602**
Denmark	133,108	0	**133,108**	127,868	25,023	**152,891**
Germany	58,940	0	**58,940**	56,148	0	**56,148**
USA	5,727	0	**5,727**	2,574	0	**2,574**
DFTR	92,954	0	**92,954**	93,309	0	**93,309**
Other international	1,506	27,899	**29,405**	2,880	19,664	**22,544**
Total operating revenues	**2,521,826**	**60,571**	**2,582,397**	**2,365,242**	**105,397**	**2,470,639**

	2016			2015		
Revenues by market - Spirits:	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenues**	**Other operating revenues**	**Total**
Norway	308,463	122,955	**431,418**	301,858	89,748	**391,606**
Sweden	116,543	1,942	**118,485**	100,580	6,118	**106,698**
Finland	35,267	0	**35,267**	33,438	107	**33,545**
Denmark	133,108	0	**133,108**	127,868	25,023	**152,891**
Germany	58,940	0	**58,940**	56,114	0	**56,114**
USA	5,727	0	**5,727**	2,574	0	**2,574**
DFTR	91,554	0	**91,554**	88,825	0	**88,825**
Other international	1,505	27,879	**29,384**	2,844	19,701	**22,545**
Total operating revenues	**751,107**	**152,776**	**903,883**	**714,101**	**140,697**	**854,798**

	2016			2015		
Revenues by market - Wine	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenues**	**Other operating revenues**	**Total**
Norway	453,255	0	**453,255**	444,562	0	**444,562**
Sweden	911,560	13,697	**925,257**	845,822	33,625	**879,447**
Finland	172,461	0	**172,461**	133,576	4,484	**138,060**
DFTR	1,400	0	**1,400**	4,484	0	**4,484**
Other international	0	0	**0**	34	0	**34**
Total operating revenues	**1,538,676**	**13,697**	**1,552,373**	**1,428,478**	**38,109**	**1,466,587**

	2016			2015		
Revenues by market - Distribution:	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenues**	**Other operating revenues**	**Total**
Norway	232,043	30,881	**262,924**	222,663	27,387	**250,050**
Total operating revenues	**232,043**	**30,881**	**262,924**	**222,663**	**27,387**	**250,050**

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

Total operating revenue from Vinmonopolet was approximately NOK 693 million in 2016, of which NOK 288 million in Spirits and NOK 405 million in Wine. In 2015 the corresponding total was approximately NOK 694 million, of which NOK 293 million in Spirits and NOK 401 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 947 million in 2016, of which NOK 108 million in Spirits and NOK 839 million in Wine. In 2015 the corresponding total was approximately NOK 874 million, of which NOK 90 million in Spirits and NOK 784 million in Wine.

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

NOTE 6 TRANSACTIONS WITH RELATED PARTIES

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

The Group's transactions with related parties:

Purchase of goods and services:

Figures in NOK 1,000	Relationship	Delivery	2016	2015
Hoff SA	Shareholder	Raw materials	22,469	25,173
Tiffon SA	Associated company (34%)	Finished goods	56,051	65,729
Det Danske Spiritus Kompagni A/S	Jointly controlled entity (50%)	Leased offices, licences	3,314	2,727
Gjelleråsen Eiendom AS	Owned by shareholder (Canica AS)	Rent	77,605	75,817
Total purchase of goods and services			**159,439**	**169,446**

Sales of goods and services:

Figures in NOK 1,000	Relationship	Delivery	2016	2015
Tiffon SA	Associated company (34%)	Market support	3,393	4,071
Det Danske Spiritus Kompagni A/S	Jointly controlled entity (50%)	Sales of finished goods	132,184	137,725
Total sales of goods and services			**135,577**	**141,796**

Receivables from related parties as at 31.12.:

Figures in NOK 1,000	Relationship	Nature of receivable	2016	2015
Det Danske Spiritus Kompagni A/S	Jointly controlled entity (50%)	Current receivables	21,061	18,869
Total receivables from related parties as at 31.12.:			**21,061**	**18,869**

Liabilities to related parties as at 31.12.:

Figures in NOK 1,000	Relationship	Nature of liability	2016	2015
Hoff SA	Shareholder	Current liabilities	549	4,396
Tiffon SA	Associated company (34%)	Current liabilities	11,082	16,756
Det Danske Spiritus Kompagni A/S	Jointly controlled entity (50%)	Current liabilities	113	120
Total liabilities to related parties as at 31.12.:			**11,744**	**21,272**

All transactions with related parties are on market terms.

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

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

NOTE 7 OTHER OPERATING EXPENSES

Figures in NOK 1,000	**2016**	**2015**
Sales and advertising costs	-121,688	-145,111
Logistics costs	-56,071	-52,397
Rent	-82,851	-82,763
Maintenance costs	-34,251	-31,248
Other costs associated with premises	-22,904	-24,703
Office materials and administrative costs	-6,698	-7,733
Travel expenses	-18,814	-16,637
Insurance	-3,610	-3,328
Consultants and external outsourcing of services	-73,820	-61,241
Other costs	-10,630	-15,691
Total other operating expenses	**-431,337**	**-440,852**
Of which non-recurring items and restructuring costs, which are included in Other income and expenses in the financial statements	38,821	14,724
Total other operating expenses as presented in the statement of income	**-392,516**	**-426,128**

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

Figures in NOK 1,000	**2016**	**2015**
Personnel policy and other organisational measures[1]	-1,029	-18,713
Expenses related to the IPO[2]	-41,474	0
Other non-recurring items[3]	-2,371	2,206
Total other income and expenses	**-44,874**	**-16,507**

1. **Personnel policy and other organisational measures:** Costs related to organisational and staffing adjustments were required in order to meet restructuring needs, including new work processes and improved profitability.
2. **Expenses related to the IPO:** Expenses concerning the process prior to the listing of Arcus ASA on 1 December 2016. This is to a great extent related to fees for advisers and banks, but also a number of other expenses in direct relation to this process.
3. **Other non-recurring items:** Other non-recurring items consisted of both positive and negative items.
   In 2016 this mainly consists of the profit on the sale of the last holiday cabin held by the Group, costs related to the completion of relocating the production of Danish brands from Aalborg to Gjelleråsen, and settlement related to a volume undertaking to a former logistics partner in Denmark on the replacement of the logistics partner in 2016.
   In 2015, this was related to the profit on the sale of fixed assets following the closure of the factory in Aalborg, as well the sale of holiday cabins. Negative items were related to external assistance and provisions required when environmental contamination was discovered on the site at Haslevangen which Arcus-Gruppen sold in 2007. Whether or not the Arcus Group will have to cover any of the cost of the above is still uncertain, and the obligation is retained in the statement of financial position at the end of 2016.

NOTE 8 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	**2016**	**2015**
Salaries including holiday pay	-266,685	-271,214
Social security costs	-63,732	-59,480
Pension costs including social security costs	-28,397	-29,654
Other personnel costs	-40,691	-38,666
Total salaries and other personnel costs	**-399,505**	**-399,014**
Of which non-recurring items and restructuring costs, which are included under Other income and expenses in the statement of income (see Note 7)	6,960	18,713
Total salary and personnel cost as presented in the statement of income	**-392,545**	**-380,301**
Average number of FTEs employed during the year	411	408

Remuneration to senior executives

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

In 2016, the Group's executive management was part of the Group's annual bonus scheme and a synthetic share and option scheme that was terminated in conjunction with the IPO. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the executive management can receive up to four months' salary.

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

Below, the fixed salary and fees to the executive management, as well as the bonus earned, are presented.

Figures in NOK 1,000	Currency	Salary	Bonus earned in 2016	Benefits in kind 2016	Pension costs
Kenneth Hamnes	NOK	2,444	1,100	220	308
Rune Midtgaard[1]	NOK	1,820	446	150	69
Sigmund Toth[2]	NOK	550	614	2	28
Erik Bern	NOK	1,743	585	217	83
Bjørn Delbæk[3]	NOK	249	511	25	14
Per Bjørkum	NOK	1,437	485	135	83
Erlend Stefansson	NOK	1,981	669	147	83
Thomas Patay[4]	NOK	2,264	455	192	83
Claes Lindquist	SEK	2,141	956	69	983
Lorna Stangeland	NOK	1,700	617	194	83

1. Rune Midtgaard was CFO up to 1 September 2016, but was a member of the executive management until he left on 31.10.2016. Benefits paid equivalent to ten months' employment.
2. Sigmund Toth took over as CFO as from 1 September 2016. The benefits paid represent the four months in which he was a member of the executive management.
3. Bjørn Delbæk was employed on a permanent basis as from 1.11.2016, and the benefits paid represent two months' employment. During the period from 1.1.2016 to 31.10.2016, Bjørn was a contractor and invoiced his services from his own company.
4. TNOK 151 of the salary paid is related to payment of services earned in previous years.

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

Concerning the other executive management members, Sigmund Toth, Erlend Stefansson, Erik Bern, Thomas Patay and Lorna Stangeland are subject to six months' notice of termination, while Per Bjørkum and Bjørn Delbæk are subject to three months' notice of termination. Claes Lindquist is subject to 18 months' notice of termination by the company, and nine months notice of termination by the employee.

Concerning the other executive management members, Erik Bern, Lorna Stangeland, Thomas Patay and Claes Lindquist are subject to a 12-month non-competition clause, while Sigmund Toth, Bjørn Delbæk, Per Bjørkum and Erlend Stefansson are subject to a six-month non-competition clause. They all have an agreement concerning severance pay during the period, if the non-competition clause is activated.

No loans or surety are provided for the Group CEO, other executive management or members of the Board of Directors.

The executive management's holdings of ordinary shares in Arcus ASA are stated in Note 18.

Share-based incentive schemes

Both before and after the IPO the Group has had long-term incentive programmes for managerial employees, which are related to the Group's value added. Prior to the IPO; the Group had a co-investment programme with synthetic shares and options. This scheme was discontinued in connection with the IPO; and several members of the executive management achieved gains when this programme was terminated. Concerning the gains achieved, the Group CEO was required to re-invest 50 per cent in Arcus ASA shares in conjunction with the IPO, while other members of the executive management were subject to a 30 per cent re-investment requirement.

Further details of the terminated synthetic share and option programme for the Group executive management and the Board of Directors can be found in Note 20.

Matching shares for managerial employees

The Board is working on a new long-term incentive scheme for managerial employees, but until a new scheme is in place, in connection with the IPO a temporary two-year incentive scheme (interim retention plan) was adopted, under which 37 managerial employees, including the Group executive management, received matching shares. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for the fourth quarter of 2018, if the person in question is still employed at this time.

