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.

STRATEGY

Within **spirits**, Arcus' key objective is to achieve growth in the core categories of aquavit and bitters. Sales in the Nordic region must be further developed, while the German market must be revitalised. Innovation is key, in terms of categories, consumer groups and occasions.

For **wine**, there is strong focus on winning tenders and attracting complementing agencies. Further development of own brands, primarily through Arcus Wine Brands, is also important. The opportunity for minority ownership interests must be used actively to attract skilled individuals for starting up wine companies.

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

The Group's financial objectives, adopted in conjunction with the Group's IPO on 1 December 2016, are firm. This requires organic growth of 3-5 per cent per annum (including minor bolt-on acquisitions) and EBITDA growth of 6-9 per cent per annum during the next three to five years. The Group's ambition is to pay annual dividend of around 50-70 per cent of the year's net profit.

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

FINANCIAL DEVELOPMENT

Statement of income

In 2017, the Group's total operating revenue was NOK 2,575 million (NOK 2,582 million in 2016). New customers for Vectura, as well as acquisitions, contributed positively to revenue, while sales of wine and spirits were more subdued compared to the previous year, as a consequence of low market growth and somewhat lower market shares in a few markets.

Consolidated operating costs totalled NOK 2,292 million (NOK 2,305 million). The cost decrease is mainly related to a lower cost of sales.

In 2017, the Group's operating profit before depreciation (EBITDA) was NOK 348 million, compared with NOK 290 million in 2016. Operating EBITDA (adjusted for non-recurring items) was NOK 361 million, compared with NOK 335 million in 2016. Reported operating profit of NOK 273 million includes impairment of goodwill in Excellars, acquired in 2011, at NOK 22.7 million.

The Group's net financial items amounted to NOK -15 million (NOK -237 million). The reduction in net financial items is primarily related to the lapse of the previous year's IPO costs and the buy-out of previous and current employees' synthetic shares and options. In addition, the company's interest costs were significantly lower, due to a lower debt ratio after the IPO.

The Group's pre-tax profit was NOK 259 million (NOK 2 million).

The Group's profit for the year after tax was NOK 188 million (NOK -24 million).

The parent company has no operating revenues. The pre-tax profit of the parent company, Arcus ASA, was NOK 48 million, compared with NOK -233 million for the previous year. The increase is mainly related to how 2016 was burdened with high costs for the IPO which do not affect 2017, while for 2017 a Group contribution from the subsidiary Arcus-Gruppen AS of NOK 65 million was recognised, compared to 0 in 2016.

Financial position, investments and liquidity

At the end of the year, the Group had brands and goodwill of NOK 1,862 million (NOK 1,679 million). The increase is mainly related to the acquisition of the Hot n'Sweet and Vanlig brands, as well as currency adjustments concerning brands and goodwill in foreign currency.

At the close of the year, the Group had investments in fixed assets and software for NOK 359 million (NOK 381 million). In 2017, the Group invested NOK 22 million in fixed assets and software, while depreciation of NOK 44 million resulted in a lower book value at the end of 2017 compared to the end of 2016. No significant investments are expected in the coming years.

At the end of 2017, financial assets totalled NOK 60 million (NOK 58 million).

Total current assets were NOK 2,114 million, compared with NOK 2,004 million at the same time last year. Of this amount, receivables at year-end totalled NOK 1,519 million (NOK 1,426 million).

At the end of 2017, cash and bank deposits were NOK 184 million (NOK 199 million).

Group equity was NOK 1,669 million as at 31 December (NOK 1,503 million). Changes in equity are affected positively by the profit for the year, but reduced by the divided paid to minority shareholders in the Group and share-holders in the parent company. At year-end, the equity ratio was 37 per cent, compared with 35 per cent at the end of 2016.

The Group is financed through a non-current loan of NOK 749 million. In addition, the Group has debt of NOK 183 million related to financial leasing, of which NOK 17 million falls due during 2018. At year-end, the Group had drawn NOK 73 million on the facility under the Group cash pool system. As of 31 December 2017, the Group's total liabilities amounted to NOK 2,863 million (NOK 2,792 million), of which the interest-bearing debt amounted to 35 per cent.

Consolidated net cash flow from operating activities was NOK 200 million (NOK -2 million). The increase is affected significantly by the termination of the factoring agreement with SEB in 2016 (NOK -225 million effect on the previous year's cash flow).

Net cash flow from investment activities was NOK -144 million (NOK -47 million). Net cash flow from investment activities is affected by the acquisition of the Vanlig and Hot n'Sweet brands.

Net cash flow from financing activities was NOK -164 million (NOK 75 million). Net cash flow from financing activities is affected by dividend payment, as well as increased ownership interests in subsidiaries with non-controlling interests.

Holdings of cash and cash equivalents were NOK 112 million (NOK 199 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.

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. Receivables outstanding 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 via financing activities (debt financing and financial leasing liabilities) and investments (bank deposits). At the end of 2017, 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 2017, 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 AS.

When funds are needed for investment purposes, the Group relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used. During 2017, the Arcus Group acquired the remaining 50 per cent of the shares in the DDSK A/S Group, 100 per cent of the shares in BevCo AS, the Vanlig brand and the Hot n'Sweet brand, and also acquired further non-controlling interests in existing subsidiaries for NOK 13 million. All of these acquisitions were financed with own liquidity and existing drawing facilities.

The Group did not raise new non-current loans in 2017, but renewed the existing financial leasing with Nordea.

Currency risk

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

The Group's currency exposure can mainly be divided into two groups: cash flow risk and translation risk. The principal objective is to limit the effect of exchange rate fluctuations on the Group's cash flow in Norwegian kroner. 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 risk horizon, i.e. the time it takes to compensate for negative currency movements, is generally controlled by the price-adjustment opportunities in relation to the Nordic state monopolies. In Norway, this takes place every fourth month and in Sweden, every sixth month. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

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

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

ABOUT THE COMPANY

Arcus ASA owns all of the shares in Arcus-Gruppen AS and Vectura AS. The purpose of the company is to manage shares and other company holdings and the Group operates 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 alcoholic beverages in the Norwegian market.

The company's registered office is in Nittedal Municipality, Norway.

Employees, working environment and sick leave

At year-end, the Group had 420.9 FTEs (Full Time Equivalents) distributed as 427 permanent employees, of whom 339 are employed in Norway. The parent company Arcus ASA has two employees

The Board considers the working environment and cooperation with employee representatives to be good and constructive. The co-involvement of employees is ensured at several levels of the Group. Permanent cooperation committees, consisting of employee representatives and representatives from management, have been set up in the operating companies in Norway. At these meetings, the management provides information, and engages in discussions when needed. A corporate

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2017 DISTRIBUTED BY COUNTRY

	Norway	Sweden	Denmark	Finland	Germany	Total
Women	96	28	4	11	1	140
Men	243	26	11	7		287
Total	**339**	**54**	**15**	**18**	**1**	**427**

NUMBER OF EMPLOYEES IN THE ARCUS GROUP AS OF 31.12.2017 DISTRIBUTED BY BUSINESS AREA

	Men	Women	Total
Spirits	97	50	147
Wine	32	49	81
Arcus-Gruppen AS	23	14	37
Vectura AS	133	27	160
Arcus ASA	2	-	2
Total	**287**	**140**	**427**

committee has also been established where the employees' Board members and key representatives meet before each Board meeting to discuss relevant, Group-wide issues.

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

The Norwegian companies in Arcus ASA are IA (inclusive working life) companies in Norway, and work closely with the occupational health service and NAV (the Norwegian Labour and Welfare Administration) to reduce sick leave. Individual follow-up and facilitation are important tools in this work. In 2017, sick leave for Arcus-Gruppen AS with subsidiary in Norway was 4.2 per cent. The objective for 2018 is for sick leave not to exceed 4.2 per cent. In 2017, sick leave amounted to 8.9 per cent in Vectura AS. The objective for 2018 is for sick leave not to exceed 7.5 per cent. Sick leave varies between departments and business areas.

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

To avoid serious injuries and incidents, it is important to have an organisation and culture 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 successful Adverse incidents are reported regularly. These incidents are reported on a monthly basis to management, employees, working environment committees and safety representatives.

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

In 2017, there were seven injuries resulting in absence due to illness (five in Vectura AS and two in Arcus Norway AS). The injuries were not serious and the persons returned to work after brief periods of absence. The Group's goal for 2018 is zero absence due to injuries.

Equal opportunities

Of the Group's 427 employees at year-end, 32.4 per cent were women and 67.6 per cent were men, compared with 30.0 per cent women and 70.0 per cent men in the previous year. The management groups of the operating companies all have female members. The Group Management of Arcus ASA consists of nine men.

At the end of 2017, the Board of Directors of the holding company (Arcus ASA) comprised ten Board members, of whom four were women. Three members of the Board of Directors are elected by the employees, and one of these members is a woman. The proportion of female members of the Board of Directors thereby fulfils the statutory requirements concerning female representatives on an ASA's board of directors.

In connection with the local salary settlement in 2017 in Norway, the parties reviewed the situation concerning equal opportunities and equal pay. The parties agreed that satisfactory consideration is made of equal pay and equal opportunities.

The Group's goal for the operating companies is for them to be workplaces with no discrimination or harassment in any form. Both the working regulations and the ethical rules have guidelines in this respect. In addition, good reporting routines have been established.

At the end of 2017, the employees represented around 35 different languages. The Group has a stated policy, included through ethical rules, not to discriminate on the basis of gender, disability, ethnicity, religion, etc. The Board of Directors and the management groups

DIRECTORS' REPORT

of the operating companies' consider this in relation to recruitment, appointments, salaries and working conditions, as well as through awareness-raising activities.

Data protection

On 25 May 2018, the new EU General Data Protection Regulation (GDPR) will enter into force. The key aspects of the existing legislation are continued, with additions comprising extensive new requirements of companies which process personal data. For Arcus this entails extensive investigation and documentation work.

In 2017, Arcus commenced the work of mapping current personal data, as well as procedures, systems and documentation related to the processing of all personal data, and gap analyses, production and documentation, as well as implementation and operation. In early 2018, procedures for compliance, control and auditing will also be reviewed, so that Arcus will handle personal data protection in accordance with the new Regulation when it enters into force.

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. As an element of Arcus' CSR work, concrete KPIs have been set for carbon dioxide reduction and increased recirculation of waste.

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 the important "Think before you drink" campaign, which has been further developed since it was first launched in 2015. "Think before you drink" is both an internal and external awareness campaign, reaching all employees and all stakeholders in contact with Arcus. In 2017, Arcus ran a campaign which targeted high school graduates. The "Think before you drink" message was shared on the high school graduates' own digital channels. At the four big parties at Tryvann in Oslo, 6,000 bottles of water were distributed to high school graduates, and it was easy for the young people to refill the bottles with water. Arcus was not identified as the originator of the initiative.

AKAN (organisation to prevent alcohol abuse at work) committees and AKAN contacts have also been established in the operating companies. This is an integrated element of the Annual Report.

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 at year-end 2017/18 had 2,622 shareholders. At the close of the year, three shareholders each held more than 5 per cent of the company's shares: Canica AS (33.3 per cent), Geveran Trading Co Ltd (9.9 per cent) and Verdipapirfondet DNB Norge (IV) (5.3 per cent). Each quarterly result has been presented to investors in Oslo and London. In addition, the result for Q1 was presented to investors in Helsinki, and the result for Q2 in Stockholm.

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

Continued operations

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

EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

No significant events have occurred after the close of the financial year, between the date of the statement of financial position and the Board of Directors' consideration of the financial statements for 2017.

APPROPRIATION OF PROFITS

The parent company Arcus ASA reported a result for the year of NOK 31.0 million in 2017, compared with NOK -199.7 million in 2016. The Board proposes the allocation of dividend of NOK 1.66 per share, in total NOK 112.9 million, and that the profit of NOK 31.0 million be transferred to other equity.

FUTURE PROSPECTS

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

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 financial statements present a true and fair view of the development, results and position of the company and the Group, and a good description of the most central risk and uncertainty factors faced by the company.

Gjelleråsen 15 March 2018

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

BOARD OF DIRECTORS

Michael Holm Johansen
Chairman of the Board

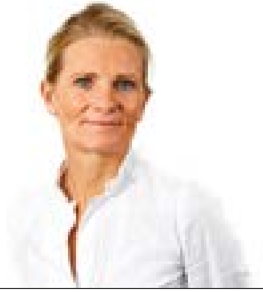
Stein Erik Hagen
Board member

Hanne Refsholt
Board member

Eilif Due
Board member

Trond Berger
Board member

Leena Saarinen
Board member



Ann-Beth Freuchen
Board member

Erik Hagen
Board member

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	2017	2016
OPERATING REVENUE AND EXPENSES			
Sales revenues	4,5	2,530,126	2,521,826
Other operating revenues	4,5	44,934	60,571
Total operating revenues	**4,5**	**2,575,060**	**2,582,397**
Net gain on sale of fixed assets	3,14,15	30	144
Cost of sales	6,18	-1,408,524	-1,467,920
Salaries and other personnel costs	8,9,10	-417,412	-392,545
Depreciation and amortisation	14,15	-51,581	-51,625
Write-downs	14,15	-22,700	0
Other operating expenses	6,7,16	-391,699	-392,516
Share of profit from associated companies and jointly controlled entities	13	3,286	5,789
Operating profit before other income and expenses		**286,460**	**283,724**
Other income and expenses	7, APM	-13,167	-44,874
Operating profit		**273,293**	**238,850**

Figures in NOK 1,000	Note	2017	2016
FINANCIAL INCOME AND EXPENSES			
Interest income	11	6,654	7,944
Other financial income	11,22	19,243	10,419
Interest costs	11	-31,475	-70,414
Other financial costs	11,22	-8,965	-184,677
Net financial profit/loss		**-14,543**	**-236,728**
PRE-TAX PROFIT		**258,750**	**2,122**
Tax	12	-70,528	-26,211
Profit for the year		**188,222**	**-24,089**
The profit for the year is allocated to			
Non-controlling interests	1	6,944	10,480
Parent company shareholders		181,278	-34,569
		188,222	**-24,089**
Earnings per share (NOK)			
Earnings per share	20	2.66	-0.67
Diluted earnings per share	20	2.62	-0.67

Statement of other comprehensive income 01.01.-31.12.

Figures in NOK 1,000	Note	2017	2016
Profit for the year		188,222	-24,089
Items that will not be reclassified against the statement of income:			
Estimate deviations, pensions	10	4,439	-1,278
Total items that will not be reclassified against the statement of income, before tax		**4,439**	**-1,278**
Tax on items that will not be reclassified against the statement of income	12	-1,065	320
Total items that will not be reclassified against the statement of income, after tax		**3,374**	**-959**
Items that may be reclassified against the statement of income:			
Translation differences on translation of foreign subsidiaries		73,207	-39,242
Total items that may be reclassified against the statement of income, before tax		**73,207**	**-39,242**
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		**73,207**	**-39,242**
TOTAL OTHER COMPREHENSIVE INCOME		76,581	-40,201
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		264,803	-64,290
The total comprehensive income for the year is allocated as follow			
Non-controlling interests		8,127	7,703
Parent company shareholders		256,676	-71,993
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		264,803	-64,290
Total comprehensive income per share (NOK)			
Earnings per share	20	3.77	-1.40
Diluted earnings per share	20	3.70	-1.40

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Goodwill	15	1,042,596	1,010,176
Brands	15	819,702	669,237
Software	15	29,151	30,651
Total intangible assets		**1,891,449**	**1,710,064**
Tangible assets			
Machinery and equipment	14	304,534	326,049
Fixtures and fittings, tools, office equipment etc.	14	19,614	21,454
Assets under construction	14	5,678	2,732
Total tangible assets		**329,826**	**350,235**
Deferred tax assets	**12**	**136,786**	**172,120**
Financial assets			
Investments in associated companies and jointly controlled entities	13	58,670	56,811
Other investments in shares		200	200
Other non-current receivables	17	1,205	1,235
Total financial assets		**60,075**	**58,246**
Total fixed assets		**2,418,136**	**2,290,665**

Figures in NOK 1,000	Note	2017	2016
Current assets			
Inventories	18	410,759	378,777
Receivables			
Trade receivables	2	1,432,164	1,344,067
Prepayments to suppliers	17	64,570	62,810
Other receivables	12,17	22,325	19,112
Total receivables		**1,519,059**	**1,425,989**
Bank deposits	2,19	184,415	199,385
Cash and cash equivalents		**184,415**	**199,385**
Total current assets		**2,114,233**	**2,004,151**
TOTAL ASSETS		**4,532,369**	**4,294,816**

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	20	1,360	1,360
Share premium		770,743	770,743
Total paid-in equity		**772,103**	**772,103**
Retained earnings			
Other equity		878,489	716,582
Total retained earnings		**878,489**	**716,582**
Non-controlling interests	1	18,823	13,905
Total equity		**1,669,415**	**1,502,590**
Liabilities			
Provisions			
Deferred tax liability	12	101,032	92,628
Pension obligations	10	30,552	34,092
Other provisions	23	320	627
Total provisions		**131,904**	**127,347**

Figures in NOK 1,000	Note	2017	2016
Other non-current liabilities			
Debt to financial institutions	2,21	909,218	886,255
Total other non-current liabilities		**909,218**	**886,255**
Current liabilities			
Debt to financial institutions	2,21	90,071	16,498
Liabilities at fair value through profit or loss	2,22	0	24,135
Trade payables		603,884	628,347
Tax payable	12	2,128	0
Unpaid public duties	24	928,005	912,310
Other current liabilities	23,24	197,744	197,334
Total current liabilities		**1,821,832**	**1,778,624**
Total liabilities		**2,862,954**	**2,792,226**
TOTAL EQUITY AND LIABILITIES		**4,532,369**	**4,294,816**

Gjelleråsen, 15 March 2018

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Kjell Arne Greni

Ingrid E. Skistad

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. -31.12.