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

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it.

If the listed share price on the redemption date exceeds two times the listed price on the allocation date, the number of matching shares will be reduced, so that the total value of the matching shares allocated does not exceed two times the value on the allocated date.

Below, the number of matching shares as at 31.12.2016 is presented, of which the fair value is based on Arcus' share price as at 31.12.2016 (NOK 44.50).

Figures in NOK 1,000	Number	Allocation date	Fair value 31.12.2016	Redemption date
Kenneth Hamnes	42,100	01.12.16	1,873	28.02.19
Sigmund Toth	19,767	01.12.16	880	28.02.19
Erik Bern	9,956	01.12.16	443	28.02.19
Bjørn Delbæk	8,692	01.12.16	387	28.02.19
Per Bjørkum	8,256	01.12.16	367	28.02.19
Erlend Stefansson	27,062	01.12.16	1,204	28.02.19
Thomas Patay	68,785	01.12.16	3,061	28.02.19
Claes Lindquist	46,726	01.12.16	2,079	28.02.19
Total, Group management	**231,344**		**10,295**	
Other managerial employees	149,415	01.12.16	6,649	28.02.19
Total number of matching shares	**380,759**		**16,944**	

Shares at discounted prices for other employees
In conjunction with the IPO in December 2016, all employees were offered the opportunity to buy a limited number of shares with a total discount of 20 per cent in relation to the listed price, or maximum NOK 1,500.

At the end of 2016 it had not been determined whether this scheme will continue.

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

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

(i) Salaries and other remuneration to executive personnel
Salaries and other remuneration to executive personnel for the preceding financial year are presented on page 76.

(ii) Guidelines for the fixing of salaries and other remuneration to executive personnel
With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2017 for an advisory vote:

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

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

Arcus has a defined-contribution occupational pension plan in Norway. The contribution rate is 5 per cent for salaries up to 7.1G and 11 per cent for salaries between 7.1G and 12G (as from 1 May 2016 1G is NOK 92,576). The CEO is the only employee who currently has an occupational pension for salaries above 12G and the contribution rate is 15 per cent. There are no arrangements or agreements regarding early retirement age for Group executives other than the AFP arrangement and the national insurance scheme, which allow all employees a flexible retirement age starting at the age of 62. All employees in Norway are subject to a statutory age limit of 72, but the age limit in the Group is contractually set at 70, which also applies to Group executives.

In addition to the above, the Group provides benefits such as a company car and company telephone and other limited benefits in kind. The CEO of Vectura AS follows the same guidelines as Group executives, but the current CEO has a bonus arrangement of at the most 5 monthly salaries. The CEO of Vingruppen i Norden AB follows basically the same guidelines as Group executives, but has a bonus arrangement that is only performance-based (EBIT) and may total a maximum of 5 monthly salaries. The annual pension provision is 34 per cent of salaries and potential bonus paid, since there are different rules and pension opportunities in Sweden compared to Norway.

(b) Variable elements – annual bonus
Arcus has an annual bonus system. The bonus system for executive personnel has consisted of a financial component (70 per cent) tied to a performance-related target for the Group or company and an individual component (30 per cent) tied to concrete and defined KPIs for the individual. All bonuses are self-financed. The maximum bonus for Group executives is 33 per cent of their annual salary (4 monthly salaries),

although the Group CEO may receive a maximum annual bonus of 5 monthly salaries. In addition to Group executives, approximately 70 managers and key staff participate in a bonus programme, but the criteria vary. These staff members may receive a bonus of between 1-3 monthly salaries.

The bonus programme for 2017 will consist of the same components, and its primary target will be the Group's and/or the company's earnings (EBITDA). Individual bonuses with a maximum percentage of 30 per cent for Group executives are also a key element of the programme.

(iii) Share-based incentive programmes
In conjunction with the IPO in 2016, Group executives and an additional 35 managers/key staff were offered investment in shares in exchange for "matching shares" on conditions specified in the prospectus. In total, 29 people in addition to the Group executives subscribed to the offer.

Arcus will establish an option-based long-term incentive scheme for the Group management, as well as the CEO of Vectura and the CEO of Vingruppen i Norden, and for additional managers and key persons. The primary objective of the programme is to provide executive personnel with incentives to generate long-term and continuous success and value creation for shareholders.

Arcus has employed key persons who have invested in their own wine companies as minority owners, and this mainly concerns the general manager. This model has been a success for Arcus and created profitable new business, with well-motivated managers.

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

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

On starting up a new company, greater flexibility must be accepted in terms of how much the employee should/may invest, based on an individual and commercial assessment.

(iv) Executive salary policy in previous financial years
The guidelines for salaries and other remuneration to executive personnel described in item (ii) also served as guidelines for fixing executive salaries and other remuneration in 2016. Personal bonuses were not paid in 2015, but bonuses will be paid for 2016.

(v) Changes in contractual agreements
CFO Rune Midtgaard stepped down from the Group executive team on 1 September 2016 and was replaced by Sigmund Toth. Managing Director of Vectura AS Lorna Stangeland has announced her resignation and will step down on 30 April 2017. She will be replaced by Christian Granlund, who will take over by 1 July 2017 at the latest. Lorna Stangeland will become an external Board member of Vectura AS after 1 May 2017.

The remuneration of the Board of Directors is as follows, as from 20.10.2016:

Chairman of the Board of Directors	NOK 500,000 p.a.
Board members elected by the shareholders	NOK 225,000 p.a.
Board members elected by the employees	NOK 150,000 p.a.
Deputy Board members	NOK 2,500 per meeting
Audit Committee	
Chair of the committee	NOK 85,000 p.a.
Member	NOK 40,000 p.a.
Remuneration Committee	
Chair of the committee	NOK 40,000 p.a.
Member	NOK 25,000 p.a.

Actual payments to Board members are as follows

Figures in NOK 1,000		Board fees including committee work	Number of shares
Board members elected by the shareholders			
Michael Holm Johansen	Newly-elected Board member in 2016	637	146,512
Mikael Norlander[1]		0	16,077,244
Hanne Refsholt	Newly-elected Board member in 2016	218	0
Leena Maria Saarinen	Newly-elected Board member in 2016	187	1,860
Trond Berger	Newly-elected Board member in 2016	34	17,441
Eilif Due[2]		140	3,299,325
Isabelle Ducellier	Resigning Board member in 2017	100	1,860
Daniel Repfennig	Resigning Board member in 2016	0	0
Marius Juul Møller	Resigning Board member in 2016	0	0
Leif Johansson	Resigning Board member in 2016	0	0
Board members elected by the employees			
Erik Hagen		See the Table below	244
Ingrid E. Skistad	Newly-elected Board member in 2016	See the Table below	1,046
Kjell Arne Greni		See the Table below	0

1. Mikael Norlander represents the main shareholder, Ratos AB. Mikael Norlander does not hold shares, and the number shares related to him solely represents Ratos AB's shareholding.
2. Eilif Due represents the shareholder Hoff SA. The stated number of shares related to him also includes Hoff SA's shareholding.

Figures in NOK 1,000	Fixed salary	Board fees including committee work	Benefits in kind 2016	Pension costs
Board members elected by the employees				
Erik Hagen	484	103	6	24
Ingrid E. Skistad[1]	97	25	0	5
Kjell Arne Greni[2]	174	83	7	9

1. Ingrid Skistad was elected to the Board as from 1.11.2016. The amounts paid represent two months as from her election to the Board.
2. Kjell Arne Greni holds a 40 per cent position.

Auditors' remuneration

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

Figures in NOK 1,000	2016	2015
Statutory audit	2,336	2,431
Other financial auditing	215	92
Other certification services	774	48
Other financial audit	239	667
Other certification services	226	0
Total remuneration to the auditors	**3,790**	**3,238**

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to parties other than the Group auditor of TNOK 1,118 for 2016 and TNOK 1,290 for 2015.

NOTE 9 PENSION COSTS, ASSETS AND OBLIGATIONS

Defined benefit pension plan

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

With the transition to the new pension plan, all those who were ill or disabled remained in the respective defined benefit plans. Statens Pensjonskasse has confirmed that Arcus no longer has any legal obligations associated with the remaining pension recipients who are linked to the SPK defined benefit plan, but is only obliged to pay annual premium contributions specified by SPK, according to the same principle as for defined contribution plans. The Group therefore takes the current invoices from SPK to expenses in the same way as for the defined contribution plan. Within the pension obligation as at 31 December 2016, a provision of NOK 4.0 million is linked to five individuals in the Storebrand defined benefit plan. This is the only pension obligation secured with assets.

In addition, two individuals, who are no longer employed by the company, have a defined benefit plan for salaries above 12G (National Insurance base amount). This plan has been recognised with obligations totalling NOK 4.3 million at the end of 2016.

On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31 December 2016 this gift pension is linked to 201 employees in the Norwegian operations, while the total obligation has been recognised at NOK 16.6 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G.. At the end of 2016, this obligation was recognised at NOK 0.3 million.

Contractual early retirement plan pension (AFP)

On 1 January 2011, a new contractual early retirement plan (AFP) pension scheme was introduced in Norway Unlike the old scheme, the new AFP plan is not an early retirement plan but a scheme that provides a lifelong supplement to the ordinary pension. Employees can choose to take out the new AFP pension as from the age of 62, also while continuing to work, and add additional earnings by working up to the age of 67. This new AFP plan is a defined benefit multi-enterprise pension scheme, and is financed through premiums that are set as a percentage of salary. So far no reliable measurement and allocation of obligations and assets is available for the plan. In accounting terms, the plan is treated as a defined-contribution pension plan in which premium payments are charged as current costs and no provisions are made in the financial statements. In 2016, the current premium payments were set at 2.50 per cent of total salary payments between 1 G and 7.1 G to the Group's employees, while in 2015 this figure was 2.4 per cent. It has been decided not to change the premium payments for 2017. There is no accumulation of funds in the plan and it is expected that the premium level will increase over the coming years.

There are some seniority requirements associated with the new AFP plan with regard to accumulated length of employment in the scheme. This means that on reaching the age of 62, the individual employee must have been employed for seven of the previous nine years in order to meet the seniority requirements to be able to draw an AFP pension under the new scheme. For the Arcus Group there were 17 individuals who did not fulfil this seniority requirement on the introduction of the new AFP plan. In 2011, Arcus applied for these individuals to have their accumulated period of employment in the old AFP plan in SPK included before transition to the LO/NHO (Norwegian Confederation of Trade Unions/ Confederation of Norwegian Enterprise) plan from 1 January 2009. Fellesordningen (Joint Pension Plan) gave its consent to this in return for Arcus paying the entire excess above and beyond the state supplement of 1/3 of the AFP pension. As at 31 December 2016, this relates to a residual obligation for seven people and the obligation is recognised at NOK 5.4 million.

Defined contribution pension

The Arcus Group's ordinary pension plan for all other Norwegian employees is a defined contribution pension plan with Storebrand. The contribution rate is 5 per cent of salary in the bracket from 0 to 7.1 times the National Insurance basic amount (G), and 11 per cent of salary in the bracket from 7.1 to 12 times the National Insurance basic amount (G). In addition, there is a private disability plan with a 66 per cent benefit level, without free policy accumulation. The child and dependent supplement to Arcus' group life plan is a replacement for the previous spouse and child pension.

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

Employees in the defined contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 3.5 million at the end of 2016.

Other matters

The Group applies a discount rate equivalent to the covered bond interest rate to its pension commitments. The pension assumptions made by the Group are consistent with the recommendations of the Accounting Standards Board from September 2016. Due to the lack of significance, the assumptions were not updated as of 31.12.2016.

Summary of cash flows related to pension plans

Figures in NOK 1,000	**2016**	**2015**
Premium payments, old AFP plan recognised in the statement of financial position	0	438
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	425	604
Payments from operations, gift pension at 65-67 years of age	566	105
Payments under unfunded pension to former CEO recognised in the statement of financial position	3,316	0
Premium payments, new AFP plan not recognised in the statement of financial position	4,165	4,191
Premium payments, remaining in SPK	66	156
Premium payments, defined contribution pension	25,404	24,136
Total	**33,942**	**29,630**

All figures include social security costs.

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

Premium payments to the new AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. In 2016, the premium rate was 2.50 per cent and this will remain unchanged in 2017.

Figures in NOK 1,000

Pension costs	**2016**	**2015**
Present value of pension earnings for the year	1,053	1,419
Interest cost of pension obligations	953	1,421
Return on pension assets	-252	-265
Administration costs	173	166
Recognised estimation loss/(profit)	-736	0
Accrued social security contributions	262	393
Net pension costs after social security contributions	**1,453**	**3,134**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	26,944	26,520
Net pension obligations		
Estimated accrued obligations, funded pension plans	13,707	13,918
Estimated value of pension assets	-9,741	-10,070
Net estimated pension obligations (-)/assets (+), funded pension plans	**3,966**	**3,848**
Estimated accrued obligations, non-funded pension plans	30,126	32,054
Net pension assets/(obligations) recognised in the statement of financial position	**34,092**	**35,902**
Changes in obligations:		
Net pension obligations 01.01	35,902	40,444
Pension costs, continued operations	1,453	3,134
Paid out via operations	-4,071	-105
Premium payments including SSC	-471	-1,169
Estimate deviations recognised directly in equity (IAS19R)	1,279	-6,402
Net pension obligations 31.12.	**34,092**	**35,902**
Summary of pension assets:		
Shares and other equity instruments	9,741	10,070
Total pension assets 31.12.	**9,741**	**10,070**

Financial assumptions:	**2016**	**2015**
Discount rate	2.10%	2.50%
Expected salary adjustment	2.25%	2.50%
Expected pension increase	1.25%	1.50%
Expected adjustment of the National Insurance basic amount (G)	2.00%	2.25%
Expected return on pension assets	2.10%	2.50%
Actuarial and demographic assumptions		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

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

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

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

Sensitivity 2016	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,477	4,125	6,716	-5,557	-2,864	2,898
Change in deferred tax assets	835	-990	-1,612	1,334	687	-695
Change in equity	2,643	-3,135	-5,104	4,223	2,176	-2,202
Percentage change in obligations	**-10.2%**	**12.1%**	**19.7%**	**-16.3%**	**-8.4%**	**8.5%**

Sensitivity 2015	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,980	4,731	7,681	-6,358	-3,279	3,314
Change in deferred tax assets	-995	1,183	1,920	-1,590	-820	828
Change in equity	2,985	-3,549	-5,761	4,769	2,459	-2,485
Percentage change in obligations	**-11.1%**	**13.2%**	**21.4%**	**-17.7%**	**-9.1%**	**9.2%**

NOTE 10 FINANCIAL INCOME AND COSTS

Figures in NOK 1,000	**2016**	**2015**
Financial income		
External interest income	7,944	9,859
Total interest income	**7,944**	**9,859**
Value adjustment of liabilities at fair value	0	10,120
Value adjustment of interest-rate swap agreements at fair value	4,552	3,792
Value adjustment of synthetic share and option programme	0	7,504
Net agio gains	5,848	0
Other financial income	19	94
Total other financial income	**10,419**	**21,510**
Total financial income	**18,363**	**31,369**
Financial costs		
Interest costs to financial institutions	-70,158	-76,887
Interest costs on liabilities at fair value	-256	-918
Total interest costs	**-70,414**	**-77,805**
Value adjustment of minority options at fair value	-28,180	0
Value adjustment of foreign exchange forward contracts at fair value	-2,021	-3,181
Value adjustment of synthetic share and option programme	-119,979	0
Net agio loss	0	-22,826
Amortisation of front-end fee related to credit facilities at SEB	-20,636	-9,756
Other financial costs	-13,861	-18,427
Total other financial costs	**-184,677**	**-54,190**
Total financial costs	**-255,091**	**-131,995**
Net financial loss/profit	**-236,728**	**-100,626**

NOTE 11 TAX

Tax for the year is calculated as follows:

Figures in NOK 1,000	2016	2015
Tax payable	-40,670	-55,641
Change in deferred tax	10,590	36,872
Insufficient provision in previous years	3,869	1,440
Tax	**-26,211**	**-17,329**

Tax breakdown by country:	**2016**	**2015**
Tax - Norway	6,498	10,062
Tax - Sweden	-25,545	-27,091
Tax - Denmark	-6,094	2,946
Tax - Finland	-1,841	-2,020
Tax - Germany	771	-1,226
Total tax	**-26,211**	**-17,329**

Reconciliation from nominal to actual tax rates:	**2016**	**2015**
Pre-tax profit	2,122	101,717
Expected income tax at the nominal tax rate in Norway	-531	-27,464
Tax effect of the following items:		
Non-deductible costs	-26,831	-4,776
Non-taxable income	0	5,916
Insufficient provision in previous years	2,171	579
Change in non-capitalised tax assets	0	0
Change in tax rate	-5,789	-1,263
Differences in tax rates	4,554	8,339
Profit share, associated companies	1,447	1,230
Other	-1,232	110
Tax	**-26,211**	**-17,329**
Effective tax rate	**1,235%**	**17%**

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

Tax payable by country in the statement of financial position	**2016**	**2015**
Tax liability to Norway	1,704	6,672
Tax liability to Sweden	-9,815	-7,658
Tax liability to Denmark	4,862	13,410
Tax liability to Finland	-80	397
Tax liability to Germany	373	683
Total tax liabilities payable, see also Note 15	**-2,956**	**13,504**

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

	2016		2015	
	Asset	Liability	Asset	Liability
Tangible fixed assets	37	667	3,953	-954
Intangible fixed assets	-47,905	-93,848	-51,079	98,939
Financial assets	-717	0	-2,612	0
Inventories	-8,536	338	-8,327	-278
Trade receivables	1,539	215	1,796	0
Pension obligations	7,833	0	8,631	0
Provisions	10,437	0	14,506	-1,145
Profit and loss account	-1,127	0	-1,276	0
Deficit carried forward	210,559	0	196,778	0
Total deferred tax, gross	**172,120**	**-92,628**	**162,370**	**96,562**
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	**172,120**	**-92,628**	**162,370**	**96,562**

At the end of the year, the Group had NOK 210.6 million in capitalised deferred tax assets associated with the deficit carried forward. Based on an assessment and analysis of the Group's earnings in Norway historically, and the future prognosis, the restructuring of Vectura and the restructuring of debt in conjunction with the IPO, it is assessed that the deficit carried forward can be utilised in full, and on this basis it is carried to the statement of financial position.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2016, the rates were 24 per cent in Norway, 22 per cent in Sweden, 22 per cent in Denmark and 20 per cent in Finland.

At the end of 2016, deferred tax assets were associated with net negative temporary differences for the tax regime in Norway, while deferred tax liabilities were linked to net positive temporary differences for the tax regimes in Denmark and Sweden.

NOTE 12 TANGIBLE FIXED ASSETS

Figures in NOK 1,000	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible fixed assets
Acquisition cost as at 01.01.2015	**27,696**	**599,008**	**72,903**	**21,080**	**720,687**
Additions	0	6,861	527	58,331	**65,719**
Transferred from facilities under construction	0	1,973	0	-1,973	**0**
Acquisition of operations	0	0	720	0	**720**
Reclassifications	0	-43,135	15,100	-10,021	**-38,056**
Disposal at cost (sale of tangible fixed assets)	-27,415	-63,320	-2,965	0	**-93,700**
Disposal at cost (sale of business)	0	0	-13	0	**-13**
Translation differences	-281	-395	92	0	**-584**
Acquisition cost as at 01.01.2016	**0**	**500,992**	**86,364**	**67,417**	**654,773**
Additions	0	7,992	1,445	1,945	**11,382**
Transferred from facilities under construction	0	62,645	0	-66,630	**-3,985**
Reclassifications	0	0	-1,297	0	**-1,297**
Translation differences	0	-309	-809	0	**-1,118**
Acquisition cost 31.12.2015	**0**	**571,320**	**85,703**	**2,732**	**659,755**