Figures in NOK 1,000	Note	2017	2016
CASH FLOWS FROM OPERATIONS			
Pre-tax profit		258,750	2,122
Depreciation and amortisation	14,15	74,281	51,625
Share of profit from associated companies and jointly controlled entities	13	-3,286	-5,789
Dividends received from associated companies and jointly controlled entities	13	0	2,947
Taxes paid	12	-33,221	-46,711
Interest costs during the period		31,475	70,414
Pension costs and other provisions without cash effect	3	591	-3,601
Value changes and other costs without cash effect	3	-4,444	164,974
Profit/loss on sale of fixed assets and intangible fixed assets	3	-30	-1,051
Unrealised agio	3	19,195	-15,964
Change in inventories	3,18	-31,781	9,440
Change in trade receivables	3	-43,939	-340,739
Change in trade payables	3	-45,437	76,890
Change in other current assets and other liabilities	3	-22,256	33,491
Net cash flows from operational activities		**199,898**	**-1,952**
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Payments on acquisition of intangible fixed assets	15	-124,820	-36,429
Payments on purchase of tangible fixed assets	14	-15,894	-11,379
Proceeds from sale of tangible fixed assets	3,14	30	1,060
Payments on acquisition of business	26	-2,752	0
Payment of loans to minority interests		0	-810
Payments on acquisition of other financial investments	3	-454	0
Net cash flow from investment activities		**-143,890**	**-47,558**

Figures in NOK 1,000	Note	2017	2016
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds - incentive programme	22	0	1,000
Payments - incentive programme	22	0	-158,316
Capital increase		0	768,883
Proceeds from non-current interest-bearing debt to financial institutions	2,21	0	802,632
Repayment of non-current interest-bearing debt to financial institutions	2,21	-15,719	-1,081,048
Change in other non-current loans		0	-246
Change in overdraft facility		72,700	0
Interest cost paid during the period	3	-31,454	-83,031
Payments for acquisition of non-controlling interests		-12,913	-146,325
Payments of dividends/Group contributions	1,3	-103,515	-28,260
Net cash flow from financing activities		**-90,901**	**75,289**
Effect of exchange rate fluctuations on cash and cash equivalents		19,923	-16,813
Effect of exchange rate fluctuations on cash and cash equivalents		**19,923**	**-16,813**
Net change in cash and cash equivalents		**-14,970**	**8,966**
Holdings of cash and cash equivalents as at 01.01		199,385	190,419
Holdings of cash and cash equivalents as at 31.12.	19	**184,415**	**199,385**

Statement of changes in equity

Figures in NOK 1,000	Share capital	Share premium	Translation differences	Share-based payment fund	Other retained earnings	Total for owners of the parent company	Non-controlling interests	Total for the Group
Equity as at 31.12.2015	**1,000**	**794**	**265,253**	**0**	**577,757**	**844,804**	**31,603**	**876,407**
Profit for the year 2016	0	0	0	0	-34,569	-34,569	10,480	-24,089
Total other comprehensive income 2016	0	0	-36,465	0	-959	-37,424	-2,777	-40,201
Total profit for the year 2016	**0**	**0**	**-36,465**	**0**	**-35,528**	**-71,993**	**7,703**	**-64,290**
Transactions with owners 2016								
Share issue	360	769,949	0	0	0	770,309	0	770,309
Share-based payment	0	0	0	606	0	606	0	606
Payment of dividend	0	0	0	0	0	0	-21,896	-21,896
Changes in non-controlling interests	0	0	0	0	-49,877	-49,877	-8,670	-58,547
Transfer of profit for the year from minority to majority*	0	0	0	0	-5,163	-5,163	5,163	0
Total transactions with owners 2016	**360**	**769,949**	**0**	**606**	**-55,040**	**715,875**	**-25,403**	**690,472**
Equity as at 31.12.2016	**1,360**	**770,743**	**228,788**	**606**	**487,190**	**1,488,687**	**13,903**	**1,502,590**
Profit for the year 2017	0	0	0	0	181,278	181,278	6,944	188,222
Total other comprehensive income 2017	0	0	72,024	0	3,374	75,398	1,183	76,581
Total profit for the year 2017	**0**	**0**	**72,024**	**0**	**184,652**	**256,676**	**8,127**	**264,803**
Transactions with owners 2017								
Share-based payment	0	0	0	7,898	0	7,898	0	7,898
Payment of dividend	0	0	0	0	-99,994	-99,994	-3,521	-103,515
Changes in non-controlling interests	0	0	0	0	-2,675	-2,675	314	-2,361
Total transactions with owners 2017	**0**	**0**	**0**	**7,898**	**-102,669**	**-94,771**	**-3,207**	**-97,978**
Equity as at 31.12.2017	**1,360**	**770,743**	**300,812**	**8,504**	**569,173**	**1,650,592**	**18,823**	**1,669,415**

* At the end of 2016 the Group owned 90.1 per cent of the subsidiary 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 for 2016, but not in the equity statement as at 31.12.2016. The transfer in 2016 related to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

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:

2017
- In January, the Group acquired the remaining 50 per cent interest in Det Danske Spiritus Kompagni A/S. Det Danske Spiritus Kompagni A/S thereby became a wholly-owned subsidiary in the Group's spirits activities.
- In January, the Group established Vingruppen Finland Oy, as a wholly-owned subsidiary of Vingruppen i Norden AB.
- In February, the Group acquired the remaining 9.9 per cent interest in Excellars AS. Excellars AS thereby became a wholly-owned subsidiary in the Group's wine activities.
- In June, the Group increased its ownership of Valid Wines Sweden AB from 97.0 per cent to 100.0 per cent by the subsidiary Vingruppen i Norden AB's acquisition of additional minority shares. At the same time, the Group sold 16.9 per cent of the shares to the company's general manager, so that after the transaction the Group has an ownership interest of 83.1 per cent in Valid Wines Sweden AB.
- In September, the Group acquired 100 per cent of the shares in the Norwegian company BevCo AS, which as from the same date is part of the Group's spirits activities. Among other things, the company has the distribution rights for Dooley's Toffee in Norway.
- In October, the Group acquired the Vanlig brand, which comprises a vodka and a gin product. The Group took over sales of this product as from the same date, while production was taken over during Q1 2018.
- In December, the Group acquired the Hot n'Sweet brand, which is a vodka shot. The Group took over sales of this product as from 1 January 2018, while production was taken over during Q1 2018.

2016
- In February, the Group increased its ownership of Excellars AS from 51.0 per cent to 90.1 per cent by the subsidiary Vingruppen AS' acquisition of minority shares.
- In February, the Group increased its ownership of Wineagency Sweden AB from 80.0 per cent to 90.0 per cent 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 Aquavit, Malteserkreutz and Gammel Dansk) to customised facilities at Gjelleråsen.

2014
- Established Vingruppen AS as the 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.

Accounting policies

The consolidated financial statements for 2017, including comparative information, have been prepared in accordance with IFRS applicable as at 31 December 2017, and as described in the note on the accounting policies. Applicable IFRS have been applied retrospectively.

The annual financial statements were adopted by the Board of Directors on 15 March 2018. The Group's head office is located at Gjelleråsen in Nittedal Municipality and the core activities are the production, sale and distribution of alcoholic beverages. The Group's domestic market is the Nordic region, but the Group also has sales to other countries, mainly Germany and the USA.

Arcus ASA is listed on the Oslo Stock Exchange. The price on 31.12.2017 was NOK 46.50 per share, compared to NOK 44.50 per share at the end of 2016.

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.

In 2017, the Group undertook an analysis of its income recognition principles and assessed the changes that are necessary due to the implementation of IFRS 15 as from 1 January 2018. The key aspects of these assessments were the time of revenue recognition of our products, classification of discounts, annual bonuses, market support and outbound shipping, and an agent/principal assessment concerning net or gross recognition of revenue.

The analysis did not reveal significant changes from existing principles, apart from the book entry of outbound shipping. Up to and including 2017, the Group has booked outbound shipping as a reduction of revenue. Based on an assessment of the agent/principal principle, the Group assesses that as from 1 January 2018, the costs of outbound shipping must be presented on a gross basis, as a cost under other indirect costs. The Group plans to include all effects of the new standard at the time of its first application in 2018, and this will entail changes to the statement of income, and to some extent also to the Revenue note and Segment note. This will increase the Group's reported revenue by an amount of around NOK 30-50 million. The change will not affect the Group's reported EBITDA.

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.

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 leasing agreements must be capitalised. This will give an intangible right on the asset side and an equivalent liability on the debt side.

On the implementation of IFRS 16, the Group has two options: the full retrospective method or the modified retrospective method. The difference between the two methods is that the full retrospective method calculates the effects of the new standard related to the share of the lease contracts which has already accrued as of the date of implementation. This means that if the lease contract was signed on 1.1.2016 and the standard was implemented on 1.1.2019, the effects from the first three years must be booked to equity as from 1 January in the comparison year. If the Group chooses the modified retrospective method, the effects are only calculated as from the implementation date, and there is no adjustment in relation to equity. The full retrospective method has a lower effect on the statement of financial position and equivalently lower future depreciation than the modified retrospective method, but has a negative equity effect as of the implementation date.

At the end of 2017, the Group made a calculation based on the Group's existing leasing agreements. The estimate shows that if IFRS 16 had been implemented as of 31.12.2017, the Group would have had an effect on the statement of financial position of between NOK 1,050 and 1,150 million, depending on the method chosen. The negative equity effect on choosing the full retrospective method would have been NOK 108 million. Based on the estimate, the future effect on the result would have shown lower operating costs of NOK 91 million, which would give equivalently higher EBITDA. Depreciation and amortisation would have been NOK 58-65 million higher, which would have given net EBIT that was NOK 25-32 million higher in the first financial year after implementation than without IFRS 16 implementation. Calculated interest costs of NOK 44 million would have led to a pre-tax profit NOK 12-19 million lower than without IFRS 16 implementation, in the first year after implementation.

On the introduction of IFRS 16 Leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to today's model, independently of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

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

ACCOUNTING POLICIES

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

As of 31.12.2017, the following exchange rates have been used when translating income and financial position figures from subsidiaries with functional currencies other than NOK:

Exchange rates		2017	2016
EUR average rate	Income statement items	9.3326	9.2980
EUR closing rate	Financial position items	9.8510	9.0865
SEK average rate	Income statement items	0.9684	0.9830
SEK closing rate	Financial position items	0.9992	0.9484
DKK average rate	Income statement items	1.2546	1.2488
DKK closing rate	Financial position items	1.3231	1.2223

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

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

The functional currency of subsidiaries is the currency in which the subsidiary reports its financial statements. On consolidation of subsidiaries that have a functional currency other than NOK, items of income and expenses are converted to the Group's presentation currency in accordance with average 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 with 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 statement of financial position reflects the estimated fair value of the acquired assets and liabilities. To determine fair value on acquisition, alternative methods of determining fair value must be used for assets for which there is no active market. Added value in excess of what is attributable to identifiable assets and liabilities is reported as goodwill. If the fair value of the equity in the acquired company exceeds the consideration, a reassessment is made of the valuation of observable assets and liabilities. If the reassessment reveals no discrepancies, the difference is recognised as income as at the acquisition date. The allocation of the cost price of the business merger must be changed if new information is revealed about the fair value applicable at the time of acquisition and up until the final excess value analysis. This must take place within 12 months of the acquisition date.

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

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

Revenue recognition principles
Revenues associated with the sale 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, outbound shipping costs, 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. For more information on other income and expenses, see the Alternative Performance Measurement (APM) 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
Trade receivables and other receivables are stated at nominal value after deduction of 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.

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 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 "relief from royalty" method before tax. See Note 15 for a more detailed description of this model.

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

Pensions

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

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

Restructuring

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

Taxes

The tax expense comprises both tax payable and the change in deferred tax. Tax payable is based on taxable income for the year. Taxable income is different from the 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 two share-based incentive schemes for senior executives, and a general share savings programme for all employees.

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

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

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

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

Classification principles

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

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

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 contributions, 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 through 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 through 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 through 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" if it is primarily acquired with a view to producing profit from short-term price fluctuations. Derivatives are classified as held for trading unless they form part of a hedge. Assets and liabilities in this category are classified as current assets or current debt if it is expected that they will be settled within 12 months; otherwise they are classified as financial assets or non-current debt.

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 through profit or loss" are classified as other financial liabilities. For measurement of financial liabilities at fair value, see measurement of financial instruments in Note 2.

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

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

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

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

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

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

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

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

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

The Wine business area comprises the following companies: Vingruppen Sweden Holding 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

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

Accounting item	Note	Assumptions	Book value 2017	Book value 2016
Goodwill	15	Present value of future cash flows	1,042,596	1,010,176
Brands	15	Present value of future cash flows	819,702	669,237
Other intangible assets	15	Recoverable amounts and correct useful life	29,151	30,651
Tangible assets	14	Recoverable amounts and correct useful life	329,826	350,235
Deferred tax assets	12	Assessment of the ability to exploit tax assets in the future	136,790	172,120
Pension obligations	10	Economic and demographic assumptions	30,552	34,092
Liabilities at fair value through profit or loss	22	Present value of future cash flows	0	24,135
Provisions	23	Correct basis for estimate calculations	12,478	12,903

controlled companies, are defined as the owners, all members of the Board of Directors and Group Management, and companies in which any of these parties either have controlling interests, Board appointments, or are senior employees.

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

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

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

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

The areas with greatest risk of substantial changes are capitalised goodwill, brands, tax assets and liabilities at fair value through 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 2017 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%
Det Danske Spiritus Kompagni A/S*	Copenhagen	DKK	6,500	100%
Vingruppen AS	Nittedal	NOK	60	100%
VinGruppen Sweden Holding AB	Stockholm	SEK	50	100%
Arcus Deutschland GmbH**	Bremen	EUR	500	100%
Shares owned by Arcus Norway AS				
Arcus Sweden AB	Stockholm	SEK	100	100%
Arcus Finland OY	Helsinki	EUR	311	100%
BevCo AS	Nittedal	NOK	600	100%
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%

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Shares owned by Vingruppen AS				
Arcus Wine Brands AS	Nittedal	NOK	100	100%
Vinordia AS	Nittedal	NOK	968	100%
Symposium Wines AS	Nittedal	NOK	500	80%
Vinuniq AS	Nittedal	NOK	100	100%
Excellars AS	Nittedal	NOK	181	100%
Heyday Wines AS	Nittedal	NOK	100	70%
Shares owned by Symposium Wines AS				
Hedoni Wines AS	Nittedal	NOK	30	80%
Shares owned by Vingruppen i Norden AB				
Vinunic AB	Stockholm	SEK	145	100%
Wineworld Sweden AB	Stockholm	SEK	500	90%
The WineAgency Sweden AB	Stockholm	SEK	100	90%
Valid Wines Sweden AB	Stockholm	SEK	1,100	83%
Social Wines OY	Helsinki	EUR	8	94%
Vinum Import Oy	Åbo	EUR	3	88%
Vingruppen Oy	Helsinki	EUR	3	100%
Shares owned by Wineworld Sweden AB				
Wineworld Finland Oy	Helsinki	EUR	220	76%
Quaffable Wines Sweden AB	Stockholm	SEK	100	72%
Shares owned by Vinunic AB				
Vingaraget AB	Stockholm	SEK	50	100%
Shares owned by The WineAgency Sweden AB and WineWorld Sweden AB				
Your Wineclub Sweden AB	Stockholm	SEK	50	90%
Shares owned by Social Wines OY				
Vinunic Oy	Helsinki	EUR	3	94%

* Det Danske Spiritus Kompagni A/S was booked as a jointly-controlled company up to 1.1.2017, and consolidated as a wholly-owned subsidiary as from the same date.

** Arcus Deutschland GmbH has had a financial year from 1 July to 30 June. As from 1.1.2018, 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.

Figures in 1,000 (local currency)	Registered office	Currency	Nominal share capital	Group holding and voting share
Associated company				
Tiffon SA	Jarnac	EUR	1,131	34.75%

Profit, dividends and equity attributable to non-controlling interests

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

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**

* At the end of 2016 the Group owned 90.1 per cent of the subsidiary 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 date of the statement of financial position. These companies were booked 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 2016 is shown in the statement of income, but not in the equity statement.

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

2017

Figures in NOK 1,000	Symposium Wines AS	Heyday Wines AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
Sales revenues	103,301	17,799	231,364	196,074	124,805	53,147
Other operating revenues	0	0	-4,994	-3,130	190	-143
Operating expenses excluding depreciation	-96,413	-16,735	-185,768	-174,269	-120,314	-47,731
Depreciation	0	0	-9	-19	-1,483	0
Operating profit	**6,888**	**1,064**	**40,592**	**18,656**	**3,198**	**5,273**
Net financial profit	319	-118	0	91	-53	-12
Tax	-1,760	-237	-8,981	-4,203	-694	-1,054
Profit for the year	**5,447**	**709**	**31,611**	**14,544**	**2,451**	**4,207**
Fixed assets	158	7	2,950	475	1,079	440
Current assets	36,139	8,100	129,095	97,556	58,472	32,636
Total assets	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**
Equity	3,722	1,530	75,838	47,763	20,701	10,206
Liabilities	32,575	6,577	56,207	50,269	38,850	22,870
Equity and liabilities	**36,297**	**8,107**	**132,045**	**98,031**	**59,551**	**33,075**

2016

Figures in NOK 1,000	Symposium Wines AS	Excellars AS	Wineworld Sweden AB	The WineAgency Sweden AB	Social Wines OY	Vinum Import Oy
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**

NOTE 2 MANAGEMENT OF FINANCIAL RISK

Financial risk
The Group has a Board-adopted financial policy in which strategy and guidelines for financial risk management are defined. Responsibility for the execution of the adopted financial policy lies with Arcus ASA, but 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 2017 the Group had no significant factoring agreements.

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

Overview of bad debts and age analysis of accounts receivable

Figures in NOK 1,000	31.12.17	31.12.16
Nominal accounts receivable	1,432,873	1,345,198

The provision for bad debt on accounts receivable as at 31.12.2017 was TNOK 709 (2016: 1,131). 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	2017	2016
Opening Balance	-1,131	-1,672
Provision for losses for the year	-212	-334
Confirmed losses for the year	424	181
Received on previously written-off receivables during the period	0	-13
Reversal of previous provisions	238	677
Translation differences	-28	30
Closing Balance	-709	-1,131

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 date after more than 1 year
31.12.2017[1]	1,432,873	1,274,624	158,242	7	0
31.12.2016[1]	1,345,198	1,245,438	99,760	0	0

1. As at 31.12.2017, the Group had significant accounts receivable that had fallen due. Of this amount, NOK 127 million is related to accounts receivable from Vinmonopolet related to receivables which fell due during the Christmas period on 30 and 31 December 2017, and these were paid on the first banking day in 2018, i.e. 2 January 2018. In the same way, NOK 76 million was items receivable from Vinmonopolet at the end of 2016.

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 2017, the Group's non-current 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 non-current loans. The Group assesses the policy on an ongoing basis, and as at 31.12.2017 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	2017	2016
Current interest-bearing debt					
Drawing on the Group's overdraft facility	NOK	Variable	2018	72,700	0
Liabilities related to financial leasing	NOK	Variable	2018	17,371	16,498
Non-current interest-bearing debt					
Mortgage loans to financial institutions	SEK	Variable	2021	749,400	711,300
Liabilities related to financial leasing	NOK	Variable	2018	166,395	182,987

Sensitivity analysis, interest 2017

Figures in NOK 1,000	Increase/reduction in basis points	Effect on pre-tax profit
Loans in NOK	50	-4,666
Loans in NOK	-50	4,666

Liquidity risk

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

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

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

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

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

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**

* Read more about the maturity profile of financial leases in Note 16 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 areas: 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 costs from suppliers in functional currency due to currency changes are continuously offset by changes in sales prices to customers and through renegotiation of purchase prices from suppliers. The most significant currencies are EUR, USD, SEK and DKK. The risk horizon, i.e., the time it takes to compensate for negative exchange rate fluctuations, is to a great extent controlled by price-adjustment opportunities in the state monopolies in the Nordic region. In Norway this takes place every four months and in Sweden every six months. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions.

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

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

The Group's presentation currency is NOK. The Group is therefore further exposed to currency risk when translating foreign subsidiaries from their functional currency to the Group's presentation currency. This translation risk is not hedged. As at 31.12.2017, the net translation difference associated with the majority's equity was positive at NOK 300.8 million, corresponding to a positive change in 2017 of NOK 72.0 million (positive by NOK 228.8 million at the end of 2016).

The table below shows the Group's purchase of non-functional foreign exchange during 2017.

	Purchase of currency 2017			
Figures in 1,000 (in the currency concerned)	Spot	Forward	Total	Proportion hedged via forward contracts
EUR	85,554	15,885	101,439	15.7%
USD	10,092	390	10,482	3.7%
AUD	1,048	230	1,278	18.0%
GBP	2,215	80	2,295	3.5%
DKK	70,000	0	70,000	0.0%
SEK	40	0	40	0.0%

	Purchase of currency 2016			
Figures in 1,000 (in the currency concerned)	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%

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

31.12.17

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

31.12.16

Forward contracts *Figures in NOK 1,000*	Currency	Currency amount	Value in NOK - at 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**	

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

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

The effect on the Group's profit before tax is calculated as changes in the fair value of monetary assets and liabilities as at 31.12.2017 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 31.12.2017.

Figures in NOK 1,000	Change in exchange rate	Effect on pre-tax profit	Total effect on OCI before tax
EUR	5%	1,416	1,461
EUR	-5%	-1,416	-1,461
SEK	5%	-2,187	-168
SEK	-5%	2,187	168
DKK	5%	4,378	41,317
DKK	-5%	-4,378	-41,317

The Group's exposure to other currencies is insignificant as at 31.12.2017.

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.
Other investments in shares	0	0	200	**200**	0	**200**
Other non-current receivables	0	1,205	0	**1,205**	0	**1,205**
Trade receivables	0	1,432,164	0	**1,432,164**	0	**1,432,164**
Other receivables	993	70,981	0	**71,974**	14,921	**86,895**
Bank deposits	0	184,415	0	**184,415**	0	**184,415**
Total financial assets 31.12.2017	**993**	**1,688,765**	**200**	**1,689,958**	**14,921**	**1,704,879**
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**

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.
Debt to financial institutions	0	999,289	**999,289**	0	**999,289**
Liabilities at fair value	0	0	**0**	0	**0**
Other non-current liabilities	0	0	**0**	0	**0**
Trade payables	0	603,884	**603,884**	0	**603,884**
Other current liabilities	0	14,916	**14,916**	182,826	**197,742**
Total financial liabilities 31.12.2017	**0**	**1,618,089**	**1,618,089**	**182,826**	**1,800,915**
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**

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 2017, the Arcus Group had the following financial liabilities at fair value in the statement of financial position:

31.12.17	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	993	0	993
Total assets	**0**	**993**	**0**	**993**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value	0	0	0	0
Currency derivatives	0	0	0	0
Total liabilities	**0**	**0**	**0**	**0**

31.12.16	Level 1	Level 2	Level 3	Book value as at 31.12.
Currency derivatives	0	0	0	0
Total assets	**0**	**0**	**0**	**0**

	Level 1	Level 2	Level 3	Book value as at 31.12.
Liabilities at fair value	0	0	24,135	24,135
Currency derivatives	0	844	0	844
Total liabilities	**0**	**844**	**24,135**	**24,979**

There have been no reclassifications between Level 1 and Level 2 during the period. Nor have there been any transfers out of Level 3 during the period.

Reconciliation of liabilities (Level 3):
Commitments classified at Level 3 are historically related to options for the purchase of non-controlling interests and a previous co-investment programme for senior executives. Further information on these commitments is presented in Note 22.

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

	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**

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

As far as possible, the Group wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2017 is managed by Arcus ASA.

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

There were no changes in the Group's non-current debt financing during 2017. At the end of 2017, the agreement on a mortgage loan facility contains a loan term (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

On the introduction of IFRS 16 Leases as from 2019, the Group's reported net interest-bearing debt and adjusted EBITDA will change significantly. The loan agreement with SEB specifies that the loan terms must be calculated according to today's model, independently of the introduction of IFRS 16, so that the Group's ability to fulfil the loan terms will not be affected by the introduction of IFRS 16.

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

NOK million	2017	2016
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	909,218	886,255
Current interest-bearing debt to credit institutions	90,071	16,498
Capitalised front-end fees	6,577	8,032
Bank deposits and other cash and cash equivalents	-184,415	-199,385
Net interest-bearing debt	**821,451**	**711,400**

NOTE 3 INFORMATION ON CASH FLOWS

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

EFFECTS OF CASH FLOWS FROM OPERATIONS:

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

Figures in NOK 1000	Note	2017	2016
Book pension obligations at the beginning of the year	10	-34,092	-35,902
Estimate deviations booked to the total comprehensive income	10	4,438	-1,278
Book pension obligations at the end of the year	10	30,552	34,092
Pension costs without cash effect		**898**	**-3,088**
Book other provisions for obligations at the beginning of the year	23	-627	-1,140
Book other provisions for obligations at the end of the year	23	320	627
Costs from other provisions without cash effect		**-307**	**-513**
Total pension costs and other provisions without cash effect		**591**	**-3,601**

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

Figures in NOK 1000	Note	2017	2016
Value change in options for the purchase of non-controlling interests	11,22	147	28,180
Value change in previous co-investment programme for senior executives	11,22	-13,821	119,979
Costs related to share-based remuneration without cash effect	9	9,415	731
Amortisation of front-end fees for interest-bearing debt	21	1,652	20,636
Value change, interest rate swaps	11	0	-4,552
Value change, forward exchange contracts	11	-1,837	0
Total value changes without cash effect		**-4,444**	**164,974**

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

Figures in NOK 1000	Note	2017	2016
Book value of sold fixed assets and intangible fixed assets	14,15	0	9
Sales proceeds from sold fixed assets and intangible fixed assets		30	1,060
Profit (-) / loss (+) on sale of fixed assets and intangible fixed assets		**-30**	**-1,051**

Unrealised agio
Urealised agio is related to translation differences for working capital items in foreign subsidiaries with a functional currency in other than the functional currency, and statement of income items linked to the currency translation of loans booked in other currencies than the functional currency.

Figures in NOK 1000	Note	2017	2016
Translation differences for working capital items		19,195	-13,454
The effects on the result of the translation of loans booked in another currency than the functional currency		0	-2,510
Total unrealised agio		**19,195**	**-15,964**

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

Figures in NOK 1000	Note	2017	2016
Book value of inventories at the beginning of the year		378,777	388,217
Addition of inventories on acquisition of companies during the year		201	0
Book value of inventories at the end of the year		-410,759	-378,777
Change in inventories		**-31,781**	**9,440**

Figures in NOK 1000	Note	2017	2016
Book value of trade receivables at the beginning of the year		1,344,067	1,003,328
Addition of trade receivables on acquisition of companies during the year		44,158	0
Book value of trade receivables at the end of the year		-1,432,164	-1,344,067
Change in trade receivables		**-43,939**	**-340,739**

Figures in NOK 1000	Note	2017	2016
Book value of trade payables at the beginning of the year		-628,347	-551,457
Addition of trade payables on acquisition of companies during the year		-20,974	0
Book value of trade payables at the end of the year		603,884	628,347
Change in trade payables		**-45,437**	**76,890**

Figures in NOK 1000	Note	2017	2016
Book value of other current receivables at the beginning of the year	17	78,996	90,520
Addition of other current receivables on acquisition of companies during the year	26	845	0
Book value of other current receivables at the end of the year	17	-85,902	-78,966
Change in other current receivables		**-6,061**	**11,554**
Book value of other current liabilities at the beginning of the year	24	-1,108,674	-1,086,737
Addition of other current liabilities on acquisition of companies during the year	26	-31,626	0
Book value of other current liabilities at the end of the year	24	1,124,105	1,108,674
Change in other current liabilities		**-16,195**	**21,937**
Change in other current assets and other liabilities		**-22,256**	**33,491**

EFFECTS OF CASH FLOWS FROM INVESTMENT ACTIVITIES

Payments on acquisition of other financial investments

In 2017 the entire amount concerns a payment related to an increased ownership interest in an associated company. The Group had no equivalent payments in 2016.

Figures in NOK 1000	Note	2017	2016
Increased ownership interest in an associated company (Tiffon SA)	13	-454	0
Payments on acquisition of other financial investments		**-454**	**0**

EFFECTS IN CASH FLOWS FROM FINANCING ACTIVITIES

Interest cost paid during the period

The Group has quarterly interest payment dates, so that the Group's recognised interest payable coincides with the interest paid during the year. The difference between recognised interest payable and interest paid is related to calculated interest costs relating to liabilities at fair value through profit and loss. In 2016 this also concerns the settlement of an interest rate swap, which entailed a difference in relation to recognised interest costs.

Figures in NOK 1000	Note	2017	2016
Interest paid to credit institutions	11	-31,454	-70,158
Paid on settlement of interest rate swap		0	-12,873
Interest cost paid during the period		**-31,454**	**-83,031**

Payment of dividend

The difference in divided paid in 2016 and divided carried to equity in 2016 is related to how dividend to a minority for 2015 was not paid before January 2016.

NOTE 4 REVENUES

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

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

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

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

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

Distribution
The Group's Distribution activities comprise its subsidiary, Vectura, whose primary revenue source is comprehensive logistics services for both internal and external suppliers. Comprehensive logistics services comprise everything from placing orders on behalf of a supplier, goods receipt, stock accounting, receiving orders from end-customers, order picking, goods distribution and invoicing of end-customers. At the same time as Vectura invoices the end-customer, Vectura buys the goods from the supplier. Vectura also invoices special taxes (alcohol duties) to the end-customer, on behalf of the Norwegian tax authorities.

Vectura recognises all of its income on a net basis after deduction of special taxes, cost of sales and stock handling costs, based on an overall assessment that Vectura's income source is related to the delivery of comprehensive logistics services and that the risk on the flow of goods is the supplier's responsibility.

Below is a specification of Vectura's net sales income:

Figures in NOK 1000	2017	2016
Invoiced revenues	6,401,693	6,169,328
Invoiced special taxes	-3,802,820	-3,682,014
Cost of sales	-2,357,867	-2,227,097
Net external sales revenues, Distribution	**241,006**	**260,217**

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

The following tables present the Group's total external revenues:

	2017			2016		
Sales revenue by market - Group:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	996,050	24,568	1,020,618	993,760	20,990	1,014,750
Sweden	1,006,576	12,944	1,019,520	1,028,103	11,682	1,039,785
Finland	221,385	4,610	225,995	207,728	0	207,728
Denmark	146,109	0	146,109	133,108	0	133,108
Germany	59,940	1,504	61,444	58,940	0	58,940
USA	3,238	580	3,818	5,727	0	5,727
DFTR	94,870	0	95,537	92,954	0	92,954
Other international	1,958	728	2,019	1,506	27,899	29,405
Total operating revenues	**2,530,126**	**44,934**	**2,575,060**	**2,521,826**	**60,571**	**2,582,397**

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

	2017			2016		
Revenue by market - Spirits:	**Sales revenues**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	301,579	141,306	442,885	308,463	122,955	431,418
Sweden	126,469	5,455	131,924	116,543	1,942	118,485
Finland	32,711	289	33,000	35,267	0	35,267
Denmark	146,109	0	146,109	133,108	0	133,108
Germany	59,940	1,504	61,444	58,940	0	58,940
USA	3,238	580	3,818	5,727	0	5,727
DFTR	91,417	0	92,084	91,554	0	91,554
Other international	1,958	728	2,019	1,505	27,879	29,384
Total operating revenues	**763,421**	**149,862**	**913,283**	**751,107**	**152,776**	**903,883**

	2017			2016		
Revenue by market - Wine:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	448,477	360	448,837	453,255	0	453,255
Sweden	882,085	13,509	895,594	911,560	13,697	925,257
Finland	188,674	4,321	192,995	172,461	0	172,461
DFTR	3,453	0	3,453	1,400	0	1,400
Total operating revenues	**1,522,689**	**18,190**	**1,540,879**	**1,538,676**	**13,697**	**1,552,373**

	2017			2016		
Revenue by market - Distribution:	**Sales revenue**	**Other operating revenues**	**Total**	**Sales revenue**	**Other operating revenues**	**Total**
Norway	251,332	33,071	284,403	232,043	30,881	262,924
Total operating revenues	**251,332**	**33,071**	**284,403**	**232,043**	**30,881**	**262,924**

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 689 million in 2017, of which NOK 286 million in Spirits and NOK 403 million in Wine. In 2016 the corresponding total was approximately NOK 693 million, of which NOK 288 million in Spirits and NOK 405 million in Wine.

Total operating revenue from Systembolaget was approximately NOK 905 million in 2017, of which NOK 116 million in Spirits and NOK 789 million in Wine. In 2016 the corresponding total was approximately NOK 947 million, of which NOK 108 million in Spirits and NOK 839 million in Wine.

NOTE 5 SEGMENT INFORMATION

2017 *Figures in NOK 1,000*	Spirits	Wine	Distribution	Other	Eliminations/ reclassifications	Group
Sales revenues – external	767,591	1,521,529	241,006	0	0	**2,530,126**
Sales revenues between the segments	-4,170	1,160	10,326	0	-7,316	**0**
Other operating revenues – external	6,669	15,072	22,741	452	0	**44,934**
Other operating revenues between the segments	143,193	3,118	10,330	173,730	-330,371	**0**
Total operating revenues	**913,283**	**1,540,879**	**284,403**	**174,182**	**-337,687**	**2,575,060**
Net profit on sale of fixed assets	30	0	0	0	0	**30**
Cost of sales	-404,928	-1,154,411	0	0	150,814	**-1,408,524**
Salaries and other personnel costs	-122,269	-100,122	-134,419	-60,602	0	**-417,412**
Other operating expenses	-206,650	-94,678	-135,852	-141,392	186,873	**-391,699**
Share of profit from TS and FKV	3,286	0	0	0	0	**3,286**
EBITDA, adjusted	**182,753**	**191,668**	**14,132**	**-27,812**	**0**	**360,741**
Other income and expenses	-7,142	-5,166	-647	-212	0	**-13,167**
Depreciation and amortisation	-24,117	-1,794	-12,825	-7,666	-5,180	**-51,581**
Write-downs[1]	0	0	0	0	-22,700	**-22,700**
Operating profit	**151,494**	**184,709**	**660**	**-35,690**	**-27,880**	**273,293**
Net financial profit/loss	**2,988**	**-18,103**	**480**	**-1,577**	**1,669**	**-14,543**
PRE-TAX PROFIT	154,482	166,606	1,140	-37,267	-26,211	258,750

1 Impairment of goodwill in 2017 relates to added value on the acquisition of Excellars AS. This added value is booked at Group level, see also Note 15.