Figures in NOK 1,000	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible fixed assets
Accumulated depreciation 01.01.2015	**-22,127**	**-284,230**	**-35,920**	**0**	**-342,277**
Acquisition of operations	0	0	-360	0	**-360**
Ordinary depreciation	-301	-29,371	-6,553	0	**-36,225**
Write-downs	-2,399	0	-181	0	**-2,580**
Disposal, accumulated depreciation (sale of tangible fixed assets)	24,589	61,825	2,936	0	**89,350**
Reclassifications	0	34,960	-20,645	0	**14,315**
Translation differences	238	699	-41	0	**896**
Accumulated depreciation 01.01.2016	**0**	**-216,117**	**-60,764**	**0**	**-276,881**
Ordinary depreciation	0	-29,355	-5,529	0	**-34,884**
Reclassifications	0	0	1,297	0	**1,297**
Translation differences	0	201	747	0	**948**
Accumulated depreciation 31.12.2016	**0**	**-245,271**	**-64,249**	**0**	**-309,520**
Book value as at 31.12.16	**0**	**326,049**	**21,454**	**2,732**	**350,235**
Of which book value of capitalised leases	0	193,082	0	0	**193,082**
Ordinary depreciation for the year – capitalised leases	0	-16,385	0	0	**-16,385**
Book value of capitalised interest costs	0	3,636	0	0	**3,636**
Annual leasing fee for non-capitalised tangible fixed assets	84,511	3,229	715	0	**88,455**

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

Machinery and equipment	3-15 years
* Office machinery and inventory	4-10 years
* Land, buildings and other real estate	0 years

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

NOTE 13 INTANGIBLE ASSETS

Figures in NOK 1,000	Goodwill	Brands	Software	Total
Acquisition cost 01.01.2015	**983,648**	**675,194**	**64,916**	**1,723,758**
Addition of intangible assets	0	4,212	8,997	13,209
Acquisition of operations	24,692	0	0	24,692
Reclassification	0	0	38,056	38,056
Translation differences	33,842	26,851	0	60,693
Acquisition cost 01.01.2016	**1,042,182**	**706,257**	**111,969**	**1,860,408**
Addition of intangible assets	0	32,647	3,782	36,429
Transferred from facilities under construction	0	0	3,985	3,985
Translation differences	-32,006	-23,572	0	-55,578
Acquisition cost 31.12.2015	**1,010,176**	**715,332**	**119,736**	**1,845,244**
Accumulated depreciation 01.01.2015	**0**	**-34,995**	**-52,452**	**-87,447**
Ordinary depreciation	0	0	-9,360	-9,360
Amortisation	0	-5,536	0	-5,536
Write-downs	0	0	-1,800	-1,800
Reclassification	0	0	-14,315	-14,315
Translation differences	0	-37	0	-37
Accumulated depreciation 01.01.2016	**0**	**-40,568**	**-77,927**	**-118,495**
Ordinary depreciation	0	0	-11,158	-11,158
Amortisation	0	-5,583	0	-5,583
Translation differences	0	56	0	56
Accumulated depreciation 31.12.2016	**0**	**-46,095**	**-89,085**	**-135,180**
Book value 31.12.2016	**1,010,176**	**669,237**	**30,651**	**1,710,064**
Of which capitalised value of assets with indefinite useful lives	1,010,176	626,728	0	1,636,904
Economic life of intangible assets with identifiable useful lives		10-19 years	3-10 years	
Depreciation plan		Straight line	Straight line	

Impairment testing

Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the recoverable amount for the cash-generating unit. The recoverable amount is determined by discounting expected cash flows, based on the cash-generating unit's Board-approved business plans. The cash-generating unit is the lowest level at which it is possible to monitor operations which include the relevant goodwill. At the end of 2016, cash-generating units relating to impairment testing of goodwill are defined both at the company and business area levels. The same is carried out for brands with indefinite useful lives. The cash-generating unit for impairment testing of brands is the brand itself.

The table below shows the Group's intangible assets with indefinite useful lives (goodwill and brands) by cash-generating unit. The most important brands are presented individually, while less important brands are presented under other brands.

Figures in NOK 1,000	Category	Currency	Segment	Goodwill	Brands	Total
Cash-generating unit						
Aalborg	Aquavit	DKK	Spirits	0	268,906	268,906
Lysholm Linie	Aquavit	NOK	Spirits	0	46,123	46,123
Løiten Linie	Aquavit	NOK	Spirits	0	26,628	26,628
Gammel Opland	Aquavit	NOK	Spirits	0	23,161	23,161
Gilde	Aquavit	NOK	Spirits	0	18,690	18,690
Gammel Dansk	Bitter dram	DKK	Spirits	0	149,121	149,121
Norwegian vodka (Vikingfjord, Amundsen)	Vodka	NOK	Spirits	0	34,297	34,297
International vodka (Kalinka, Dworek)	Vodka	NOK	Spirits	0	42,018	42,018
Other brands		NOK, DKK	Spirits	0	17,784	17,784
Spirits segment		DKK	Spirits	375,945	0	375,945
Spirits segment		NOK	Spirits	380,410	0	380,410
Vingruppen i Norden AB (sub-Group)		SEK	Wine	91,331	0	91,331
Social Wines OY		EUR	Wine	24,572	0	24,572
Excellars AS		NOK	Wine	137,918	0	137,918
Total				**1,010,176**	**626,728**	**1,636,904**

In Norway, the most important strategic brands are Vikingfjord Vodka, Braastad Cognac, Løiten Linie, Lysholm Linie and Gammel Opland, the last three being aquavits. In Denmark, the most important strategic brands are Aalborg Akvavit and Gammel Dansk, which is a bitter. In Sweden, the most important strategic brand is Snälleröds. During 2016 the Group acquired the Polish Dworek brand, which is sold mainly in the Norwegian and Swedish markets.

Recoverable amount in an impairment test of goodwill

The recoverable amount for the cash-generating units is calculated on the basis of the present value estimate of the expected cash flows before tax. The cash flows used as the basis for the impairment test are based on assumptions about future sales volume, sales prices, purchase prices for input factors, salary development and other direct costs set out in Board-approved budgets and long-term plans. The terminal value is based on the cash flow in the last forecast year (2020). The terminal value does not include assumptions about real growth but does include assumptions regarding reinvestments corresponding to expected depreciation of the entities' fixed assets.

CGU related to goodwill from the acquisition of the production activity in Denmark is assessed to be the entire Spirits segment since, as from 2015, the business in Denmark was integrated with other spirits operations in the Group.

Recoverable amount in an impairment test of brands
The recoverable amount for the brands is calculated on the basis of a "relief from royalty" method before taxes, where the brand's annual royalty is estimated as future revenues of the brand multiplied by a long-term expected profit level for the relevant brands.

Cash flow estimates used are discounted using a discount rate. The discount rate used for the future cash flows is based on the Group's weighted average cost of capital (WACC).

Other key assumptions
The discount rate used for both brands and goodwill is 8.6 per cent before tax, and reflects estimated risk and capital costs for the Group, based on a capital structure considered representative for the activities in which the Arcus Group is engaged.

Based on the impairment tests made, no write-downs were made in 2016.

Sensitivity
A downward adjustment of the estimated cash flows by 20 per cent or an increase in the discount rate of 2 per cent would not have resulted in write-downs, with the exception of goodwill for Excellars AS, which would have entailed write-downs on a reduction of revenue by approximately 10 per cent.

NOTE 14 LEASING AGREEMENTS

Operational leasing
As at 31 December 2016, the Group had the following leasing agreements which are defined and recognised as operational leasing agreements. There were no significant terms and conditions concerning sub-letting, purchase, escalation or restrictions to the operational leasing agreements as at 31 December 2016.

Figures in nominal NOK 1,000.	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Leased premises	84,511	83,069	331,937	1,279,976	**1,694,982**
Vehicles	3,118	2,672	2,958	0	**5,630**
Machines and office equipment	826	564	740	0	**1,304**
Total	**88,455**	**86,305**	**335,635**	**1,279,976**	**1,701,916**

This overview includes the agreement concluded with Gjelleråsen Eiendom AS on the leasing of production, distribution and administration buildings at Gjelleråsen for a term of 25 years starting on 1 January 2012. The annual rent under this agreement is TNOK 79,150 as from 2017.

Change in Group accounting as a consequence of a new IFRS 16 concerning leases.
New IFRS 16 concerning leases will entail a significant change to the accounting policy related to leasing costs. As from financial years commencing in 2019, all significant leases must be capitalised. This will give an intangible right on the asset side and an equivalent liability on the debt side. A provisional present value calculation of the Group's operational leasing agreements gives a capitalised effect just above NOK 1,000 million, which in turn has a significant effect on the Group's reported equity ratio. In the income statement, this will reduce other operating costs, while amortisation and interest costs will be higher.

Financial leasing
As at 31 December 2016, the Group had entered into four contracts to lease equipment used at Gjelleråsen. All of the above agreements took effect on 1 June 2012 and have a duration of 15 years. This equipment was recognised in the Arcus Group's statement of financial position as at 31 December 2016.

Figures in nominal NOK 1,000	Annual leasing cost	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Machinery and equipment	22,210	22,210	185,516	0	**207,726**
Total	**22,210**	**22,210**	**185,516**	**0**	**207,726**

The contract partner for the financial leasing agreements is Nordea, and the agreements are subject to variable interest rates. The average interest rate charged in 2016 was 2.90 per cent.

Even though, in principle, the leasing agreements have been entered into with a 15-year repayment and interest profile (annuity), the terms of the agreements are for a shorter period of time. Remaining capitalised lease liabilities will fall due in the course of the last 12 months of the agreement period. The Group and Nordea are in continuous dialogue concerning an extension of the agreements to a total maturity profile of 15 years. All changes to the agreements must be formally handled by the landlord.

The present value of future lease payments is NOK 196,8 million as at 31 December 2016, based on a discount rate equivalent to the effective interest rate on the financing in 2016.

Arcus-Gruppen AS has pledged a 100 per cent surety guarantee for all liabilities that the subsidiaries have undertaken or may undertake in connection with the signed leasing agreements. All tangible fixed assets are included in the pledged assets as security for the Arcus Group's long-term bank financing; see Note 23.

NOTE 15 OTHER RECEIVABLES

Figures in NOK 1,000	2016	2015
Long-term receivables		
Other long-term receivables	1,235	471
Total other long-term receivables	**1,235**	**471**

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

Figures in NOK 1,000	Note	2016	2015
Current receivables			
Prepaid costs		11,052	15,254
Prepaid tax	11	2,956	0
Fair value of forward contracts		0	1,153
Other current receivables		5,104	9,976
Total other current receivables		**19,112**	**26,383**

Figures in NOK 1,000	2016	2015
Prepayments to suppliers		
Nominal prepayments to suppliers	68,480	71,500
Provisions for losses	-5,670	-6,210
Total prepayments to suppliers	**62,810**	**65,290**

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

NOTE 16 INVENTORIES

Figures in NOK 1,000	2016	2015
Raw materials	22,891	26,342
Goods in progress	101,797	98,557
Finished goods/goods for resale	273,719	284,824
Obsolescence provision	(19,630)	(21,506)
Total inventories	**378,777**	**388,217**

Cost of inventories in the statement of income comprises input costs for finished goods/goods for resale and production value at cost price for goods produced in-house. The total cost of inventories was NOK 1,467 million in 2016 (2015: NOK 1,395 million).