2016 *Figures in NOK 1,000*	**Spirits**	**Wine**	**Distribution**	**Other**	**Eliminations/ reclassification**	**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	-310,196	**0**
Total operating revenues	**903,883**	**1,552,373**	**262,924**	**173,414**	**-310,196**	**2,582,397**
Net profit on sale of fixed assets	144	0	0	0	0	**144**
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**
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**
EBITDA, adjusted	**162,587**	**194,162**	**2,596**	**-23,995**	**0**	**335,349**
Other income and expenses	-3,916	0	-399	-40,559	0	**-44,874**
Depreciation and amortisation	-23,906	-1,014	-13,632	-8,363	-4,710	**-51,625**
Write-downs	0	0	0	0	0	**0**
Operating profit	**134,765**	**193,148**	**-11,435**	**-72,917**	**-4,711**	**238,850**
Net financial profit/loss	**-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**

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

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

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**	**2017**	**2016**
Hoff SA	Shareholder	Raw materials	22,386	22,469
Tiffon SA	Associated company (34.75%)	Raw materials and consumables	52,746	56,051
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Leased offices, licences	0	3,314
Gjelleråsen Eiendom AS	Owned by shareholder (Canica AS)	Rent	79,150	77,605
Thomas Patay	General manager of Vingruppen AS	Minority shareholder in Vinordia AS, Symposium Wines AS and Vinuniq AS	2,741	0
Total purchase of goods and services			**157,023**	**159,439**

Sales of goods and services:

Figures in NOK 1,000	**Relationship**	**Delivery**	**2017**	**2016**
Tiffon SA	Associated company (34.75%)	Market support	3,714	3,393
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Sales of finished goods	0	132,184
Total sales of goods and services			**3,714**	**135,577**

Receivables from related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of receivable**	**2017**	**2016**
Tiffon SA	Associated company (34.75%)	Current receivables	170	0
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Current receivables	0	21,061
Total receivables from related parties as at 31.12.:			**170**	**21,061**

Liabilities to related parties as at 31.12.:

Figures in NOK 1,000	**Relationship**	**Nature of liability**	**2017**	**2016**
Hoff SA	Shareholder	Current liabilities	1,147	549
Tiffon SA	Associated company (34.75%)	Current liabilities	10,821	11,082
Det Danske Spiritus Kompagni A/S[1]	Jointly controlled entity (50%)	Current liabilities	0	113
Total liabilities to related parties as at 31.12.:			**11,968**	**11,744**

All transactions with related parties are on market terms.

1 Det Danske Spiritus Kompagni A/S was a jointly-controlled company up to January 2017, when the Group acquired the remaining 50 per cent ownership interest. For further information, see Note 26.

Transactions between Group companies:
Agreements have been made between the companies in the Group on the cost distribution for internal services and joint procurement. This applies mainly 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 operating revenues 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	2017	2016
Sales and advertising costs	-122,678	-121,688
Logistics costs	-56,331	-56,071
Rent	-86,706	-82,851
Maintenance costs	-37,094	-34,251
Other costs associated with premises	-27,950	-22,904
Travel expenses	-16,991	-18,814
Consultants and external outsourcing of services	-39,543	-73,820
Other costs	-12,650	-20,938
Total other operating expenses	**-399,944**	**-431,337**
Of which effects which are included in Other income and expenses in the financial statements	8,245	38,821
Total other operating expenses as presented in the statement of income	**-391,699**	**-392,516**

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

Figures in NOK 1,000	2017	2016
Personnel policy and other organisational measures[1]	-4,922	-1,029
Expenses related to the IPO[2]	0	-41,474
Other transaction expenses	-502	0
Other non-recurring items[3]	-7,743	-2,371
Total other income and expenses	**-13,167**	**-44,874**

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

2 **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 consist of both positive and negative items.
In 2017, this mainly concerns costs related to a dispute with the Swedish customs authorities and a customer concerning a contract-bottling delivery. These costs primarily comprise Swedish customs and VAT charges levied on the Group in conjunction with the delivery, and related legal fees.
In 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.

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	2017	2016
Statutory audit	3,100	2,336
Other financial auditing	171	215
Other certification services	69	774
Tax consultancy services	170	239
Other non-audit services	42	226
Total remuneration to the auditors	**3,552**	**3,790**

All amounts are exclusive of VAT.

Total audit fees for the Group include fees to auditors other than the Group auditor of TNOK 1,243 for 2017 and TNOK 1,118 for 2016.

NOTE 8 SALARIES AND OTHER PERSONNEL COSTS

Figures in NOK 1,000	2017	2016
Salaries including holiday pay	-280,838	-266,685
Social security costs	-58,434	-63,732
Pension costs including social security costs	-32,406	-28,397
Other personnel costs	-50,656	-40,691
Total salaries and other personnel costs	**-422,334**	**-399,505**
Of which non-recurring items and restructuring costs, which are included under Other income and expenses in the statement of income (see Note 7)	4,922	6,960
Total other operating costs, as presented in the statement of income line under salary costs	**-417,412**	**-392,545**
Average number of FTEs employed during the year	420	411

Remuneration to senior executives

The terms and conditions for the Group CEO are set by the Board of Directors, which also makes 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 2017, the Group Management was covered by the Group's annual bonus system, a temporary share programme (matching shares) that was established in conjunction with the IPO in 2016, as well as a newly-established option programme adopted at the Annual General Meeting in May 2017. The Group CEO has an ordinary bonus agreement which, under certain conditions, will release payment of up to five months' salary, while other members of the Group Management can receive up to four months' salary.

The Group CEO and other members of the Norwegian Group Management have an ordinary occupational pension 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 Swedish member of the Group Management has a defined contribution pension scheme for which the contribution rates vary with the salary by up to 34 per cent. The Group CEO also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. This pension entitlement is capitalised annually in the consolidated statement of financial position and the return is based on the return from the Storebrand Balansert pension fund.

Salaries and other remuneration to the Group Management in 2017:

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

1. Lorna Stangeland resigned on 31 March 2017 and the benefits stated represent three months' employment. Lorna joined the Board of Directors of Vectura AS after her resignation.
2. Christian Granlund was appointed on 12 June 2017 and the benefits stated represent 6.5 months' employment.
3. Claes Lindquist is reducing his activities and will leave his position on 31.03.2018. Claes will join the Board of Directors of the subsidiary Vingruppen I Norden AB after his resignation.

Salaries and other remuneration to the Group Management in 2016:

Figures in 1000 Local currency	Currency	Salary	Bonus earned in 2016	Benefits in kind	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
Erlend Stefansson	NOK	1,981	669	147	83
Erik Bern	NOK	1,743	585	217	83
Bjørn Delbæk[3]	NOK	249	511	25	14
Per Bjørkum	NOK	1,437	485	135	83
Thomas Patay[4]	NOK	2,264	455	192	83
Lorna Stangeland	NOK	1,700	617	194	83
Claes Lindquist	SEK	2,141	956	69	983

1. Rune Midtgaard was CFO up to 1 September 2016, but was a member of the Group Management until he resigned 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 Group 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.

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

Concerning the other Group Management members, Sigmund Toth, Erlend Stefansson, Erik Bern, Thomas Patay and Christian Granlund are subject to six months' notice of termination, while Per Bjørkum and Bjørn Delbæk are subject to three months' notice of termination. Claes Lindquist had nine months' notice of termination on his own resignation, and will work until the end of Q1 2018.

Concerning the other Group Management members, Erik Bern, 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 to which the non-competition clause applies.

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

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

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 shall 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 in Notes 8, 9 and 10 of the annual financial statements for Arcus ASA.

(ii) Guidelines for the fixing of salaries and other remuneration to executive personnel
With regard to guidelines for fixing salaries and other remuneration to executive personnel in the coming financial year, the Board of Directors will present the following guidelines to the General Meeting in 2018 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. As an overall principle, Arcus' policy must be competitive but not market-leading in terms of the total compensation package. The total compensation may consist of the following elements:

(a) Fixed elements – Basic salary, pension, etc.
Arcus uses internationally recognised job assessment systems 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 1.5.2017 1G is NOK 93,634). 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 Management 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 the Group Management.

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

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

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

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

The bonus programme for 2018 will consist of the same components, and its primary target will be the Group's and/or the company's earnings (financial element of 70 per cent). Individual bonuses (personal targets) with a maximum percentage of 30 per cent for Group Management are also a key element of the programme.

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

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

(iii) Share-based incentive programmes
In conjunction with the IPO in 2016, the Group Management and an additional 33 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 Management subscribed to the offer. The matching programme will be concluded after the presentation of the result for Q4/2018 in 2019.

The Annual General Meeting in 2017 approved an option-based long-term incentive scheme for the Group Management, as well as the CEO of Vectura and the CEO of Vingruppen i Norden, and for 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. Reference is made to the report described in Annex 4 to the notice convening the Annual General Meeting.

Arcus ASA has key persons in several wine companies in which it has invested as a minority owner, and this mainly concerns the general manager. This model has been a success for Group 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 (up to 30 per cent ownership interest) must be accepted in terms of how much the employee should/may invest, based on an individual and commercial assessment.

(iv) Executive salary policy in previous financial years
The guidelines for salaries and other remuneration to executive personnel described in item (ii) also served as guidelines for fixing executive salaries and other remuneration in 2017. Full individual bonus was paid for 2016, while for 2017, 26 per cent of the maximum bonus will be paid.

(v) Changes in contractual agreements
Managing Director of Vectura AS Lorna Stangeland stepped down on 30 March 2017 and was replaced by Christian Granlund, who took over on 12 June 2017. Lorna Stangeland became an external member of the Board of Directors of Vectura AS as from 1 April 2017.

CEO Claes Lindquist of Vingruppen i Norden AB resigned with effect from 1 April 2018 in order to retire, and was replaced by Svante Selling, who took up the position on 1 February 2018. Claes Lindquist continues as an external member of the Board of Directors of Vingruppen i Norden AB as from 1 April 2018, and after his resignation as of 31 March 2018 will work on a consultant basis, so far for the rest of the year.

The remuneration of the Board of Directors is as follows, as from 3.5.2017

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 member elected by the employees	NOK 7,500 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.

Remuneration to the members of the Board of Directors in 2017:

Figures in NOK 1000		Board fees including committee work	Number of shares 31.12.2017
Board members elected by the shareholders			
Michael Holm Johansen	Chairman of the Board	480	150,000
Mikael Norlander	Resigning Board member in 2017	177	0
Hanne Refsholt		222	0
Leena Maria Saarinen		227	1,860
Trond Berger		301	17,441
Eilif Due[1]		275	3,299,325
Isabelle Ducellier	Resigning Board member in 2017	0	0
Stein Erik Hagen[2]	Newly-elected Board member in 2017	150	22,670,000
Ann-Beth Freuchen	Newly-elected Board member in 2017	150	0
Board members elected by the employees			
Erik Hagen		See the Table below	566
Ingrid E. Skistad[3]		See the Table below	1,368
Kjell Arne Greni		See the Table below	0

1. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings relate to the shareholder Hoff SA, of which he is Chairman of the Board.
2. Stein Erik Hagen does not own shares on a personal basis. Declared shareholdings relate to the shareholder Canica AS, which is controlled by Stein Erik Hagen and his associate, and of which he is a member of the Board.
3. Ingrid E. Skistad owns 322 shares personally. Other shareholding is owned through Ibrygging Invest AS, where she is Chairman of the Board.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	Pension costs
Board members elected by the employees				
Erik Hagen	495	157	6	25
Ingrid E. Skistad	617	150	4	31
Kjell Arne Greni[1]	185	155	6	9

1. Kjell Arne Greni has a 40 per cent position

Remuneration to the members of the Board of Directors in 2016:

Figures in NOK 1000		Board fees including committee work	Number of shares, 31.12.2016
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	Newly-elected Board member in 2016	100	1,860
Leif Johansson	Resigning Board member in 2016	0	0
Daniel Repfennig	Resigning Board member in 2016	0	0
Marius Juul Møller	Resigning Board member in 2016	0	0
Board members elected by the employees			
Erik Hagen		See the Table below	244
Ingrid E. Skistad[3]	Newly-elected Board member in 2016	See the Table below	1,046
Kjell Arne Greni		See the Table below	0

1. Mikael Norlander represented the main shareholder, Ratos AB. The declared number of shares related to him also includes Ratos AB's shareholding.
2. Eilif Due owns 2,325 shares on a personal basis. Other declared shareholdings related to the shareholder Hoff SA, of which he is Chairman of the Board.
3. Shareholding is owned through Ibrygging Invest AS, where Ingrid E. Skistad is Chariman of the Board.

Figures in NOK 1000	Fixed salary	Board fees including committee work	Benefits in kind	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 has a 40 per cent position

NOTE 9 SHARE-BASED REMUNERATION

Share-based incentive schemes
The Group has two share-based incentive schemes for senior executives, which are related to the value growth of the Group. The Group also has a share savings programme in which all employees can participate.

Matching shares for senior executives and other key persons.
Before the Board of Directors in 2017 adopted a new long-term incentive scheme for senior executives, in conjunction with the IPO in 2016 a temporary two-year incentive scheme (interim retention plan) was adopted, in which 37 employees, including the Group Management, were awarded matching shares. These matching shares are granted to recipients in 2019 after the publication of the quarterly report for Q4 2018, if the person in question is still employed at this time.

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

Other key persons were invited to purchase shares for up to a given amount, with the right to receive one matching share for every two shares they purchased. Of the 33 key persons who received this offer, 29 made use of it. In 2017, two persons who were covered by this programme resigned, so at the end of 2017 there were 27 key persons in this programme.

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 allocation date.

Below, the number of matching shares as at 31.12.2017 is presented, of which the fair value is based on Arcus' share price as at 31.12.2017 (NOK 46.50).

Figures in NOK 1000	Allocation date	Number of matching shares at the time of allocation	Number of matching shares 31.12.2016	Number of matching shares 31.12.2017	Fair value 31.12.2017	Redemption date
Kenneth Hamnes	01.12.16	42,100	42,100	42,100	1,958	28.02.19
Sigmund Toth	01.12.16	19,767	19,767	19,767	919	28.02.19
Erlend Stefansson	01.12.16	27,062	27,062	27,062	1,258	28.02.19
Erik Bern	01.12.16	9,956	9,956	9,956	463	28.02.19
Bjørn Delbæk	01.12.16	8,692	8,692	8,692	404	28.02.19
Per Bjørkum	01.12.16	8,256	8,256	8,256	384	28.02.19
Thomas Patay	01.12.16	68,785	68,785	68,785	3,199	28.02.19
Claes Lindquist	01.12.16	46,726	46,726	27,670	1,287	28.02.19
Total, Group Management		**231,344**	**231,344**	**212,288**	**9,871**	
Other managerial employees	01.12.16	149,415	149,415	118,530	5,512	28.02.19
Total number of matching shares		**380,759**	**380,759**	**330,818**	**15,383**	

Overview of the development in the number of allocated matching shares:

Number of matching shares	**2017**	**2016**
Allocated matching shares at the beginning of the year	380,759	0
Allocated matching shares during the year	0	380,759
Terminated matching shares during the year	-49,941	0
Allocated matching shares at the end of the year	**330,818**	**380,759**

Effects of matching shares in the accounts:

Figures in NOK 1,000	**2017**	**2016**
Earning of matching shares	6,323	606
Termination of matching shares	-80	0
Change in provision for employer taxes	1,252	125
Total costs related to matching shares	**7,495**	**731**
Liabilities[1]	**1,378**	**125**

1. Solely include employer taxes

Option programme for senior executives
At the Annual General Meeting in May 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options.

The options' vesting period will be three years from the allocation date, where the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The number of options allocated annually will vary, and will correspond to the individual executive's potential maximum bonus that can be achieved in relation to the listed price on the allocation date. The options' strike price is calculated as the volume-adjusted listed price for the last ten days prior to the allocation date, with the addition of 10 per cent.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

Below the Group Management's options holdings are listed.

Allocation date	2017
Vesting period	**04.05.2017 - 04.05.2020**
Redemption period	**04.05.2020 - 04.05.2022**
Strike price	**NOK 51.53**

Number of options	2017	2016
Kenneth Hamnes	199,426	0
Sigmund Toth	90,773	0
Erlend Stefansson	110,628	0
Erik Bern	96,546	0
Bjørn Delbæk	84,508	0
Per Bjørkum	82,524	0
Thomas Patay	115,034	0
Christian Granlund	95,724	0
Claes Lindquist	40,584	0
Total, Group Management	**915,747**	**0**
Other managerial employees	313,557	0
Total number of options	**1,229,304**	**0**

Option calculation assumptions:		2017	2016
Share price on the allocation date	NOK	47.90	0
Share price on the balance sheet date	NOK	46.50	0
Redemption price – minimum	NOK	51.53	0
Redemption price – maximum	NOK	143.70	0
Risk-free interest %	%	1.1%	0.0%
Volatility* %	%	25.0%	0.0%
Expected dividend %	%	3.1%	0.0%

* As the company has no historical volatility figures that can be applied, the company has calculated average volatility for comparable companies on European stock exchanges within the same sector for the last five years.

Overview of development in the number of allocated options

Number of options	2017	2016
Allocated options during the year	1,407,369	0
Terminated options during the year	-178,065	0
Outstanding options at the end of the year	**1,229,304**	**0**

Effects of options in the accounts:

Figures in NOK 1,000	2017	2016
Earning of options	1,655	0
Change in provision for employer taxes	265	0
Total option costs	**1,920**	**0**
Liabilities[1]	**265**	**0**

1 Solely includes employer taxes

Share savings programme for all employees
In 2017, the Board of Directors adopted a general share savings scheme for all employees, under which all employees will annually have the opportunity to buy a limited number of shares in Arcus ASA, with a discount of 20 per cent. Sale of shares to employees below market value is recognised as a personnel cost comprising the difference between the market value of the shares and the purchase price.

This was first performed in November 2017, when 100 employees in total subscribed for a total of 31,234 shares. These shares were purchased at an average price of 46.56 and sold to the employees at a discount of 20 per cent, whereby each employee could purchase either 322 or 161 shares. For this, costs of TNOK 290 were charged to the consolidated accounts in 2017.

NOTE 10 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 31.12.2017, a provision of NOK 4.1 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 4.2 million at the end of 2017.

Gift pension and unfunded pension arrangement

On the transition to the defined contribution plan in 2009, there were individual employees who had previously been with SPK who would be disadvantaged in the event of early retirement at 65-67 years of age. To compensate for this, it was agreed that a gift pension would be paid to all employees who were with SPK before the transition. As at 31.12.2017, this gift pension is linked to 136 employees in the Norwegian operations, while the total obligation has been recognised at NOK 13.1 million.

The Group CEO has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. At the end of 2017, this obligation was recognised at NOK 0.7 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 and 2017, the current premium payments were set at 2.50 per cent of total salary payments between 1 G and 7.1 G to the company's employees. It has been decided not to change the premium payments for 2018. 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 31.12.2017, this relates to a residual obligation for seven people and the obligation is recognised at NOK 5.2 million.

Defined contribution pension

The Arcus Group's general pension scheme for all other employees concerns defined-contribution pension schemes which are adapted to the regulations in the individual countries in which the Group has employees.

Norway

The general defined-contribution pension scheme has contribution rates of 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 3.2 million at the end of 2017.

Sweden

In Sweden, the contributions are, to a great extent, individually agreed contribution rates based on individual salaries, and these can vary considerably. In 2017, the contribution rates vary between 9 per cent and 34 per cent of the individual's salary. The contribution rates apply as from the first krone earned.

Denmark

The general defined-contribution pension scheme in Denmark has contribution rates varying from 8 to 10 per cent. The contribution rates apply as from the first krone earned.

Finland

The general defined-contribution pension scheme in Finland has contribution rates of 18.95 per cent for employees aged below 53, and 17.45 per cent for employees aged over 53.

Germany

The contribution rate in Germany is 9.35 per cent of the employee's salary, up to the maximum calculation basis of EUR 76,200.

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 2017. Due to the lack of significance, the assumptions were not updated as of 31.12.2017.

The table below shows both defined benefit and other pension obligations based on actuarial assumptions.

Figures in NOK 1,000

Pension costs	**2017**	**2016**
Present value of pension earnings for the year	778	1,053
Interest cost of pension obligations	890	953
Return on pension assets	-215	-252
Administration costs	174	173
Recognised estimation loss/(profit)	0	-736
Accrued social security contributions	218	262
Net pension costs after social security contributions	**1,845**	**1,453**
Defined contribution pension plan		
Recognised contributions excluding social security contributions	30,561	26,944
Net pension obligations		
Estimated accrued obligations, funded pension plans	14,436	13,707
Estimated value of pension assets	-10,328	-9,741
Net estimated pension obligations (-)/assets (+), funded pension plans	**4,108**	**3,966**
Estimated accrued obligations, non-funded pension plans	26,444	30,126
Net pension assets/(obligations) recognised in the statement of financial position	**30,552**	**34,092**
Changes in obligations		
Net pension obligations 01.01	34,092	35,902
Pension costs, continued operations	1,845	1,453
Paid out through operations	-743	-4,071
Premium payments including SSC	-204	-471
Estimate deviations recognised directly in equity (IAS19R)	-4,438	1,279
Net pension obligations 31.12.	**30,552**	**34,092**
Summary of pension assets:		
Shares and other equity instruments	10,328	9,741
Total pension assets 31.12.	**10,328**	**9,741**

Figures in NOK 1,000

Financial assumptions	**2017**	**2016**
Discount rate	2.30%	2.10%
Expected salary adjustment	2.50%	2.25%
Expected pension increase	1.50%	1.25%
Expected adjustment of the National Insurance basic amount (G)	2.25%	2.00%
Expected return on pension assets	2.30%	2.10%
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 2017	Discount rate		Salary growth		Adjustment of NI basic amount (G)	
Change in percentage points	**1%**	**-1%**	**1%**	**-1%**	**1%**	**-1%**
Change in pension obligations	-3,116	3,697	6,019	-4,980	-2,566	2,597
Change in deferred tax assets	717	-850	-1,384	1,145	590	-597
Change in equity	2,400	-2,847	-4,634	3,835	1,976	-2,000
Percentage change in obligations	**-10.2%**	**12.1%**	**19.7%**	**-16.3%**	**-8.4%**	**8.5%**

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%**

Summary of cash flows related to pension plans

Figures in NOK 1,000	**2017**	**2016**
Premium payments, Storebrand defined benefit plan recognised in the statement of financial position	204	425
Payments from operations, gift pension at 65-67 years of age	743	566
Payments under unfunded pension to former CEO recognised in the statement of financial position	0	3,316
Premium payments, AFP plan not recognised in the statement of financial position	4,069	4,165
Premium payments, remaining in SPK	72	66
Premium payments, defined contribution pension	29,240	25,404
Total	**34,328**	**33,942**

All figures include social security costs

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

Premium payments to the new AFP plan are also calculated on the basis of actual salaries, in addition to how the premium rate is expected to increase in the years ahead. The premium rate was 2.50 per cent in 2016 and 2017 and this will remain unchanged in 2018.

NOTE 11 FINANCIAL INCOME AND COSTS

Figures in NOK 1,000	**2017**	**2016**
Financial income		
External interest income	6,654	7,944
Total interest income	**6,654**	**7,944**
Value adjustment of interest rate swap agreements at fair value	0	4,552
Value adjustment of foreign exchange forward contracts at fair value	1,837	0
Value adjustment of co-investment programme (synthetic shares and options)	13,821	0
Net agio gains	2,854	5,848
Other financial income	731	19
Total other financial income	**19,243**	**10,419**
Total financial income	**25,897**	**18,363**
Financial costs		
Interest costs to financial institutions	-31,454	-70,158
Interest costs on liabilities at fair value	-21	-256
Total interest costs	**-31,475**	**-70,414**
Value adjustment of minority options at fair value	-147	-28,180
Value adjustment of foreign exchange forward contracts at fair value	0	-2,021
Value adjustment of co-investment programme (synthetic shares and options)	0	-119,979
Amortisation of front-end fee related to credit facilities at SEB	-1,652	-20,636
Other financial costs	-7,166	-13,861
Total other financial costs	**-8,965**	**-184,677**
Total financial costs	**-40,440**	**-255,091**
Net financial profit/loss	**-14,543**	**-236,728**

CONSOLIDATED FINANCIAL STATEMENTS WITH NOTES

NOTE 12 TAX

Tax for the year is calculated as follows:

Figures in NOK 1,000	2017	2016
Tax payable	-37,463	-40,670
Change in deferred tax	-34,306	10,590
Insufficient provision in previous years	1,241	3,869
Total tax cost	**-70,528**	**-26,211**

Tax breakdown by country	**2017**	**2016**
Tax - Norway	-34,883	6,498
Tax - Sweden	-26,194	-25,545
Tax - Denmark	-7,343	-6,094
Tax - Finland	-2,220	-1,841
Tax - Germany	112	771
Total tax cost	**-70,528**	**-26,211**

Reconciliation from nominal to actual tax rates	**2017**	**2016**
Pre-tax profit	258,750	2,122
Expected income tax at the nominal tax rate in Norway	-62,100	-531
Tax effect of the following items:		
Non-deductible costs	-7,638	-26,831
Non-taxable income	33	0
Insufficient provision in previous years	1,241	2,171
Change in non-capitalised tax assets	213	0
Change in tax rate	-4,859	-5,789
Differences in tax rates	3,366	4,554
Profit share, associated companies	789	1,447
Other	-1,573	-1,232
Tax	**-70,528**	**-26,211**
Effective tax rate	**27%**	**1235%**

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	**2017**	**2016**
Tax liability to Norway	1,907	1,704
Tax liability to Sweden	-5,336	-9,815
Tax liability to Denmark	5,451	4,862
Tax liability to Finland	382	-80
Tax liability to Germany	-276	373
Total tax liabilities payable, see also Note 17	**2,128**	**-2,956**

Tax paid during the period, per country	**2017**	**2016**
Tax paid to Norway	-896	-5,686
Tax paid to Sweden	-22,412	-26,200
Tax paid to Denmark	-7,510	-12,760
Tax paid to Finland	-1,851	-2,556
Tax paid to Germany	-552	491
Total tax paid	**-33,221**	**-46,711**

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

	2017		2016	
	Asset	Liability	Asset	Liability
Tangible assets	-3,093	532	37	667
Intangible fixed assets	-45,585	-101,588	-47,905	-93,848
Financial assets	-931	0	-717	0
Inventories	-10,271	0	-8,536	338
Trade receivables	1,545	0	1,539	215
Pension obligations	6,604	0	7,833	0
Provisions	5,781	0	10,437	0
Gain/loss tax fund from sale of fixed assets	-864	24	-1,127	0
Deficit carried forward	183,600	0	210,559	0
Total deferred tax, gross	**136,786**	**-101,032**	**172,120**	**-92,628**
Unrecognised deferred tax assets	0	0	0	0
Net deferred tax in the statement of financial position	**136,786**	**-101,032**	**172,120**	**-92,628**

At the end of the year, the Group had NOK 183.6 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, it is assessed that the deficit carried forward can be utilised in full, and the related deferred tax asset has therefore been entered.

Deferred tax positions are calculated on the basis of local tax rates in the respective countries on the reporting date. At the end of 2017, the rates were 23 per cent in Norway, 22 per cent in Sweden, 22 per cent in Denmark and 20 per cent in Finland.

At the end of 2017, deferred tax assets were associated with net negative temporary differences for the tax regimes in Norway and Sweden, while deferred tax liabilities were linked to net positive temporary differences for the tax regime in Denmark. 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 13 INVESTMENTS IN ASSOCIATED COMPANIES AND JOINTLY CONTROLLED ENTITIES

2017

Figures in NOK 1,000	Company type	Ownership interest	Book value 01.01.2017	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2017
Tiffon SA *	TS	34.8%	48,029	454	3,286	0	6,901	58,670
Det Danske Spiritus Kompagni A/S **	FKV		8,782	-8,782	0	0	0	0
Total investments in associated companies and jointly controlled entities			**56,811**	**-8,328**	**3,286**	**0**	**6,901**	**58,670**

2016

Figures in NOK 1,000	Company type	Ownership interest	Book value 1.1.2016	Buy/sell/ issue	Share of profit for the year	Dividend	Translation differences	Book value 31.12.2016
Tiffon SA *	TS	34.0%	46,280	0	1,749	0	0	48,029
Det Danske Spiritus Kompagni A/S **	FKV	50.0%	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**

* The Group buys Cognac from Tiffon SA, see detailed information on these transactions with associates in Note 6. In September 2017, Arcus acquired a further 0.75 per cent ownership interest in the company, and at the end of the year has an ownership interest of 34.75 per cent. 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 in 2013 to handle sales of Arcus products in Denmark, and was owned jointly with Flemming Karberg Familieholding ApS. In January 2017, the Arcus Group acquired the rest of the shares in the company, and as from this date the company is recognised as a wholly-owned subsidiary, and consolidated in the consolidated accounts. Prior to the acquisition, both ownership and voting shares, as well as Board composition, were 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:

2017

Figures in NOK 1,000	Total current assets 31.12.2017	Total fixed assets 31.12.2017	Total current liabilities 31.12.2017	Total non-current liabilities 31.12.2017	Total equity 31.12.2017	Operating revenues 2017	Operating expenses 2017	Profit for the year 2017
Tiffon SA	329,085	16,933	33,193	144,009	168,815	101,248	82,784	9,457

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 non-current 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*	68,815	21	52,950	0	15,886	161,188	150,827	8,081

* As a consequence of both ownership and voting rights being divided 50/50 between the owners, the Group was not deemed to have control of DDSK A/S at the end of 2016. DDSK A/S was therefore not consolidated in the Group's accounts before the acquisition of the remaining 50 per cent in 2017.

NOTE 14 TANGIBLE FIXED ASSETS

Figures in NOK 1,000	Land, buildings and other real estate	Machinery and equipment	Fixtures and fittings, tools, office equipment etc.	Assets under construction	Total tangible assets
Acquisition cost as at 01.01.2016	**0**	**500,992**	**86,364**	**67,417**	**654,773**
Addition of tangible fixed assets	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 as at 01.01.2017	**0**	**571,320**	**85,703**	**2,732**	**659,755**
Addition of tangible fixed assets	0	5,320	2,857	7,717	**15,894**
Transferred from facilities under construction	0	2,693	290	-4,771	**-1,788**
Disposal at cost (sale of tangible fixed assets)	0	-30,643	-358	0	**-31,001**
Translation differences	0	185	524	0	**709**
Acquisition cost 01.01.2017	**0**	**548,875**	**89,016**	**5,678**	**643,569**
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 01.01.2017	**0**	**-245,271**	**-64,249**	**0**	**-309,520**
Ordinary depreciation	0	-29,567	-5,009	0	**-34,576**
Disposal, accumulated depreciation (sale of tangible fixed assets)	0	30,643	358	0	**31,001**
Translation differences	0	-146	-502	0	**-648**
Accumulated depreciation 31.12.2017	**0**	**-244,341**	**-69,402**	**0**	**-313,743**
Book value as at 31.12.17	**0**	**304,534**	**19,614**	**5,678**	**329,826**
Of which book value of capitalised leases	0	176,697	0	0	**176,697**
Ordinary depreciation for the year – capitalised leases	0	-16,385	0	0	**-16,385**
Book value of capitalised interest costs	0	3,291	0	0	**3,291**
Annual leasing fee for non-capitalised tangible fixed assets	83,928	2,309	463	0	**93,739**

Both the parent company and the Group use straight-line depreciation for all tangible fixed assets.

The economic life of tangible fixed assets is estimated as follows:

* Machines, vehicles and plant	3-15 years
* Office machinery and inventory	4-10 years
* Land, buildings and other real estate	0 years

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

NOTE 15 INTANGIBLE ASSETS

Figures in NOK 1,000	Goodwill	Brands	Software	Total
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 01.01.2017	**1,010,176**	**715,332**	**119,736**	**1,845,244**
Addition of intangible assets	0	118,611	6,209	**124,820**
Transferred from facilities under construction	0	0	1,788	**1,788**
Acquisition of business	16,583	3,900	0	**20,483**
Translation differences	38,537	35,403	136	**74,076**
Acquisition cost 31.12.2017	**1,065,296**	**873,246**	**127,869**	**2,066,411**
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 01.01.2017	**0**	**-46,095**	**-89,085**	**-135,180**
Ordinary depreciation	0	0	-9,621	**-9,621**
Amortisation	0	-7,396	0	**-7,396**
Write-downs	-22,700	0	0	**-22,700**
Translation differences	0	-53	-12	**-65**
Accumulated depreciation 31.12.2017	**-22,700**	**-53,544**	**-98,718**	**-174,962**
Book value 31.12.2017	**1,042,596**	**819,702**	**29,151**	**1,891,449**
Of which capitalised value of assets with indefinite useful lives	1,042,596	780,288	0	**1,822,884**

Economic life of intangible assets with identifiable useful lives		10-19 years	3-10 years
Depreciation plan		Straight line	Straight line

Addition of brands
Vanlig
In October 2017, the Group acquired the Vanlig brand, which includes a vodka and a gin product, from Svensk Vodka Export AB in Sweden. The Group took over sales of these products as from 1 October 2017, while production will be taken over during Q2 2018.

Hot n'Sweet
At the end of December 2017, the Group acquired the Hot n'Sweet brand from Strandgaarden Wine & Spirits A/S in Denmark. Hot n'Sweet is a liqueur with a flavour characterised by Turkish pepper candy. The Group took over sales of this product as from 1 January 2018, while production will be taken over during Q1 2018.