See also Note 23 for details of pledges and guarantees.

NOTE 17 CASH AND CASH EQUIVALENTS

Figures in NOK 1,000	2016	2015
Cash and cash equivalents in the Group's cash pool system	100,731	28,759
Other bank deposits	98,654	161,660
Total cash and cash equivalents	**199,385**	**190,419**
Credit facilities	601,897	402,093
Available liquidity	**801,282**	**592,512**

Figures in NOK 1,000	2016	2015
Restricted bank deposits	**0**	**3,005**
Total restricted bank deposits	**0**	**3,005**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes all subsidiaries, with the exception of the companies included in the wine activities in Sweden and Finland. At the end of 2016, this Group cash pool system was managed by the parent company, Arcus ASA.

The joint overdraft limit in the Group cash pool system is TNOK 600,000. As at 31 December 2016, total deposits in the cash pool system amounted to TNOK 100,731 (2015: TNOK 28,759). The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement with a maximum credit facility of TSEK 2,000 (TNOK 1,897) at the end of 2016. This facility had not been utilised at the end of 2016.

The Group's exposure to interest-rate risk is stated in Note 4.

Summary of bank guarantees as at 31 December:

Figures in NOK 1,000	**2016**	**2015**
Bank guarantees for tax deduction funds	37,732	40,205
Bank guarantees for customs and duty credit facilities	13,899	15,685
Total bank guarantees	**51,631**	**55,890**

NOTE 18 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.15		1,000,000	1.00	1,000
20.10.16	Split 1:50	50,000,000	0.02	1,000
01.12.16	Share issue	68,023,255	0.02	1,360
31.12.16		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2016:

		Number of shares	Ownership and voting rights
Ratos AB		16,077,244	23.6%
Geveran AB		6,700,000	9.8%
Canica AS		3,780,000	5.6%
Hoff SA		3,297,000	4.8%
Sundt AS		2,300,000	3.4%
Verdipapirfondet DnB Norge (IV)		2,263,914	3.3%
Danske Invest Instit. II.		1,747,900	2.6%
Folketrygdfondet		1,600,000	2.4%
BNP Paribas Securities Services	Nominee	1,490,967	2.2%
SEB Invest Europe Small Cap		1,460,633	2.1%
Skandinaviska Enskilda	Nominee	1,384,757	2.0%
DnB Livsforsikring ASA		1,275,123	1.9%
Verdipapirfondet DnB Norge Selektiv		1,006,665	1.5%
Verdipapirfondet DnB Norden (III)		1,003,865	1.5%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Company		1,000,000	1.5%
Ram One		900,000	1.3%
JP Morgan Chase Bank, N.A.	Nominee	860,303	1.3%
Danske Invest Norske Aksjer Inst		835,900	1.2%
KLP AksjeNorge		750,000	1.1%
Other shareholders		17,288,984	25.4%
Total		**68,023,255**	**100.0%**

Shareholdings of the executive management as at 31.12.2016:

	Number of shares	Ownership and voting rights
Ekelyveien AS (Kenneth Hamnes)	126,499	0.2%
Sigmund Toth	19,767	0.0%
Erik Bern	19,911	0.0%
Bjørn Delbæk	17,383	0.0%
Per Bjørkum	16,511	0.0%
Erlend Stefansson	54,124	0.1%
Thomas Patay	110,056	0.2%
Claes Lindquist	46,726	0.1%
Total shareholdings of the Group executive management	**410,977**	**0.6%**

Dividend

The Board of Directors proposed dividend distribution of NOK 1.47 per share for 2016 (2015: no distribution).

Earnings per share

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

The Arcus Group has an "interim retention plan" for senior executives under which externally owned shares can be diluted by issuing matching shares. To take account of this future increase in the number of shares, diluted earnings per share are also calculated, which takes account of a weighted average for the year of the estimated number of matching shares.

Earnings per share:

	2016	2015
Profit for the year	-24,089	84,388
Profit for the year attributable to non-controlling interests	10,480	20,305
Profit for the year to the owners of the parent company	**-34,569**	**64,083**
Comprehensive income	-64,290	63,561
Comprehensive income attributable to non-controlling interests	7,703	20,699
Comprehensive income to the owners of the parent company	**-71,993**	**42,862**
Weighted average of the number of outstanding shares[1]	51,501,938	50,000,000
Dilution effects from matching shares	31,730	0
Weighted average of the number of outstanding shares - diluted[1]	**51,533,668**	**50,000,000**
Earnings per share in NOK	-0.67	1.28
Diluted earnings per share in NOK	-0.67	1.28
Comprehensive income per share in NOK	-1.40	0.86
Diluted comprehensive income per share in NOK	-1.40	0.86

1. The weighted average number of shares in 2015 was 1,000,000; in the calculation the number is converted in relation to the 1:50 split which took place in October 2016.

NOTE 19 DEBT TO FINANCIAL INSTITUTIONS

Figures in NOK 1,000	Type of financing	Currency	Interest-rate profile	Loan amount in foreign currency 31.12.2016	Loan amount in NOK 31.12.2016	Loan amount in NOK 31.12.2015
SEB	Mortgage loan	NOK	Variable	0	0	327,310
SEB	Mortgage loan	NOK	Fixed	0	0	201,848
SEB	Mortgage loan	SEK	Variable	750,000	711,300	260,167
SEB	Mortgage loan	SEK	Fixed	0	0	220,826
Nordea	Financial leasing liability	NOK	Variable	199,485	199,485	215,554
Total debt to financial institutions					**910,785**	**1,225,705**
Capitalised front-end fees					-8,032	-19,997
Book value of debt to financial institutions					**902,753**	**1,205,708**

Term structure	Type of financing	Currency	Maturity 2017	Maturity 2018	Maturity 2019	Maturity 2020 or later	Total
SEB	Mortgage loan	SEK	0	0	0	711,300	**711,300**
Nordea	Financial leasing liability	NOK	16,498	182,987	0	0	**199,485**
Total debt to financial institutions*			**16,498**	**182,987**	**0**	**711,300**	**910,785**

In 2016, the Group re-financed its long-term loans in SEB. In this connection the entire original mortgage loan, denominated in NOK and SEK, was redeemed, while the entire new loan was denominated in SEK. The new long-term mortgage loans are legally placed in the subsidiary VinGruppen Sweden Holding AB in Stockholm. The new mortgage loan will fall due in its entirety at the end of 2021.

The Group has not hedged the interest rate on the new loan. The previous interest hedging agreement entailed a positive value change of TNOK 4,552 TNOK in 2016, but led to a non-recurring payment of TNOK -12,873 on settlement in December 2016.

On the establishment of the new loan, a front-end fee was paid, which is capitalised in the statement of financial position and written off over the duration of the loan. The remaining book value of the front-end fee related to the previous mortgage loan was written down in 2016, and this is classified under other financial costs.

* Maturity in 2017 is presented as current liabilities in the statement of financial position.
** See Note 14 concerning leasing agreements for information on the term structure of annual leasing amounts.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As of 31.12.2016 the Group was well within the required ratio.

NOTE 20 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Earmarked liabilities, measured at fair value through profit or loss, are related to the two factors:

1) Options for the purchase of non-controlling interests
- 1a) Estimated liability associated with the deferred purchase consideration for 28.19 per cent of the shares in the subsidiary Vingruppen i Norden AB in 2011. This was paid to the minority shareholders in April 2014.
- 1b) Estimated liability to buy out minority shareholders (0.63 per cent) in the subsidiary Vingruppen i Norden AB, based on the management's best estimate of the expected due date, as well as additional compensation for the 8.71 per cent stake that the majority acquired in March 2015. The remaining shares were acquired and this was paid to the minority shareholders in December 2016.
- 1c) Estimated liability to buy out minority shareholders (49 per cent) in the subsidiary Excellars AS, based on the management's best estimate of the expected due date. 41.1 per cent of these minority shares were acquired and paid for in February 2016. The remaining 9.9 per cent will be settled in 2017.

2) Issue of synthetic shares and options in a share programme for selected executives in the Group (co-investment programme).

Options for the purchase of non-controlling interests:
The liabilities related to options for the purchase of non-controlling interests are estimated on the basis of the pricing mechanisms applied to the purchase agreement (1a) and the shareholder agreements (1b and 1c), discounted to the close of the financial year. The most important parameters in the pricing mechanisms are the development of the share values, measured as EBIT (operating profit) up until the estimated due date, multiplied by a multiple according to the Group's value development. As a basis for EBIT, the Group's budgets and long-term plans up until the expected due date have been used. The discount rate used is NIBOR with duration matched to the expected due date (0.83 per cent as at 31 December 2016).

During 2016 significant value changes associated with these minority options were booked. These value changes are mainly associated with the Group's improved earnings and related changed long-term growth assumptions.

Co-investment programme for managerial employees
With regard to the liabilities related to issued synthetic shares and options, these are associated with a share and option programme for senior executives and Board members of the Arcus Group. At the beginning of the year, 23,971 synthetic shares and 102,792 synthetic options associated with the parent company, Arcus ASA, had been issued. All of these were derecognised in conjunction with the parent company's IPO in December 2016. At the end of 2016, there were no longer any agreements in this co-investment programme in Arcus ASA. The Group CEO had 5,970 synthetic options in this programme.

In addition, at the beginning of the year there were also 10,860 synthetic options in the subsidiary Vingruppen AS. These were settled at par value in November 2016.

The synthetic shares and options were issued at the estimated fair value on the issue date. The valuation on the issue date was calculated on the basis of external valuations, according to a cash flow model in which cash flows were discounted to fair value using a discount rate corresponding to the Group's weighted average cost of capital (WACC), adjusted for a liquidity premium, but where the final value was also assessed against the pricing of comparable companies. The development in value in reporting periods between issue and settlement was calculated according to the same principles.

On settlement, the synthetic shares resulted in a payment equivalent to the fair value of the actual shares in the parent company, multiplied by the number of synthetic shares. The fair value of the shares was set as the parent company's opening price on the Oslo Stock Exchange.

On settlement, the synthetic options resulted in a payment equivalent to the value per share beyond the exercise price, multiplied by the number of synthetic options.

The table below presents the gains for the individual Group executive management members in relation to this settlement in 2016:

Figures in NOK 1,000	Gains on settlement of synthetic shares and options in 2016
Kenneth Hamnes	4,161
Rune Midtgaard[1]	3,457
Erik Bern	1,142
Erlend Stefansson	5,172
Thomas Patay	7,887
Claes Lindquist	5,741

1. Rune Midtgaard was CFO up to 1 September 2016, and was a member of the executive management until he left on 31.10.2016.

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

Figures in 1,000 (stated currency)	Minority share options	Share programme	Liability at fair value through profit or loss
Currency			
Nominal value of liability in SEK on initial recognition	76,900	0	76,900
Nominal value of liability in NOK on initial recognition	83,900	17,180	101,080
Nominal value of liability in SEK as at 31 December	0	0	0
Nominal value of liability in NOK as at 31 December	10,314	13,821	24,135

Figures in NOK 1,000			**Total**
Book value of liability 31.12.2014	**139,209**	**59,166**	**198,375**
Fair value on initial recognition 2015	0	2,000	2,000
Paid during the period 2015	-62,170	-2,500	-64,670
Changes in value during the period 2015	-10,120	-7,504	-17,624
Interest during the period 2015	918	0	918
Book value of liability 31.12.2015	**67,837**	**51,162**	**118,999**
Fair value on initial recognition 2016	0	1,000	1,000
Paid during the period 2016	-85,959	-158,317	-244,276
Changes in value during the period 2016	28,180	119,976	148,156
Interest during the period 2016	256	0	256
Book value of liability 31.12.2016	**10,314**	**13,821**	**24,135**
Of which due within 12 months, presented as current liabilities	10,314	13,821	24,135
Of which due after 12 months or later, presented as long-term liabilities	0	0	0

NOTE 21 OTHER PROVISIONS FOR LIABILITIES

Severance pay (long-term)
Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other long-term provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at a discount rate which depends on the length of the obligation. As at 31 December 2016, the provision was associated with six remaining individuals.

Severance pay (short-term)
It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31 December 2016, the liability associated with this was recognised at NOK 2.3 million.

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

Long-term liabilities

2016 *Figures in NOK 1,000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Book value as at 31.12.2016
Severance pay	1,140	-513	0	627
Long-term provisions	**1,140**	**-513**	**0**	**627**

2015 *Figures in NOK 1,000*	Book value as at 31.12.2014	Reversed provision 2015	Recognised provision 2015	Book value as at 31.12.2015
Severance pay	1,676	-536	0	1,140
Long-term provisions	**1,676**	**-536**	**0**	**1,140**

Current liabilities

2016 *Figures in NOK 1,000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Book value as at 31.12.2016
Severance pay	7,080	-5,434	630	2,276
Other provisions	10,000	0	0	10,000
Other current liabilities	**17,080**	**-5,434**	**630**	**12,276**

2015 *Figures in NOK 1,000*	Book value as at 31.12.2014	Reversed provision 2015	Recognised provision 2015	Book value as at 31.12.2015
Severance pay	6,948	-9,140	9,272	7,080
Other provisions	0	0	10,000	10,000
Other current liabilities	**6,948**	**-9,140**	**19,272**	**17,080**

NOTE 22 CURRENT LIABILITIES

Figures in NOK 1,000	2016	2015
Unpaid public duties		
Special duties, alcohol	549,231	557,739
Value added tax	304,407	300,965
Other public duties	58,672	20,395
Total unpaid public duties	**912,310**	**879,099**

Figures in NOK 1,000	2016	2015
Other current liabilities		
Current non-interest-bearing debt	19,088	26,811
Dividend to non-controlling interests	0	6,370
Fair value, interest-rate swap	0	18,145
Fair value, foreign exchange forward contracts	844	0
Provision for social security costs related to share-based remuneration	125	0
Provision for liabilities, see Note 21	12,276	17,080
Other accrued costs	165,001	163,747
Total other current liabilities	**197,334**	**232,153**

All current liabilities fall due within 12 months.

NOTE 23 PLEDGES AND GUARANTEES

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland. At the end of 2016, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which at any time is linked to outstanding drawing on this scheme.

In 2016, the Group re-financed its long-term loans in SEB, see Note 19. In conjunction with this refinancing, all previously mortgaged assets were released and no new pledges were established. In relation to the old mortgage loan in SEB that was settled in conjunction with the refinancing in 2016, all of the shares in the subsidiaries Arcus-Gruppen AS, Arcus Denmark A/S and Arcus Deutschland GmbH were pledged. In addition, collateral associated with selected subsidiaries has been pledged for operating equipment, inventories and factoring. The table below states the book value of the pledged assets covered by the mortgage:

Figures in NOK 1,000	2016	2015
Pledged assets		
Pledges in shares	0	1,908,855
Tangible fixed assets	0	152,644
Trade receivables	0	794,670
Inventories	0	185,082
Total	**0**	**3,041,251**

Surety guarantee
One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2016, the surety guarantee amounted to TNOK 207,726 for the Group's own leased assets. See also Note 14 on leasing agreements.

NOTE 24 MAJOR INDIVIDUAL TRANSACTIONS

Purchase of the Dworek brand

In August 2016, Arcus Norway AS entered into an agreement to acquire the Dworek brand. Dworek is a Polish Vodka that is sold by Vinmonopolet in Norway and Systembolaget in Sweden, with an annual volume of more than 1.1 million litres, see also Note 13.

Acquisition of the remaining 50 per cent of Det Danske Spiritus Kompagni A/S in the first quarter of 2017

In January 2017, the Arcus Group entered into an agreement with Flemming Karberg Familieholding ApS to acquire the remaining 50 per cent interest in Det Danske Spiritus Kompagni A/S (DDSK). Up to and including 31.12.2016, DDSK was owned on a 50/50 basis by the Arcus Group and Flemming Karberg Familieholding ApS, and was treated as a Joint Venture in the Arcus Group, see also Note 2. This is a strategic acquisition to strengthen our position in the Danish market. The acquisition will be implemented as from 1.1.2017 and means that in accounting terms, DDSK will be fully consolidated in the Group as from the same date.

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

Figures in NOK 1,000	Recognised value of acquired operations	Observable excess values	Fair value of acquired business
Tangible fixed assets	21	0	21
Receivables	44,883	0	44,883
Bank deposits	23,933	0	23,933
Unpaid public duties	-12,318	0	-12,318
Other current liabilities	-39,915	0	-39,915
Tax payable	-715	0	-715
Fair value, observable net assets			**15,887**
Acquisition value			31,535
Goodwill			**15,647**

The company is not assessed to have any excess value other than goodwill. On acquisition, goodwill is the part of the net excess value that is not identifiable Estimated goodwill is capitalised in the consolidated statement of financial position based on the expectation that synergies with the Group's existing operations will provide opportunities for increased earnings in the future. At the end of 2016, the acquisition analysis is not final.

Net cash outflow related to the acquisition:

Figures in NOK 1,000	**2017**
Cash payment on acquisition	22,753
- Cash and cash equivalents in the acquired operations	-23,933
Net cash outflow on acquisition	**-1,180**

NOTE 25 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Increased ownership of Joint Venture, Det Danske Spiritus Kompagni A/S

Det Danske Spiritus Kompagni A/S (DDSK) was established after Arcus had acquired the activities of De Danske Spritfabrikker in 2013. The company was established as a Joint Venture with Flemming Karberg Familieholding ApS. In January 2017, Arcus acquired Flemming Karberg Familieholding's interest of 50 per cent and after this transaction has 100 per cent ownership of DDSK. Up to and including 2016, DDSK was booked according to the equity method in the Arcus Group's accounts, but as from 1 January 2017 will be fully consolidated in the consolidated financial statements.

Other

Beyond the above mentioned circumstances, no significant events occurred between the close of the financial year and the date on which Arcus' consolidated financial statements and parent company financial statements were approved for publication. This applies to events that would have provided knowledge of factors present at the close of the financial year, or events concerning matters that have arisen since the close of the financial year. The consolidated financial statements were approved for publication by resolution of the Board of Directors on 15 March 2017.

Alternative performance measurements

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

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

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

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

Figures in NOK 1,000	2016	2015
Group		
Sales revenues	2,521,826	2,365,242
Other operating revenues	60,571	105,397
Total operating revenue	**2,582,397**	**2,470,639**
Cost of sales	-1,467,920	-1,394,637
Gross profit	**1,114,477**	**1,076,002**

Figures in NOK 1,000	2016	2015
Spirits		
Sales revenues	751,107	714,101
Other operating revenues	152,776	140,697
Total operating revenue	**903,883**	**854,798**
Cost of sales	-427,031	-412,769
Gross profit	**476,851**	**442,029**

Figures in NOK 1,000	2016	2015
Wine		
Sales revenues	1,538,676	1,428,478
Other operating revenues	13,697	38,109
Total operating revenue	**1,552,373**	**1,466,588**
Cost of sales	-1,165,620	-1,071,461
Gross profit	**386,753**	**395,127**

Figures in NOK 1,000	2016	2015
Distribution		
Sales revenues	232,043	222,663
Other operating revenues	30,881	27,387
Total operating revenue	**262,924**	**250,050**
Cost of sales	0	0
Gross profit	**262,924**	**250,050**

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

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

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1,000	**2016**	**2015**
Group		
Operating profit	238,850	202,343
Depreciation, write-downs and amortisation	51,625	55,503
EBITDA	**290,475**	**257,846**
Other income and expenses	44,874	16,507
Adjusted EBITDA	**335,349**	**274,353**

Figures in NOK 1,000	**2016**	**2015**
Spirits		
Operating profit	134,765	85,396
Depreciation, write-downs and amortisation	23,906	26,820
EBITDA	**158,671**	**112,216**
Other income and expenses	3,916	797
Adjusted EBITDA	**162,587**	**113,013**

Figures in NOK 1,000	**2016**	**2015**
Wine		
Operating profit	193,148	195,851
Depreciation, write-downs and amortisation	1,014	1,294
EBITDA	**194,162**	**197,145**
Other income and expenses	0	367
Adjusted EBITDA	**194,162**	**197,512**

Figures in NOK 1,000	**2016**	**2015**
Distribution		
Operating profit	-11,435	-32,915
Depreciation, write-downs and amortisation	13,632	13,754
EBITDA	**2,197**	**-19,161**
Other income and expenses	399	3,448
Adjusted EBITDA	**2,596**	**-15,713**

Figures in NOK 1,000	**2016**	**2015**
Other		
Operating profit	-72,917	-41,279
Depreciation, write-downs and amortisation	8,363	8,926
EBITDA	**-64,554**	**-32,353**
Other income and expenses	40,559	11,895
Adjusted EBITDA	**-23,995**	**-20,458**

OTHER DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASUREMENTS, SHOWN IN KEY FIGURES

Equity ratio

Equity ratio = equity/total equity and debt

Net interest-bearing debt

Net interest-bearing debt = Debt to financial institutions + book value of capitalised front-end fee + fair value, interest-rate swap - cash and cash equivalents.