Impairment testing
Goodwill is allocated to the Group's cash-generating units and is tested for impairment annually, or more often if there are indicators that the values may have been subject to impairment. Testing for impairment involves determining the recoverable amount for the cash-generating unit. The recoverable amount is determined by discounting expected cash flows, based on the cash-generating entity's Board-approved business plans. The cash-generating entity is the lowest level at which it is possible to follow up operations comprising the relevant goodwill. At the end of 2017, 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 discount rate used for both brands and goodwill is 9.0 per cent before tax, and reflects estimated risk and capital costs for the Group, based on a capital structure considered representative for the activities in which the Arcus Group is engaged.

Recoverable amount 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 growth assumption in the terminal value is set to inflation only (no real growth) and level of reinvestments are expected to be the same as depreciation of the entities' fixed assets.

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

In 2017 the Group wrote down goodwill related to the acquisition of Excellars AS in 2011. The recoverable amount on impairment testing of goodwill in Excellars is based on the 2018 budget, with growth of 2 per cent (inflation) up to 2021 in both revenue and EBITDA, which gives somewhat higher growth in the EBITDA margin during the period. This growth is also applied to the terminal value. On the basis of the impairment tests performed, the Group has recognised impairment of goodwill amounting to TNOK 22,700. This impairment is a consequence of weaker development in the company's results. To some extent, the company's earnings have been dependent on revenue from wines with a high sugar content. This is a wine segment that has enjoyed longstanding popularity in Norway, but for which demand has declined significantly, especially during the past year. Any negative change in the assumptions applied to the calculation of the recoverable amount may lead to further impairment. The management is working on new strategy plans to achieve a turnaround for the company, so that the Group avoids further impairment.

Concerning other goodwill in the Group, the impairment tests have not entailed impairment, and downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would not have entailed impairment of other goodwill either.

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.

Downward adjustment of the estimated cash flows by 20 per cent, or an increase in the discount rate by 2 per cent, would not have entailed impairment for any of the brands.

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

Figures in NOK 1,000	Category	Currency	Segment	Goodwill	Brands	Total
Cash-generating unit						
Norwegian aquavits	Aquavit	DKK	Spirits	0	119,846	**119,846**
Danish aquavits	Aquavit	NOK	Spirits	0	291,082	**291,082**
Other aquavits	Aquavit	NOK, DKK, SEK	Spirits	0	165,729	**165,729**
Danish bitters	Bitter dram	NOK	Spirits	0	9,262	**9,262**
Norwegian cognac	Cognac	NOK	Spirits	0	17,585	**17,585**
Norwegian vodka	Vodka	NOK	Spirits	0	35,104	**35,104**
International vodka	Vodka	NOK	Spirits	0	68,200	**68,200**
Agency wine	Agency wine	NOK	Wine	0	5,024	**5,024**
Other brands	Other	NOK, DKK	Spirits	0	107,870	**107,870**
Spirits segment		DKK	Spirits	424,186	0	**424,186**
Spirits segment		NOK	Spirits	381,346	0	**381,346**
Vingruppen i Norden AB (sub-Group)		SEK	Wine	95,852	0	**95,852**
Social Wines OY		EUR	Wine	25,994	0	**25,994**
Excellars AS		NOK	Wine	115,218	0	**115,218**
Total				**1,042,596**	**819,702**	**1,862,298**

The various cash-generating entities listed below include the following known brands:

Cash-generating unit	Brands
Norwegian aquavits	Lysholm Linie, Løiten Linie, Gammel Opland and Gilde, and other Norwegian aquavits
Danish aquavits	Aalborg
Other aquavits	Malteserkreutz and Snälleröds
Danish bitters	Gammel Dansk
Norwegian cognac	Braastad cognac
Norwegian vodka	Vikingfjord, Amundsen and Brennevin Seksti
International vodka	Vanlig, Dworek, Hammer, Kalinka and Dobra
Agency wine	Doppio Passo and Pietro de Campo
Other brands	Hot n'Sweet, Dooley's, Eau de Vie, Golden Cock, St. Hallvard, Upper Ten, Dry Anis and Star Gin

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NOTE 16 LEASING AGREEMENTS

Operational leasing

As at 31 December 2017, 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 2017.

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	83,928	83,659	331,851	1,216,118	**1,636,628**
Vehicles	2,309	2,265	2,497	0	**4,762**
Machines and office equipment	463	463	471	0	**934**
Total	**86,700**	**86,387**	**334,819**	**1,216,118**	**1,642,324**

This overview includes the agreement concluded with Gjelleråsen Eiendom AS on the lease of production, distribution and administration buildings at Gjelleråsen for a term of 25 years starting on 1 January 2012. The annual rent under this agreement is TNOK 80,132 as from 2018.

Financial leasing

As at 31 December 2017, the Group had 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 31.12.2017.

Figures in nominal NOK 1,000	Annually Lease amount	Due date within 1 year	Due date 2-5 years	Due date after more than 5 years	Total
Machinery and equipment	21,687	21,687	173,203	0	194,890
Total	**21,687**	**21,687**	**173,203**	**0**	**194,890**

The contract partner for the financial leasing agreements is Nordea, and the agreements are subject to variable interest rates.

Even though, in principle, the leasing agreements have been entered into with a 15-year repayment and interest profile (annuity), the 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 180,3 million as at 31.12.2017, based on a discount rate equivalent to the effective interest rate on the financing in 2017.

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 fixed assets are included in the pledged assets as security for the Arcus Group's non-current bank financing; see Note 25.

NOTE 17 OTHER RECEIVABLES

Figures in NOK 1,000	Note	2017	2016
Non-current receivables			
Other non-current receivables		1,205	1,235
Total other non-current receivables		**1,205**	**1,235**

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

Figures in NOK 1,000	Note	2017	2016
Current receivables			
Prepaid costs*		14,920	11,052
Prepaid tax	11	0	2,956
Fair value of forward contracts		993	0
Other current receivables*		6,412	5,104
Total other current receivables		**22,325**	**19,112**

Figures in NOK 1,000	2017	2016
Prepayments to suppliers		
Nominal prepayments to suppliers	70,755	68,480
Provisions	-6,185	-5,670
Total prepayments to suppliers*	**64,570**	**62,810**

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

* Items included in changes in working capital in Note 3.

NOTE 18 INVENTORIES

Figures in NOK 1,000	2017	2016
Raw materials	22,709	22,891
Goods in progress	99,629	101,797
Finished goods/goods for resale	310,111	273,719
Obsolescence provision	(21,690)	(19,630)
Total inventories	**410,759**	**378,777**

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 1,409 million in 2017 (2016: NOK 1,467 million).

See also Note 25 for details of pledges and guarantees.

NOTE 19 CASH AND CASH EQUIVALENTS

Figures in NOK 1,000	2017	2016
Cash and cash equivalents in the Group's cash pool system	0	100,731
Other bank deposits	184,402	98,654
Cash holdings	13	0
Total cash and cash equivalents	**184,415**	**199,385**
Available drawing rights	604,982	601,897
Utilised drawing rights	-72,700	0
Available liquidity	**716,697**	**801,282**

Figures in NOK 1,000	2017	2016
Restricted bank deposits		
Restricted bank deposits	531	0
Total restricted bank deposits	**531**	**0**

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, and Det Danske Spiritus Kompagni A/S. At the end of 2017, 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. The total drawing on the Group cash pool system as at 31 December 2017 amounts to TNOK 72,700, while at the end of 2016 the Group had deposit of TNOK 100,731. The parent company, Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

In addition, the subsidiary group Vingruppen i Norden AB has a separate overdraft arrangement in Sweden, with a maximum credit facility of TSEK 4,000 (TNOK 3,997); and in Finland with a maximum credit facility of TEUR 100 (TNOK 985) at the end of 2017. There was no drawing on these entitlements at the end of 2017.

The Group's exposure to interest rate risk is stated in Note 2.

Summary of bank guarantees as at 31 December:

Figures in NOK 1,000	2017	2016
Bank guarantees for tax deduction funds	30,549	37,732
Bank guarantees for customs and duty credit facilities	22,246	13,899
Other bank guarantees	369	0
Total bank guarantees	**53,164**	**51,631**

NOTE 20 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.15		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
31.12.17		68,023,255	0.02	1,360

20 largest shareholders as at 31.12.2017:

		Number of shares	Ownership and voting rights
Canica AS		22,670,000	33.3%
Geveran Trading Co Ltd		6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)		3,577,915	5.3%
Hoff SA		3,297,000	4.8%
Sundt AS		3,234,957	4.8%
Folketrygdfondet		1,800,000	2.6%
Danske Invest Norske Instit. II.		1,725,100	2.5%
KLP Aksjenorge		1,266,494	1.9%
Verdipapirfondet DNB Norden (III)		1,222,178	1.8%
Centra Invest AS		1,169,846	1.7%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Comp		1,000,000	1.5%
Verdipapirfondet DNB Norge Selektiv		936,616	1.4%
Goldman Sachs International	NOM	900,000	1.3%
Skandinaviska Enskilda Banken AB (A/C SEB AIF - Swedish Residents)	NOM	862,000	1.3%
Danske Invest Norske Aksjer Inst		855,400	1.3%
Landkreditt dividend		850,000	1.2%
Kommunal Landspensjonskasse		809,707	1.2%
Skandinaviska Enskilda Banken AB (A/C clients account)	NOM	795,113	1.2%
Citibank Europe Plc	NOM	794,127	1.2%
Other shareholders		12,506,802	18.4%
Total		**68,023,255**	**100.0%**

Shareholdings of the Group Management as at 31.12.2017:

	Number of shares	Ownership and voting rights
Kenneth Hamnes[1]	126,499	0.2%
Sigmund Toth	19,767	0.0%
Erik Bern	20,233	0.0%
Bjørn Delbæk[2]	22,705	0.0%
Per Bjørkum	16,511	0.0%
Erlend Stefansson	54,124	0.1%
Thomas Patay	110,156	0.2%
Christian Granlund	2,822	0.0%
Claes Lindquist	46,726	0.1%
Total shareholdings of the Group Management	**419,543**	**0.6%**

1. The shareholding is held via Ekelyveien AS
2. Of the holdings, 5,000 shares are held via Oso Consulting AS

Dividend and Group contributions

The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2017 (2016 NOK 1.47 per share).

Earnings per share

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

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

Earnings per share:	2017	2016
Profit for the year	188,227	-24,089
Profit for the year attributable to non-controlling interests	6,944	10,480
Profit for the year to the owners of the parent company	**181,283**	**-34,569**
Comprehensive income	264,803	-64,290
Comprehensive income attributable to non-controlling interests	8,127	7,703
Comprehensive income to the owners of the parent company	**256,681**	**-71,993**
Weighted average of the number of outstanding shares	68,023,255	51,501,938
Dilution effect from option scheme	893,730	0
Dilution effects from matching shares	368,274	31,730
Weighted average of the number of outstanding shares – diluted	**69,285,259**	**51,533,668**
Earnings per share in NOK	2.66	-0.67
Diluted earnings per share in NOK	2.62	-0.67
Comprehensive income per share in NOK	3.77	-1.40
Diluted comprehensive income per share in NOK	3.70	-1.40

NOTE 21 DEBT TO FINANCIAL INSTITUTIONS

Figures in NOK 1,000	Type of financing	Currency	Interest rate profile	Loan amount in foreign currency 31.12.2016	Loan amount in NOK 31.12.2017	Loan amount in NOK 31.12.2016
SEB	Mortgage loan	SEK	Variable	750,000	749,400	711,300
SEB	Overdraft facility	NOK	Variable	72,700	72,700	0
Nordea	Financial leasing	NOK	Variable	183,766	183,766	199,485
Total debt to financial institutions					**1,005,866**	**910,785**
Capitalised front-end fees					-6,577	-8,032
Book value of debt to financial institutions					**999,289**	**902,753**

Term structure	Type of financing	Currency	Maturity 2018	Maturity 2019	Maturity 2020	Maturity 2021 or later	Total
SEB	Mortgage loan	SEK	0	0	0	749,400	749,400
SEB	Overdraft facility	NOK	72,700	0	0	0	72,700
Nordea **	Financial leasing	NOK	17,371	17,804	101,796	46,795	183,766
Total debt to financial institutions*			**90,071**	**17,804**	**101,796**	**796,195**	**1,005,866**

Reconciliation of interest-bearing debt on 31.12.2017

		Cash flow 2017		Without cash flow 2017				
Figures in NOK 1,000	Book value 31.12.2016	Raised	Repayment	Amortisation front-end fee	Reclassification	Acquisition/sale of companies	Translation differences	Book value 31.12.2017
Non-current debt								
Mortgage loan	703,268	0	0	1,652	0	0	37,903	**742,823**
Financial leasing	182,987	0	0	0	-16,592	0	0	**166,395**
Total non-current interest-bearing debt	**886,255**	**0**	**0**	**1,652**	**-16,592**	**0**	**37,903**	**909,218**
Current debt								
Mortgage loan	0	0	0	0	0	0	0	**0**
Financial leasing	16,498	0	-15,719	0	16,592	0	0	**17,371**
Overdraft facility	0	72,700	0	0	0	0	0	**72,700**
Total current interest-bearing debt	**16,498**	**72,700**	**-15,719**	**0**	**16,592**	**0**	**0**	**90,071**
Total interest-bearing debt	**902,753**	**72,700**	**-15,719**	**1,652**	**0**	**0**	**37,903**	**999,289**

Reconciliation of interest-bearing debt, 31.12.2016

		Cash flow 2016		Without cash flow 2016				
Figures in NOK 1,000	Book value 31.12.2015	Raised	Repayment	Amortisation of front-end fee	Reclassification	Acquisition/sale of companies	Translation differences	Book value 31.12.2016
Non-current debt								
Mortgage loan	833,305	802,632	-908,130	20,636	0	0	-45,175	**703,268**
Financial leasing	200,181	0	0	0	-17,194	0	0	**182,987**
Total non-current interest-bearing debt	**1,033,486**	**802,632**	**-908,130**	**20,636**	**-17,194**	**0**	**-45,175**	**886,255**
Current debt								
Mortgage loan	156,849	0	-156,849	0	0	0	0	**0**
Financial leasing	15,373	0	-16,069	0	17,194	0	0	**16,498**
Overdraft facility	0	0	0	0	0	0	0	**0**
Total current interest-bearing debt	**172,222**	**0**	**-172,918**	**0**	**17,194**	**0**	**0**	**16,498**
Total interest-bearing debt	**1,205,708**	**802,632**	**-1,081,048**	**20,636**	**0**	**0**	**-45,175**	**902,753**

In connection with the IPO in 2016, the Group refinanced its non-current 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 non-current mortgage loan is legally placed in the subsidiary VinGruppen Sweden Holding AB in Stockholm, and falls due in its entirety at the end of 2021.

After the refinancing in 2016, the Group has not hedged interest rates. The previous interest hedging agreement entailed a positive value change of TNOK 4,552 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 2018 is presented as current liabilities in the statement of financial position.
**See Note 16 concerning leasing agreements for information on the term structure of annual leasing amounts.

The agreement on a mortgage loan facility contains a loan clause (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

NOTE 22 LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

At the beginning of 2017, the Group had booked earmarked liabilities, measured at fair value through profit or loss. These obligations related to two conditions:

1) Options for the purchase of non-controlling interests
Estimated liability to buy out minority shareholders (49 per cent) in the subsidiary Excellars AS, based on the management's best estimate at the expected due date. 41.1 per cent of these minority shares were acquired and paid for in February 2016, while the rest were settled in Q1 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 were estimated on the basis of the pricing mechanisms applied to the purchase agreement and the shareholder agreements, discounted to the close of the financial year. The most important parameters in the pricing mechanisms were the development of the share values, measured as EBIT (operating profit) up until the estimated due date, multiplied by a 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 are used. The discount rate used was NIBOR with duration matched to the expected due date.

During 2017 there were no significant value changes related to this minority option, and the last part of the option was settled in Q1 2017. After the redemption of the last part of the option, the Group has a 100 per cent ownership interest in the subsidiary Excellars AS.

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 prior to the IPO in 2016. All of the synthetic shares and options were redeemed at the IPO in December 2016, and the remaining obligation at the beginning of 2017 concerned the valuation of uncertainty related to the taxation treatment of settlement. This uncertainty was clarified in 2017 and the obligation was recognised as income.

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
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**
Paid during the period 2017	-10,483	0	-10,483
Changes in value during the period 2017	148	-13,821	-13,673
Interest during the period 2017	21	0	21
Book value of liability 31.12.2017	**0**	**0**	**0**

NOTE 23 OTHER PROVISIONS FOR LIABILITIES

Severance pay (long-term)
Provisions for liabilities are associated with severance pay on termination of employment. The plan covered initially 70 employees of the Group who have received severance packages in connection with the restructuring of the companies. The obligations are paid monthly up to 2019 and are presented under other non-current provisions for liabilities. The provision is calculated by discounting future payments including social security contributions at a discount rate which depends on the length of the obligation. As at 31.12.2017, the provision was associated with four remaining individuals.

Severance pay (short-term)
It has been necessary for the Group to make organisational and staffing adjustments in order to meet new requirements, including new work processes and improved profitability. During this change process, the Group offered a range of personnel policy initiatives to its employees, in order to fulfil the new framework conditions without compulsory downsizing. As at 31.12.2017, the liability associated with this was recognised at NOK 2.2 million.