NOK million	2016	2015
Net interest-bearing debt		
Long-term interest-bearing debt to credit institutions	886,255	1,033,486
Short-term interest-bearing debt to credit institutions	16,498	172,222
Book value of capitalised front-end arrangement fee	8,032	19,997
Fair value of interest-rate swap	0	18,145
Cash and cash equivalents	-199,385	-190,419
Net interest-bearing debt	**711,400**	**1,053,431**

Organic growth

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

Figures in NOK 1,000	2016	2015
Group		
Sales revenues	2,521,826	2,365,242
Other operating revenues	60,571	105,397
Total operating revenue	**2,582,397**	**2,470,639**
Currency effects	0	43,460
Structural changes	-13,937	-27,530
Calculation basis, organic growth	**2,568,460**	**2,486,569**

Figures in NOK 1,000	2016	2015
Spirits		
Sales revenues	751,107	714,101
Other operating revenues	152,776	140,697
Total operating revenue	**903,883**	**854,798**
Currency effects	0	13,554
Structural changes	-11,617	-21,943
Calculation basis, organic growth	**892,266**	**846,409**

Figures in NOK 1,000	2016	2015
Wine		
Sales revenues	1,538,676	1,428,478
Other operating revenues	13,697	38,109
Total operating revenue	**1,552,373**	**1,466,588**
Currency effects	0	29,798
Structural changes[1]	-4,663	-7,930
Calculation basis, organic growth	**1,547,710**	**1,488,456**

Figures in NOK 1,000	2016	2015
Distribution		
Sales revenues	232,043	222,663
Other operating revenues	30,881	27,387
Total operating revenue	**262,924**	**250,050**
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	**262,924**	**250,050**

1. Includes reclassification of NOK 22.7 million from other operating revenue to reduce sales and advertising costs.

PARENT COMPANY ACCOUNTS

Statement of income 01.01. - 31.12.

Figures in NOK 1,000	Note	2016	2015
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	6,285	0
Other operating expenses		37,909	1,758
Total operating expenses		**44,194**	**1,758**
Operating profit		**-44,194**	**-1,758**
FINANCIAL INCOME AND EXPENSES			
Interest income from Group companies		707	3,705
Other interest income		3,982	3,763
Other financial income		7,698	12,749
Interest costs to Group companies		-2,795	0
Other interest costs		-42,660	-70,483
Other financial costs		-155,372	-53,101
Net financial profit/loss		**-188,440**	**-105,125**
PROFIT BEFORE TAX		**-232,634**	**-105,125**
Tax	2	-32,965	-19,835
RESULT FOR THE YEAR		**-199,669**	**-85,290**
Transferred from/to other equity		-199,669	-85,290
Total transfers		**-199,669**	**-85,290**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2016	2015
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	141,248	106,856
Total intangible assets		**141,248**	**106,856**
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Loans to Group companies		0	65,000
Total financial assets		**1,438,317**	**1,503,317**
Total fixed assets		**1,579,565**	**1,610,173**
Current assets			
Receivables			
Current receivables from Group companies		0	1,125
Other receivables		445	32
Total receivables		**445**	**1,157**
Cash and cash equivalents	9	100,731	27,760
Total current assets		**101,176**	**28,917**
TOTAL ASSETS		**1,680,741**	**1,639,090**

Figures in NOK 1,000	Note	2016	2015
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4, 5	1,360	1,000
Share premium	5	770,744	794
Total paid-in equity		**772,104**	**1,794**
Retained earnings			
Other equity	5	22,664	321,721
Total retained earnings		**22,664**	**321,721**
Total equity		**794,768**	**323,515**
Liabilities			
Provisions			
Other provisions	6	13,821	48,457
Total provisions		**13,821**	**48,457**
Other non-current liabilities			
Debt to financial institutions	7	-3,835	435,438
Total other non-current liabilities		**-3,835**	**435,438**
Current liabilities			
Debt to financial institutions	7	0	73,723
Trade payables		19,498	374
Trade payables to Group companies	8	19,559	56
Other current liabilities		46,571	50
Other current liabilities payable to Group companies	8	1,350	1,468
Allocated dividend	5	99,994	0
Intragroup balance in Group cash pool system	9	689,015	756,009
Total current liabilities		**875,987**	**831,680**
Total liabilities		**885,973**	**1,315,575**
TOTAL EQUITY AND LIABILITIES		**1,680,741**	**1,639,090**

Gjelleråsen, 15 March 2017

Michael Holm Johansen
Chairman of the Board

Mikael Norlander

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Kjell Arne Greni

Ingrid E. Skistad

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. - 31.12.

Figures in NOK 1,000	**2016**	**2015**
CASH FLOWS FROM OPERATIONS		
Pre-tax profit	-232,634	-105,125
Costs related to share-based remuneration without cash effect	606	0
Value changes without cash effect	120,065	-7,207
Financial expenses without cash effect	20,563	26,796
Change in trade payables	38,627	348
Change in other current assets and other liabilities	47,115	-4,924
Net cash flows from operational activities	**-5,658**	**-90,112**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Paid-in on the issue of synthetic shares and options	0	500
Paid-out on the settlement of synthetic shares and options	-154,701	0
Net cash flow from investment activities	**-154,701**	**500**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans to subsidiaries	65,000	-51,156
Share issue	768,883	0
Proceeds from debt to financial institutions	100,000	125,214
Redemption of debt to financial institutions	-629,159	-116,468
Capitalised loan costs	-4,400	-1,603
Change in intragroup balance in Group cash pool system	-66,994	134,942
Net cash flow from financing activities	**233,330**	**90,929**
Net change in cash and cash equivalents	**72,971**	**1,317**
Holding of cash and cash equivalents as at 01.01.	27,760	26,443
Holding of cash and cash equivalents as at 31.12.	**100,731**	**27,760**

Accounting policies

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

The company was founded on 5 November 2004, and listed on the Oslo Stock Exchange on 1 December 2016. Prior to the IPO, the company was restructured from a private limited liability company to a public limited liability company, and at the same time changed its name from Arcus-Gruppen Holding AS to Arcus ASA.

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

CONSOLIDATED FINANCIAL STATEMENTS

Arcus ASA owns 100 per cent of the shares in Arcus-Gruppen AS and Vectura AS. Up to the IPO on 1 December 2016, the company was consolidated in the consolidated financial statements of Ratos AB. The consolidated financial statements are available on request from Ratos AB, Stockholm, or at www.ratos.se.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

Assets intended for continuing ownership or use are classified as fixed assets. Other assets are classified as current assets. Receivables due for payment within one year are classified as current assets. The classification of current and non-current liabilities is based on similar criteria.

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

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

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

SHARES IN SUBSIDIARIES

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

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

RECEIVABLES

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

CASH AND CASH EQUIVALENTS

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

BORROWING

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

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

TAXES

Tax expenses are matched with profit/loss before tax. Tax costs comprise tax payable (tax on the year's directly taxable income) and changes in net deferred tax. Tax costs are allocated to ordinary profit/loss and profit/loss from extraordinary items in accordance with the taxation basis. Deferred tax and deferred tax assets are presented net in the statement of financial position.

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

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

Notes

NOTE 1 PAYROLL COSTS

Salaries including holiday pay	4,930	0
Social security costs	410	0
Pension costs including social security costs	0	0
Other personnel costs	945	0
Total salaries and other personnel costs	**6,285**	**0**

During the year there have been no employees in the company, but Board fees have been paid as from September. In addition, bonuses have been re-invoiced and provisions have been made for bonus payments related to the work on the IPO process in 2016.

In 2016, the Group CEO (general manager) was formally employed by and received his salary from the subsidiary Arcus-Gruppen AS. In total, he received salary benefits of TNOK 3,337, including a bonus of TNOK 1,000 that was earned and allocated in 2015, as well as other benefits of TNOK 220. He has a pension agreement that entailed costs of TNOK 307 in 2016. Provisions of TNOK 1,100 have been made for bonus earned in 2016. The Group CEO was also included in the Group's previous incentive programme with synthetic options, which was settled and terminated in 2016. As of the settlement date, this entailed a payment of TNOK 4,161. For further information about this programme, see Note 6.

Auditors' fees	2016	2015
Statutory audit	326	167
Other certification services	707	0
Total auditors' fees	**1,033**	**167**

The amounts are stated in TNOK and exclude VAT. Other services than auditing are solely related to fees in conjunction with the IPO process in 2016.

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

In 2016, the Group's executive management was part of the Group's annual bonus scheme and a synthetic share and option scheme that was terminated in conjunction with the IPO. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the executive management can receive up to four months' salary.

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

For a detailed specification of payments to the Group CEO and Group executive management, see Note 8 to the consolidated financial statements.

NOTE 2 TAX

Tax for the year is calculated as follows:	2016	2015
Tax payable	0	0
Change in deferred tax	-32,965	-19,835
Tax effect of costs related to the IPO, carried to equity	1,427	0
Tax	**-32,965**	**-19,835**
Reconciliation from nominal to actual tax rates:		
Profit before tax	-232,634	-105,125
Expected income tax at a nominal tax rate of 25 per cent (27 per cent in 2015)	-58,159	-28,384
Tax effect of the following items:		
Non-deductible costs	17,882	0
Change due to a change in tax rate	5,885	8,549
Tax on costs booked directly to equity	1,427	0
Tax	**-32,965**	**-19,835**
Effective tax rate	14.2%	18.9%

Specification of temporary differences and deficit carried forward:

	2016		2015	
	Asset	**Liability**	**Asset**	**Liability**
Non-current debt	0	3,835	0	19,997
Liabilities	16,312	0	34,277	0
Deficit carried forward	576,057	0	413,145	0
Total	**592,369**	**3,835**	**447,422**	**19,997**
Basis for deferred tax asset/liability	588,534		427,425	
Net deferred tax asset in the statement of financial position*	**141,248**		**106,856**	

At the end of the year, the company had NOK 138.3 million in capitalised deferred tax assets associated with the deficit to be carried forward. Based on the Group's strategic plans and current long-term plans for companies in the tax group, the Board of Directors and executive management expect that the deferred tax assets can be utilised.