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

Non-current liabilities

2017 *Figures in NOK 1000*	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation difference 2017	Book value as at 31.12.2017
Severance pay	627	-307	0	0	320
Non-current provisions	**627**	**-307**	**0**	**0**	**320**

2016 *Figures in NOK 1000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Translation difference 2016	Book value as at 31.12.2016
Severance pay	1,140	-513	0	0	627
Non-current provisions	**1,140**	**-513**	**0**	**0**	**627**

Current liabilities

2017 *Figures in NOK 1000*	Book value as at 31.12.2016	Reversed provision 2017	Recognised provision 2017	Translation Difference 2017	Book value as at 31.12.2017
Severance pay	2,276	-1,900	1,762	20	2,158
Other provisions	10,000	0	0	0	10,000
Other current liabilities	**12,276**	**-1,900**	**1,762**	**20**	**12,158**

2016 *Figures in NOK 1000*	Book value as at 31.12.2015	Reversed provision 2016	Recognised provision 2016	Translation Difference 2016	Book value as at 31.12.2016
Severance pay	7,080	-5,434	630	0	2,276
Other provisions	10,000	0	0	0	10,000
Other current liabilities	**17,080**	**-5,434**	**630**	**0**	**12,276**

NOTE 24 CURRENT LIABILITIES

Figures in NOK 1000	2017	2016
Unpaid public duties		
Special duties, alcohol	569,034	549,231
Value added tax	339,151	304,407
Other public duties	19,820	58,672
Total unpaid public duties*	**928,005**	**912,310**

Figures in NOK 1000	2017	2016
Other current liabilities		
Current non-interest-bearing debt*	25,329	19,088
Fair value, foreign exchange forward contracts	0	844
Provision for social security costs related to share-based remuneration	1,642	125
Provision for liabilities*, see Note 23	12,158	12,276
Other accrued costs*	158,615	165,001
Total other current liabilities	**197,744**	**197,334**

All current liabilities fall due within 12 months.

* Items included in changes in working capital in Note 3.

NOTE 25 PLEDGES AND GUARANTEES

Non-current credit financing in SEB

The Group has a Group cash pool system at Skandinaviska Enskilda Banken (SEB), which includes the subsidiaries with the exception of the companies in the wine business in Sweden and Finland, and Det Danske Spiritus Kompagni A/S in Denmark. At the end of 2017, this Group cash pool system was managed by the parent company, Arcus ASA. The parent company has pledged surety on behalf of all of its subsidiaries, which is linked to the outstanding drawing on this scheme at any time.

No collateral is pledged for the Group's non-current credit financing in SEB. For further information about the non-current credit financing, see Note 21.

Surety guarantee related to financial leasing

One of the Group's subsidiaries, Arcus-Gruppen AS, has pledged a surety guarantee for leased assets (financial leasing) with Nordea Finans. At the end of 2017, the surety guarantee amounted to TNOK 194,890 for the Group's own leased operating equipment. See also Note 16 concerning leasing agreements.

NOTE 26 BUSINESS MERGERS

Acquisition of the remaining 50 per cent of Det Danske Spiritus Kompagni A/S

In January 2017, the Arcus Group reached agreement with Flemming Karberg Familieholding ApS on the acquisition of the remaining 50 per cent ownership 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 13. This is a strategic acquisition to gain control of the entire value chain related to the company's activities in Denmark. The acquisition was 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 final acquisition analysis is presented below, based on the company's statement of financial position as of the acquisition date.

Figures in NOK 1,000	Recognised value of acquired business	Observable excess values	Fair value of acquired business
Tangible 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 acquisition of the remaining shares in DDSK was mainly based on the same share price as for the existing shares, so that the acquisition did not entail any revaluation gains. 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. The acquisition analysis is final.

Net cash outflow related to the acquisition:

Figures in NOK 1000	2017
- Cash payment on acquisition	-22,753
+ Cash and cash equivalents in the acquired business	23,933
Net cash outflow on acquisition	**1,180**

The effect of acquired activities on the profit for the year:

Figures in NOK 1,000	**2017**
Sales revenue	147,418
Total operating revenues	**147,418**
Cost of sales	-119,853
Payroll costs	-9,810
Share of operating expenses	-10,063
Total operating expenses	**-139,726**
Operating profit	**7,692**

Acquisition of BevCo AS
In September 2017, the Group acquired all of the shares in BevCo AS. Among other things, the company holds the distribution rights for Dooley's Toffee in Norway, and the acquisition was thus part of the Group's strategy to make small and selective acquisitions in order to strengthen its position in the Nordic region. The acquisition was implemented as from 1.9.2017 and the company has been fully consolidated in the Group as from the same date.

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

Figures in NOK 1,000	**Recognised value of acquired business**	**Observable excess values**	**Fair value of acquired business**
Brands	0	3,900	3,900
Inventories	201	0	201
Receivables	120	0	120
Bank deposits	1,008	0	1,008
Unpaid public duties	-93	0	-93
Other current liabilities	-274	0	-274
Deferred tax liability	0	-858	-858
Fair value, observable net assets			**4,004**
Acquisition value			4,940
Goodwill			**936**

Net cash outflow related to the acquisition:

Figures in NOK 1000	**2017**
- Cash payment on acquisition	-4,940
+ Cash and cash equivalents in the acquired business	1,008
Net cash outflow on acquisition	**-3,932**

NOTE 27 EVENTS AFTER THE CLOSE OF THE FINANCIAL YEAR

Other
No significant events occurred between the close of the financial year and the date on which Arcus'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 2018.

Alternative performance measurements

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

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

Below, the Group's parameters for Alternative performance measurements are defined.

Gross profit

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

Figures in NOK 1000	2017	2016
Group		
Sales revenues	2,530,126	2,521,826
Other operating revenues	44,934	60,571
Total operating revenue	2,575,060	2,582,397
Cost of sales	-1,408,524	-1,467,920
Gross profit	**1,166,536**	**1,114,477**

Figures in NOK 1000	2017	2016
Spirits		
Sales revenues	763,421	751,107
Other operating revenues	149,862	152,776
Total operating revenue	913,283	903,883
Cost of sales	-404,928	-427,031
Gross profit	**508,355**	**476,851**

Figures in NOK 1000	2017	2016
Wine		
Sales revenues	1,522,689	1,538,676
Other operating revenues	18,190	13,697
Total operating revenue	1,540,879	1,552,373
Cost of sales	-1,154,411	-1,165,620
Gross profit	**386,469**	**386,753**

Figures in NOK 1000	2017	2016
Distribution		
Sales revenues	251,332	232,043
Other operating revenues	33,071	30,881
Total operating revenue	284,403	262,924
Cost of sales	0	0
Gross profit	**284,403**	**262,924**

Other income and expenses

To improve the information value of the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. Other income and expenses are presented in Note 7.

Below, the income statement is presented up to and including EBIT, with and without adjustment for other income and expenses:

Figures in NOK 1000	2017 Adjusted	2017 Non-adjusted	2016 Adjusted	2016 Non-adjusted
Sales revenues	2,530,126	2,530,126	2,521,826	2,521,826
Other operating revenues	44,934	44,934	60,571	60,571
Total operating revenues	**2,575,060**	**2,575,060**	**2,582,397**	**2,582,397**
Net profit on sale of fixed assets	30	30	144	1,051
Cost of sales	-1,408,524	-1,408,524	-1,467,920	-1,467,920
Salaries and other personnel costs	-417,412	-422,334	-392,545	-399,505
Other operating expenses	-391,699	-399,944	-392,516	-431,337
Share of profit from associated companies and jointly controlled entities	3,286	3,286	5,789	5,789
EBITDA	**360,741**	**347,574**	**335,349**	**290,475**
Depreciation and amortisation	-51,581	-51,581	-51,625	-51,625
Write-downs	0	-22,700	0	0
Operating profit (EBIT)	**309,160**	**273,293**	**283,724**	**238,850**
Other income and expenses	-13,167	0	-44,874	0
Write-downs	-22,700	0	0	0
Reported operating profit	**273,293**	**273,293**	**238,850**	**238,850**

EBITDA and adjusted EBITDA

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

Below is a reconciliation of operating profit to adjusted EBITDA:

Figures in NOK 1000	2017	2016
Group		
Operating profit	273,293	238,850
Depreciation, write-downs and amortisation	74,281	51,625
EBITDA	347,574	290,475
Other income and expenses	13,167	44,874
Adjusted EBITDA	**360,741**	**335,349**

Figures in NOK 1000	2017	2016
Spirits		
Operating profit	151,494	134,765
Depreciation, write-downs and amortisation	24,117	23,906
EBITDA	175,611	158,671
Other income and expenses	7,142	3,916
Adjusted EBITDA	**182,753**	**162,587**

Figures in NOK 1000	2017	2016
Wine		
Operating profit	184,709	193,148
Depreciation, write-downs and amortisation	1,794	1,014
EBITDA	186,502	194,162
Other income and expenses	5,166	0
Adjusted EBITDA	**191,668**	**194,162**

Figures in NOK 1000	2017	2016
Distribution		
Operating profit	660	-11,435
Depreciation, write-downs and amortisation	12,825	13,632
EBITDA	13,485	2,197
Other income and expenses	647	399
Adjusted EBITDA	**14,132**	**2,596**

Figures in NOK 1000	2017	2016
Other		
Operating profit	-35,690	-72,917
Depreciation, write-downs and amortisation	7,666	8,363
EBITDA	-28,024	-64,554
Other income and expenses	212	40,559
Adjusted EBITDA	**-27,812**	**-23,995**

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 - bank deposits and other cash and cash equivalents.

Figures in NOK 1000	2017	2016
Net interest-bearing debt		
Non-current interest-bearing debt to credit institutions	909,218	886,255
Short-term interest-bearing debt to credit institutions	90,071	16,498
Book value of capitalised front-end fee	6,577	8,032
Bank deposits and other cash and cash equivalents	-184,415	-199,385
Net interest-bearing debt	**821,451**	**711,400**

Organic growth

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

Figures in NOK 1000	2017	2016
Group		
Sales revenues	2,530,126	2,521,826
Other operating revenues	44,934	60,571
Total operating revenue	2,575,060	2,582,397
Currency effects[1]	0	-13,682
Structural changes[2]	-46,060	-6,940
Calculation basis, organic growth	**2,529,000**	**2,561,775**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.

2 The structural changes in 2017 primarily comprise adjustment for revenue from the acquisition of the Dworek and Vanlig brands, and the acquisition of the DDSK and BevCo activities. The adjustment in 2016 is related to the effect on income of the discontinuation of the deposit scheme in Denmark.

Figures in NOK 1000	2017	2016
Spirits		
Sales revenues	763,421	751,107
Other operating revenues	149,862	152,776
Total operating revenue	913,283	903,883
Currency effects[1]	0	-485
Structural changes[2]	-46,060	-6,940
Calculation basis, organic growth	**867,223**	**896,458**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.

2 The structural changes in 2017 primarily comprise adjustment for revenue from the acquisition of the Dworek and Vanlig brands, and the acquisition of the DDSK and BevCo business. The adjustment in 2016 is related to the effect on revenue from the discontinuation of the deposit scheme for re-used bottles in Denmark.

Figures in NOK 1000	2017	2016
Wine		
Sales revenues	1,522,689	1,538,676
Other operating revenues	18,190	13,697
Total operating revenue	1,540,879	1,552,373
Currency effects[1]	0	-12,988
Structural changes	0	0
Calculation basis, organic growth	**1,540,879**	**1,539,385**

1 Currency effects are calculated by translation of income in 2016 in other currencies than NOK at the same average rate as for translation of income in 2017.

Figures in NOK 1000	**2017**	**2016**
Distribution		
Sales revenues	251,332	232,043
Other operating revenues	33,071	30,881
Total operating revenue	284,403	262,924
Currency effects	0	0
Structural changes	0	0
Calculation basis, organic growth	**284,403**	**262,924**

PARENT COMPANY ACCOUNTS

Statement of income 01.01. - 31.12.

Figures in NOK 1,000	Note	2017	2016
OPERATING REVENUE AND EXPENSES			
Payroll costs	1	10,244	6,285
Other operating expenses		4,540	37,909
Total operating expenses		**14,784**	**44,194**
Operating profit		**-14,784**	**-44,194**
FINANCIAL INCOME AND EXPENSES	9		
Income from investment in subsidiary		65,312	0
Interest income from Group companies		0	707
Other interest income		3,755	3,982
Other financial income		15,836	7,698
Interest costs to Group companies		0	-2,795
Other interest costs		-10,107	-42,660
Other financial costs		-11,882	-155,372
Net financial profit/loss		**62,914**	**-188,440**
PROFIT BEFORE TAX		48,130	-232,634
Tax	2	17,111	-32,965
RESULT FOR THE YEAR		31,019	-199,669
Transferred from/to other equity		31,019	-199,669
Total transfers		**31,019**	**-199,669**

PARENT COMPANY ACCOUNTS WITH NOTES

Statement of financial position as at 31 December

Figures in NOK 1,000	Note	2017	2016
ASSETS			
Fixed assets			
Intangible assets			
Deferred tax assets	2	124,137	141,248
Total intangible assets		**124,137**	**141,248**
Financial assets			
Investment in subsidiary	3	1,438,317	1,438,317
Total financial assets		**1,438,317**	**1,438,317**
Total fixed assets		**1,562,454**	**1,579,565**
Current assets			
Receivables			
Trade receivables from Group companies	9	22	0
Group contributions from Group companies	9	65,312	0
Current receivables from Group companies	9	8,326	0
Other receivables		274	445
Total receivables		**73,934**	**445**
Cash and cash equivalents	10	0	100,731
Total current assets		**73,934**	**101,176**
TOTAL ASSETS		**1,636,388**	**1,680,741**

Figures in NOK 1,000	Note	2017	2016
EQUITY AND LIABILITIES			
Equity			
Paid-in equity			
Share capital	4,5	1,360	1,360
Share premium	5	719,280	770,744
Total paid-in equity		**720,640**	**772,104**
Retained earnings			
Other equity	5	0	22,664
Total retained earnings		**0**	**22,664**
Total equity		**720,640**	**794,768**
Liabilities			
Provisions			
Pension obligations	6	757	0
Other provisions	7	0	13,821
Total provisions		**757**	**13,821**
Other non-current liabilities			
Debt to financial institutions	8	-3,055	-3,835
Total other non-current liabilities		**-3,055**	**-3,835**
Current liabilities			
Debt to financial institutions	8	72,700	0
Trade payables		106	19,498
Trade payables to Group companies	9	3	19,559
Other current liabilities		6,423	46,571
Other current liabilities payable to Group companies	9	0	1,350
Allocated dividend	5	112,920	99,994
Intragroup balance in Group cash pool system	9,10	725,894	689,015
Total current liabilities		**918,046**	**875,987**
Total liabilities		**915,748**	**885,973**
TOTAL EQUITY AND LIABILITIES		**1,636,388**	**1,680,741**

Gjelleråsen, 15 March 2018

Michael Holm Johansen
Chairman of the Board

Stein Erik Hagen

Hanne Refsholt

Eilif Due

Trond Berger

Leena Saarinen

Erik Hagen

Kjell Arne Greni

Ingrid E. Skistad

Ann-Beth Freuchen

Kenneth Hamnes
Group CEO

Statement of cash flows 01.01. - 31.12.

Figures in NOK 1,000	2017	2016
CASH FLOWS FROM OPERATIONS		
Pre-tax profit	48,130	-232,634
Pension costs without cash effect	284	0
Costs related to share-based remuneration without cash effect	7,898	606
Value changes without cash effect	-13,821	120,065
Financial expenses without cash effect	780	20,563
Change in trade receivables	-22	0
Change in trade payables	-38,948	38,627
Change in other current assets and other liabilities	-114,965	47,115
Net cash flows from operational activities	**-110,664**	**-5,658**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Paid-out on the settlement of synthetic shares and options	0	-154,701
Net cash flow from investment activities	**0**	**-154,701**
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in loans to subsidiaries	0	65,000
Pension obligation taken over from subsidiary	348	0
Share issue	0	768,883
Proceeds from debt to financial institutions	72,700	100,000
Repayment of debt to financial institutions	0	-629,159
Capitalised front-end fees	0	-4,400
Change in intragroup balance in Group cash pool system	36,879	-66,994
Payments of dividends/Group contributions	-99,994	0
Net cash flow from financing activities	**9,933**	**233,330**
Net change in cash and cash equivalents	**-100,731**	**72,971**
Holdings of cash and cash equivalents as at 01.01.	100,731	27,760
Holdings of cash and cash equivalents as at 31.12.	**0**	**100,731**

Accounting policies

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

The company was founded on 5 November 2004, and listed on the Oslo Stock Exchange on 1 December 2016.

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

CONSOLIDATED FINANCIAL STATEMENTS

Arcus ASA owns 100 per cent of the shares in Arcus-Gruppen AS and Vectura AS.

GENERAL RULE FOR VALUATION AND CLASSIFICATION OF ASSETS AND LIABILITIES

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

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

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

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

SHARES IN SUBSIDIARIES

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

Group contributions are recognised in the 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.

PENSIONS

Pension costs comprise the change in pension obligations based on actuarial assumptions and costs related to defined-contribution pension schemes. For pension obligations based on actuarial assumptions the costs concern the pension earned during the period, based on assumptions concerning future wage growth and interest costs on the calculated obligation. Net pension costs are classified as payroll costs in the statement of income. Changes in the liability resulting from changes in pension plans are taken to profit or loss immediately. Changes in the pension liability and the pension assets resulting from changes in, and deviations from, the estimate assumptions (estimate deviations), are recognised against equity.

TAXES

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

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

STATEMENT OF CASH FLOWS

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

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

Notes

NOTE 1 PAYROLL COSTS

	2017	2016
Salaries including holiday pay	7,408	4,930
Social security costs	1,097	410
Pension costs including social security costs	464	0
Other personnel costs	1,275	945
Total salaries and other personnel costs	**10,244**	**6,285**
Average number of employees	2	0

	2017		2016	
Benefits to executive personnel	**Group CEO**	**Board of Directors**	**Group CEO**	**Board of Directors**
Salary	3,031	2,444	2,444	1,527
Bonus earned for the current year	324	0	1,100	0
Pension costs	386	0	308	0
Other remuneration	227	0	220	0

The company had two employees during the year. The company had no employees in 2016, but remuneration was paid to the Board of Directors. 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.

The declared remuneration to the Group CEO for 2016 was earned, recognised and paid from the subsidiary Arcus-Gruppen AS. As from 2017, the Group CEO has been employed by and received his salary from Arcus ASA.

The Group CEO also has an ordinary bonus agreement which, on specific terms, will release payment of up to five monthly salaries. He is also included in a temporary share programme (matching shares) which was established in conjunction with the IPO in 2016, and a newly-established option programme that was adopted by the Annual General Meeting in May 2017. His holdings in these incentive schemes are specified in the Group's Note 9.

The Group CEO and other members of the Group 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. He also has a supplementary pension agreement that gives pension earnings of 15 per cent of salaries above 12G. These pension earnings are capitalised annually in the company's statement of financial position, where the return is based on the return from the Storebrand Balansert pension fund.

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

No loans or surety are provided for the Group CEO or members of the Board of Directors.

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

Share-based incentive schemes

Matching shares:

In conjunction with the stock-exchange listing of the parent company, Arcus ASA, in 2016 some key persons were offered matching shares, whereby they are entitled to receive one matching share for each share purchased under the IPO. 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.

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 allocation date.

In Arcus ASA, two persons received this offer, including the Group CEO. Together they are entitled to allocation of 61,867 shares in Arcus ASA if the employment criterion is fulfilled on the allocation date (of which 42,100 shares for the Group CEO).

The programme entailed costs of TNOK 1,476 in 2017.

Options:

At the annual general meeting of Arcus ASA in May 2017, a new option programme for senior executives in the Group was adopted, with annual allocation of new options. Two persons at Arcus ASA are included in this programme, including the Group CEO.

The options' vesting period will be three years from the allocation date, whereby the participants have two years to redeem the options after the vesting period. A condition for redemption of an option is that the executive is still employed after the vesting period, and that the Group's KPI objectives, as determined by the Board of Directors, have been achieved in the same period.

The options are valued using the Black-Scholes model, for which the most important assumptions on the valuation date will be the spot rate on the valuation date, the estimated time during the redemption period in which the Group assumes that the holders will redeem the option, the dividend in the period, and the share's assumed volatility. The option's maximum redemption price is limited to three times the spot rate at the time of allocation.

There are no dividend rights related to the options during the period prior to redemption.

The programme entailed costs of TNOK 441 in 2017. Below is a specification of outstanding options at the end of the year:

Number of options	2017	2016
Outstanding options at the beginning of the year	0	0
Allocated options during the year	290,199	0
Outstanding options at the end of the year*	**290,199**	**0**

* Of which 199,426 outstanding options to the Group CEO.

Auditors' fees	2017	2016
Statutory audit	328	326
Other financial auditing	88	0
Other certification services	0	707
Total auditors' fees	**416**	**1,033**

The amounts are stated in TNOK and exclude VAT.

Other services than auditing in 2016 are solely related to fees in conjunction with the IPO process.

NOTE 2 TAX

Tax for the year is calculated as follows:	2017	2016
Change in deferred tax	17,111	-34,392
Tax effect of costs related to the IPO, carried to equity	0	1,427
Tax	**17,111**	**-32,965**
Reconciliation from nominal to actual tax rates:		
Profit before tax	48,130	-232,634
Expected income tax at a nominal tax rate of 24 per cent (25 per cent in 2016)	11,551	-58,159
Tax effect of the following items:		
Non-deductible costs	276	17,882
Change due to a change in tax rate	5,397	5,885
Tax on costs booked directly to equity	-113	1,427
Tax	**17,111**	**-32,965**
Effective tax rate	35.6%	14.2%

Specification of temporary differences and deficit carried forward:

	2017		2016	
	Asset	Liability	Asset	Liability
Non-current debt	0	3,055	0	3,835
Pension obligations	757	0	0	0
Other liabilities	1,271	0	16,312	0
Deficit carried forward	540,754	0	576,057	0
Total	**542,782**	**3,055**	**592,369**	**3,835**
Basis for deferred tax asset/liability	539,727		588,534	
Net deferred tax asset in the statement of financial position*	**124,137**		**141,248**	

At the end of the year, the company had NOK 124.4 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 2017, deferred tax was calculated at 23 per cent as a result of government tax changes as from 2018. At the end of 2016, deferred tax was calculated at 24 per cent.

NOTE 3 SUBSIDIARIES

Subsidiaries of Arcus ASA

Company	Date of acquisition	Business 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 2017 (NOK)
Arcus-Gruppen AS	1,886,607	1,362,217	1,958,409	114,747
Vectura AS	76,100	76,100	21,708	-2,433
Total subsidiaries	**1,962,707**	**1,438,317**	**1,980,117**	**112,314**

NOTE 4 SHARE CAPITAL AND SHAREHOLDER INFORMATION

The share capital comprises:

Date	Change	Total number of shares	Nominal value	Book value (NOK 1,000)
31.12.2015		1,000,000	1.00	1,000
20.10.16	Split 1:50	50,000,000	0.02	1,000
01.12.2016	Share issue	68,023,255	0.02	1,360
31.12.17		**68,023,255**	**0.02**	**1,360**

20 largest shareholders as at 31.12.2017:		Number of shares	Ownership and voting rights
Canica AS		22,670,000	33.3%
Geveran Trading Co Ltd		6,750,000	9.9%
Verdipapirfondet DNB Norge (IV)		3,577,915	5.3%
Hoff SA		3,297,000	4.8%
Sundt AS		3,234,957	4.8%
Folketrygdfondet		1,800,000	2.6%
Danske Invest Norske Instit. II.		1,725,100	2.5%
KLP Aksjenorge		1,266,494	1.9%
Verdipapirfondet DNB Norden (III)		1,222,178	1.8%
Centra Invest AS		1,169,846	1.7%
Holta Invest AS		1,000,000	1.5%
Ilmarinen Mutual Pens Ins Comp		1,000,000	1.5%
Verdipapirfondet DNB Norge Selektiv		936,616	1.4%
Goldman Sachs International	NOM	900,000	1.3%
Skandinaviska Enskilda Banken AB (A/C SEB AIF - Swedish Residents)	NOM	862,000	1.3%
Danske Invest Norske Aksjer Inst		855,400	1.3%
Landkreditt dividend		850,000	1.2%
Kommunal Landspensjonskasse		809,707	1.2%
Skandinavniska Enskilda Banken AB (A/C clients account)	NOM	795,113	1.2%
Citibank Europe Plc	NOM	794,127	1.2%
Other shareholders		12,506,802	18.4%
Total		**68,023,255**	**100.0%**

Dividend
The Board of Directors proposes dividend distribution of NOK 1.66 per share for 2017 (2016 NOK 1.47 per share).

NOTE 5 EQUITY

	Share capital	Share premium	Other equity	Total
Equity as at 01.01	1,360	770,744	22,664	794,768
Profit for the year	0	0	31,019	31,019
Share-based payment	0	0	7,898	7,898
Estimate deviations, pensions	0	0	-125	-125
Allocated dividend	0	-51,464	-61,456	-112,920
Equity as at 31.12	**1,360**	**719,280**	**0**	**720,640**

NOTE 6 PENSION OBLIGATIONS AND COSTS

The company is obliged to have an occupational pension scheme under the Norwegian Mandatory Occupational Pensions Act, and has a pension scheme which fulfils the requirements of the Act.

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

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

Employees in the defined-contribution plan who have become disabled are entitled to have their disability obligations regulated by the same adjustment as the basic amount (G) each year and the capitalised obligation related to this was NOK 0.1 million at the end of 2017.

Unfunded pension arrangement
The Group CEO also has an unfunded pension arrangement in which the pension entitlement earned is 15 per cent of the salary above 12G. Ongoing provision is made for this obligation in the company's balance sheet, with annual interest at the same rate as achieved in Storebrand Balansert Pensjon. At the end of 2017, this obligation was recognised at NOK 0.7 million.

General assumptions
The company applies a discount rate equivalent to the covered bond interest rate to its pension commitments. This is in line with the recommendations of the Norwegian Accounting Standards Board (NASB). The pension assumptions made by the company are consistent with the recommendations of the Accounting Standards Board from September 2017.

Figures in NOK 1,000

Pension costs	2017	2016
Current value of pension earnings for the year	213	0
Interest cost of pension obligations	36	0
Accrued social security contributions	35	0
Net pension costs after social security contributions	**284**	**0**
Defined-contribution pension plan:		
Recognised contributions excluding social security contributions	180	0
Net pension obligations:		
Estimated accrued obligations, non-funded pension plans	757	0
Net pension assets/obligations recognised in the statement of financial position	**757**	**0**
Changes in obligations:		
Net pension obligations 01.01	0	0
Pension costs, continued operations	284	0
Paid in via operations after taking over an obligation from a subsidiary	348	0
Estimated deviations recognised directly in equity (IAS19R)	125	0
Net pension obligations 31.12.	**757**	**0**
Economic assumptions:		
Discount rate	2.30%	2.10%
Expected salary adjustment	2.50%	2.25%
Expected pension increase	1.50%	1.25%
Expected adjustment of the National Insurance basic amount (G)	2.25%	2.00%
Expected return on pension assets	2.30%	2.10%
Actuarial and demographic assumptions:		
Withdrawal rate at 62 years	50%	50%
Withdrawal rate at 67 years	50%	50%
Mortality	K2013	K2013
Disability	K1963	K1963
Voluntary retirement (under 50 years)	5%	5%
Voluntary retirement (over 50 years)	0%	0%

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

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

NOTE 7 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 beginning of 2017 there was a remaining liability of NOK 13.8 million, which is mainly related to the remaining provision for uncertainty concerning a previous co-investment programme for executive personnel, with synthetic shares and options. This uncertainty was assessed to be insignificant in 2017, and the provision has been reversed. The changes in 2017 are presented in the table below. Reference is also made to Note 22 in the consolidated financial statements.

Figures in NOK 1,000	Synthetic options	Total provisions for liabilities
Recognised value of liability, 1.1.	13,821	13,821
Changes in value during the period	-13,821	-13,821
Payments during the period	0	0
Book value of liability, 31.12	**0**	**0**

NOTE 8 LOANS, PLEDGES AND GUARANTEES ETC.

Debt to financial institutions				2017	2016
Figures in NOK 1,000	Currency	Interest rate profile	Loan amount in currency	Loan amount in NOK	Loan amount in NOK
Overdraft facility, SEB	NOK	Floating	72,700	72,700	0
Total debt to financial institutions				**72,700**	**0**
Capitalised front-end fees				-3,055	-3,835
Book value as at 31.12				**69,645**	**-3,835**

Term structure	Maturity 2018	Due date 2019-2021	Due date after 2021	Total
SEB	72,700	0	0	72,700
Total debt to financial institutions	**72,700**	**0**	**0**	**72,700**

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 2017, this Group cash pool system was managed by Arcus ASA. Arcus ASA, has pledged surety on behalf of all of its subsidiaries, linked at all times to outstanding drawings on this scheme.

The capitalised front-end fee with a book value of TNOK 3,055 relates to the front-end fee for the cash pool scheme. The outstanding value is here amortised over the duration of the loan, until the end of 2021.

The Group has a long-term financing agreement with SEB, whereby the loan is formally for TSEK 750 and is booked in one of the subsidiaries in Sweden, VinGruppen Sweden Holding AB. The financing agreement does not include a pledger of security.

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

The agreement on a mortgage loan facility contains a loan term (covenant) concerning net interest-bearing debt as a ratio of adjusted EBITDA. The Group continuously monitors this clause and reports to the bank on a quarterly basis. As at 31.12.2017 the Group was well within the required ratio.

NOTE 9 INTRAGROUP RECEIVABLES AND LIABILITIES

Receivables	2017	2016
Claims on Group contributions from Arcus-Gruppen AS	65,312	0
Trade receivables from Group companies	22	0
Other current receivables from Group companies	8,326	0
Total	**73,660**	**0**

Liabilities	2017	2016
Trade payables to Group companies	3	19,559
Other current liabilities payable to Group companies	0	1,350
Intragroup balance in Group cash pool system	725,894	689,015
Total	**725,897**	**709,924**

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

NOTE 10 CASH AND CASH EQUIVALENTS

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

The company administrates the Group cash pool scheme for the Group and the scheme includes most of the Group's subsidiaries. The Swedish and Finnish wine activities, and the new subsidiary, Det Danske Spiritus Kompagni A/S, are not included in the scheme.

Net deposits or drawings by the subsidiaries are presented as intragroup balances with Arcus ASA. The joint overdraft limit in the Group cash pool system is TNOK 600,000.

At year-end, the Group had total drawings of TNOK 72,700 from the scheme, which are presented as an overdraft for Arcus ASA, compared with a deposit of TNOK 100,731 at the end of 2016.

As at 31.12.2017, Arcus ASA has drawings of TNOK 725,894 in the Group cash pool system, compared with drawings of TNOK 689,015 at the end of 2016.

NOTE 11 FINANCIAL MARKET RISK

Financial risk
The company has individual financial derivatives for hedging purposes. The company does not fulfil the accounting requirements for hedge accounting and therefore does not treat these as hedging for accounting purposes.

The risk management procedures are adopted by the Board of Directors and are undertaken by administration in collaboration with the individual business areas. The most important financial risks to which the company is exposed are associated with interest rate risk, liquidity risk and foreign currency risk. The company's management continuously assesses how these are to be handled.

Interest rate risk
The company is exposed to interest rate risk on the investment of liquid assets and drawing on the Group cash pool system. At 31.12.2017 all of the company's interest-bearing deposits and liabilities were subject to variable interest rates.

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

As far as possible, the company wishes to have flexibility for its liquid assets in relation to day-to-day operations. The Group achieves this through a Group cash pool system with a drawing facility that as of 31.12.2017 is managed by Arcus ASA.

When funds are needed for investment purposes, the company relies on its own liquidity as far as possible. However, for larger investments external debt financing from a financial institution is also used.

Foreign currency risk
In view of the company's international activities, there is some exposure to foreign currency risk. As a general rule, currency is purchased in the spot market, but also to some extent in the forward market, in order to continuously offset net cash positions. The accounting treatment of financial derivatives is described under "Accounting policies".

The company makes some purchases in foreign currency (mainly EUR), while the functional currency is NOK.

Receivables and debt, as well as monetary items in foreign currency, are translated at the closing rate on the balance sheet date. Foreign currency exposure is mainly hedged used forward contracts.

During the year, purchase and sale of goods in foreign currency are hedged to a certain degree, and the forward rate achieved in the market is used as the transaction rate. As a general rule, the foreign currency exposure is hedged three times a year, at four-month intervals.

At 31.12.2017 the company did not have any forward contracts (hedging) to hedge balance sheet items and orders received.

NOTE 12 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 2018.

AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Arcus ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Arcus ASA comprising the financial statements of the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017 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 2017, statement of income, statements of total comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion,

- the financial statements are prepared in accordance with the law and regulations;
- the financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, 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 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements for 2017. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment assessments – trade marks and goodwill

As at 31 December 2017, the Arcus Group had significant trade marks and goodwill recognized in the balance sheet, representing 41% of the total capital. As the market conditions for some enterprises are uncertain, the risk for losses due to impairment of these cash generating entities, including Excellars, is increasing. In addition, some spirit brands have in recent years shown signs of declining turnover. Due to the extent of judgmental assessments applied in management's models for impairment considerations, together with the significant value in the balance sheet, the impairment assessments of trade marks and goodwill are considered a key audit matter.

Our audit of the Group's impairment assessments has included a review and testing of the impairment models, assessment of cash-generating entities, control of mathematical accuracy of models together with testing and evaluating the assumptions management used as a basis in the calculations. We also reviewed the design of management's internal controls related to the impairment assessments. In addition, we considered management's assumption on future cash-flow forecasts by looking at the historical accuracy in management's budgets and prognoses against the Company's actual results. We compared key assumptions against market information where available. We also assessed discount rates by comparing the assumptions for the calculation with external data like expected inflation, debt ratio, loan interest, risk premium and beta values for comparable companies. In addition, we have reviewed and carried out sensitivity analyses in order to evaluate how sensitive the model is for changes in the most important underlying assumptions.

We refer to note 15 in the financial statements and to information about intangible assets and significant accounting estimates and judgmental considerations in the Group's accounting principles.

Other information

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

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

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with law, regulations and generally accepted auditing principles in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on corporate governance and corporate social responsibility concerning the financial statements, the going concern assumption, and proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

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

Oslo, 16 March 2018
ERNST & YOUNG AS

Kjetil Rimstad
State Authorised Public Accountant (Norway)

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