At the end of 2016, deferred tax was calculated at 24 per cent as a result of government tax changes as from 2017. At the end of 2015, deferred tax was calculated at 25 per cent.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

	Date of acquisition	Registered office	Voting and ownership	Currency	Nominal share capital
Arcus-Gruppen AS	10.10.05	Nittedal	100%	NOK	276,000
Vectura AS	30.09.13	Nittedal	100%	NOK	14,000

Company	Cost price (NOK)	Book value as at 31.12	Equity according to last annual financial statements (NOK)	Profit for the year 2016 (NOK)
Arcus-Gruppen AS	1,886,607	1,362,217	1,891,023	89,791
Vectura AS	76,100	76,100	20,202	-9,525
Total subsidiaries	**1,962,707**	**1,438,317**	**1,911,225**	**80,266**

On the restructuring of the Group in December 2015, a dividend of TNOK 448,304 was issued by the subsidiary Arcus-Gruppen AS to Arcus ASA, which is reported in its entirety against the recognised value of the shares in Arcus-Gruppen AS.

NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.15		1,000,000	1.00	1,000
20.10.16	Split 1:50	50,000,000	0.02	1,000
01.12.16	Share issue	68,023,255	0.02	1,360
31.12.16		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2016:		Number of shares	Ownership and voting rights
Ratos AB		16,077,244	23.6%
Geveran AB		6,700,000	9.8%
Canica AS		3,780,000	5.6%
Hoff SA		3,297,000	4.8%
Sundt AS		2,300,000	3.4%
Verdipapirfondet DnB Norge (IV)		2,263,914	3.3%
Danske Invest Instit. II.		1,747,900	2.6%
Folketrygdfondet		1,600,000	2.4%
BNP Paribas Securities Services	Nominee	1,490,967	2.2%
SEB Invest Europe Small Cap		1,460,633	2.1%
Skandinaviska Enskilda	Nominee	1,384,757	2.0%
DnB Livsforsikring ASA		1,275,123	1.9%
Verdipapirfondet DnB Norge Selektiv		1,006,665	1.5%
Verdipapirfondet DnB Norden (III)		1,003,865	1.5%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Company		1,000,000	1.5%
Ram One		900,000	1.3%
JP Morgan Chase Bank, N.A.	Nominee	860,303	1.3%
Danske Invest Norske Aksjer Inst		835,900	1.2%
KLP AksjeNorge		750,000	1.1%
Other shareholders		17,288,984	25.4%
Total		**68,023,255**	**100.0%**

Dividend

The Board of Directors proposed dividend distribution of NOK 1.47 per share for 2016 (2015: no distribution).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	1,000	794	321,721	323,515
Profit for the year	0	0	-199,669	-199,669
Share issue	360	769,950	0	770,310
Share-based payment	0	0	606	606
Allocated dividend	0	0	-99,994	-99,994
Equity as at 31.12	**1,360**	**770,744**	**22,664**	**794,768**

NOTE 6 PROVISIONS FOR LIABILITIES

At the beginning of the year, 23,971 synthetic shares and 102,270 synthetic options associated with the parent company, Arcus ASA, had been issued. All of these were derecognised in conjunction with the parent company's IPO in December 2016. At the end of 2016, there were no longer any agreements in this co-investment programme in Arcus ASA. The Group CEO had 5,970 synthetic options in this programme.

The synthetic shares and options were issued at the estimated fair value on the issue date. The valuation on the issue date was calculated on the basis of external valuations, according to a cash flow model in which cash flows were discounted to fair value using a discount rate corresponding to the Group's weighted average cost of capital (WACC), adjusted for a liquidity premium, but where the final value was also assessed against the pricing of comparable companies. The development in value in reporting periods between issue and settlement was calculated according to the same principles.

On settlement, the synthetic shares resulted in a payment equivalent to the fair value of the actual shares in the parent company, multiplied by the number of synthetic shares. The fair value of the shares was set as the parent company's opening price on the Oslo Stock Exchange. On settlement, the synthetic options resulted in a payment equivalent to the value per share beyond the exercise price, multiplied by the number of synthetic options.

Value changes related to this incentive programme are presented under financial items.

At the end of 2016, there is still an obligation of NOK 13.8 million, which is primarily related to remaining provisions for social security costs. The changes in 2016 are presented in the table below. Reference is also made to Note 20 in the consolidated financial statements.

Figures in NOK 1,000	Synthetic shares	Synthetic options	Total provisions for liabilities
Recognised value of liability, 1.1.	30,960	17,497	48,457
Issue of new shares and options during the period	0	0	0
Changes in value during the period	41,302	78,763	120,065
Payments during the period	-72,262	-82,439	-154,701
Book value of liability, 31.12	**0**	**13,821**	**13,821**

NOTE 7 LOANS, PLEDGES AND GUARANTEES ETC.

Debt to financial institutions				**2016**	**2015**
Figures in NOK 1,000	Currency	Interest-rate profile	Loan amount in foreign currency	Loan amount in NOK	Loan amount in NOK
SEB	NOK	Variable	0	0	327,310
SEB	NOK	Fixed	0	0	201,848
Total debt to financial institutions				**0**	**529,158**
Capitalised front-end arrangement fee				-3,835	-19,997
Book value as at 31.12				**-3,835**	**509,161**

Term structure	Maturity 2017	Maturity 2018-2020	Maturity after 2020	Total
SEB	0	0	0	0
Total debt to financial institutions	**0**	**0**	**0**	**0**

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland. At the end of 2016, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In 2016, the Group re-financed its long-term loans in SEB, see Note 19 to the consolidated financial statements. In conjunction with this refinancing, the long-term loan in Arcus ASA was redeemed in full. The remaining book value of the capitalised front-end fee is related to the front-end fee for the cash pool system. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

In conjunction with this refinancing, all previously mortgaged assets were released and no new pledges were established. In relation to the old mortgage loan in SEB that was settled in conjunction with the refinancing in 2016, all of the shares in the subsidiaries Arcus-Gruppen AS, Arcus Denmark A/S and

Arcus Deutschland GmbH were pledged. In addition, collateral associated with selected subsidiaries has been pledged for operating equipment, inventories and factoring. The table below states the book value of the pledged assets covered by the mortgage:

The company has no non-recurring debt with terms exceeding five years.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As of 31.12.2016 the Group was well within the required ratio.

Book value of pledged assets

Figures in NOK 1,000	2016	2015
Pledges in shares	0	1,908,855
Total	**0**	**1,908,855**

Figures in NOK 1,000	2016	2015
Tangible fixed assets	0	152,644
Trade receivables	0	794,670
Inventories	0	185,082
Total	**0**	**1,132,396**

NOTE 8 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2016	2015
Long-term loan to Arcus Norway AS	0	65,000
Other current receivables from Group companies	0	1,125
Total	**0**	**66,125**

Liabilities	2016	2015
Trade payables to Group companies	19,559	50
Other current liabilities payable to Group companies	1,350	1,468
Intragroup balance in Group cash pool system	689,015	756,009
Total	**709,924**	**757,527**

The company has no consolidated assets or liabilities that will fall due more than five years after the close of the financial year.

NOTE 9 CASH AND CASH EQUIVALENTS

The company has no restricted bank deposits, but has a bank guarantee for a tax payment of TNOK 2,500.

The company manages the Group cash pool system for the Group, and the companies included in this are Arcus-Gruppen AS, Arcus Norway AS, Vingruppen AS, Vinordia AS, Symposium Wines AS, Arcus Wine Brands AS, Excellars AS, Heyday Wines AS, Vinuniq AS, Arcus Denmark A/S, Arcus Sweden AB, Arcus Finland Oy, Arcus Deutschland GmbH, VinGruppen Sweden Holding AB, Vectura AS, De Lysholmske Brenneri- og Destillasjonsfabrikker ANS, Oplandske Spritfabrik ANS, Siemers & Cos Destillasjon ANS and Løiten Brænderis Destillation ANS.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000. At year-end, the Group had total deposits of TNOK 100,731 in the scheme, which are presented as bank deposits for Arcus ASA, compared with TNOK 28,759 at the end of 2015.

As at 31 December 2016, Arcus ASA has drawings of TNOK 588,285 in the Group cash pool system, compared with drawings of TNOK 728,249 at the end of 2015.

NOTE 10 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events occurred between the close of the financial year and the date on which Arcus ASA's consolidated financial statements and parent company financial statements were approved for publication. This applies to events that would have provided knowledge of factors present at the close of the financial year, or events concerning matters that have arisen since the close of the financial year. The consolidated financial statements were approved for publication by resolution of the Board of Directors on 15 March 2017.

AUDITOR'S REPORT

Building a better working world

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Arcus ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arcus ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the statement of financial position as at 31 December 2016, the statement of income and statements of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

The consolidated financial statements comprise the statement of financial position as at 31 December 2016, statement of income, statements of other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the financial statements.

Building a better working world

Impairment assessments – brands and goodwill

As at 31 December 2016, the Arcus Group has considerable brands and goodwill, which represents 39 % of total assets. Due to the extent of judgmental assessments and assumptions applied in management's models for the impairment assessments, in addition to the significant value in the balance sheet, the impairment assessments is considered a key audit matter.

Our audit of the Group's impairment assessments has included an evaluation of the underlying impairment models and cash-generating units together with an evaluation of the assumptions management used for the calculations. We have considered management's assumptions for future cash-flow forecasts by evaluating the historical accuracy in management's prognoses against the Company's actual results. We assessed the Company's calculation of the applied discount rate by comparing the assumptions for the calculation with external data like expected inflation, specific growth-rates and beta values for comparable companies. In addition, we have performed sensitivity analyses in order to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to the Note 13 in the financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board of Directors and Chief Executive Director (management) is responsible for the other information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information, and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway for the financial statements of the parent company and International Financial Reporting Standards as adopted by the EU for the financial statements of the Group, and for such internal control as management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and in the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements and in the statements on corporate governance and corporate social responsibility, the going concern assumption and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Oslo, 16 March 2017
ERNST & YOUNG AS

Jan Wellum Svensen
State Authorised Public Accountant (Norway)

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

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