

## **ARCUS DENMARK A/S**

Århusgade 88  
2100 København Ø  
CVR No. 21409677

### **Annual report 2019**

The Annual General Meeting adopted the  
annual report on 31.08.2020

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**Kenneth Hamnes**

Chairman of the General Meeting

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# Entity details

## Entity

ARCUS DENMARK A/S

Århusgade 88

2100 København Ø

CVR No.: 21409677

Date of foundation: 01.10.1998

Registered office: København

Financial year: 01.01.2019 - 31.12.2019

## Board of Directors

Claus Alsing

Lars Kragelund Jensen

Erlendur Stefan Stefansson

Erik Bern

## Executive Board

Henrik Bodekær Thomsen

## Auditors

EY Godkendt Revisionspartnerselskab

Dirch Passer Alle 36

2000 Frederiksberg

CVR No.: 30700228

# Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of ARCUS DENMARK A/S for the financial year 01.01.2019 - 31.12.2019.

The annual report is presented in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019.

We believe that the management commentary contains a fair review of the affairs and conditions referred to therein.

We recommend the annual report for adoption at the Annual General Meeting.

Copenhagen, 31.08.2020

## Executive Board

**Henrik Bodekær Thomsen**

## Board of Directors

**Claus Alsing**

**Lars Kragelund Jensen**

**Erlendur Stefan Stefansson**

**Erik Bern**

# Independent auditor's report

## To the shareholders of ARCUS DENMARK A/S

### Opinion

We have audited the financial statements of ARCUS DENMARK A/S for the financial year 01.01.2019 - 31.12.2019, which comprise the income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies. The financial statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2019 and of the results of its operations for the financial year 01.01.2019 - 31.12.2019 in accordance with the Danish Financial Statements Act.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's responsibilities for the audit of the financial statements" section of this auditor's report.

We are independent of the Entity in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities 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.

### Management's responsibilities for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the Danish Financial Statements Act, 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 Entity's ability to continue as a going concern, for disclosing, as applicable, matters related to going concern, and for using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Entity 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 and the additional requirements applicable in Denmark 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 conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement 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 Entity'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 in preparing the financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity'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 Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures in the notes, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

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.

#### **Statement on the management commentary**

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, 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 management commentary and, in doing so, consider whether the management commentary is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Copenhagen, 31.08.2020

**EY Godkendt Revisionspartnerselskab**

CVR No. 30700228

**Alex Petersen**

State Authorised Public Accountant

Identification No (MNE) mne28604

# Management commentary

## Financial highlights

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016 DKK'000	2015 DKK'000
<b>Key figures</b>					
Gross profit/loss	31,473	30,461	23,991	25,266	47,150
Operating profit/loss	24,854	25,009	20,949	21,750	33,095
Net financials	(819)	(579)	(492)	(31)	(294)
Profit/loss for the year	16,755	19,029	15,927	16,839	24,786
Total assets	47,228	65,418	49,326	58,990	86,539
Equity	27,864	30,108	27,079	31,152	39,313
Average number of employees	5	4	5	6	16
<b>Ratios</b>					
Return on equity (%)	57.80	66.55	54.70	47.79	59.10
Equity ratio (%)	59.00	46.02	54.90	52.81	45.43

Financial highlights are defined and calculated in accordance with the current version of "Recommendations & Ratios" issued by the CFA Society Denmark.

### Return on equity (%):

Profit/loss for the year \* 100

Average equity

### Equity ratio (%):

Equity \* 100

Total assets



### Primary activities

The Primary activities of Arcus Denmark A/S are marketing and sale of Danish brands and spirits with proud traditions on the domestic market as well as sales of Norwegian and Swedish brands on the domestic market through associated companies. Arcus Denmark A/S is also responsible for marketing the Danish brands for export purposes and receives royalties as brand owner from all sales to other markets through other Group companies

### Development in activities and finances

The company's income statement for the year ended 31.12.2019 shows a profit of DKK 16.755 thousand while the balance sheet shows equity of DKK 27.864 thousand at 31.12.2019.

2019 has been a year where the total sales volume of the Danish Brands has continued decreasing, but where total sales volume of Aalborg has increased for the first time in several years. The gross profit has increased marginally from 30 MDKK in 2018 to 31 MDKK in 2019.

Domestically, sales volume of Aalborg declined by -0,2%, but international sales volume increased by 2,6% making the total sales volume of Aalborg 0,7% higher than the year before. Gammel Dansk has continued to decline both domestically and internationally, by -6,7% and -4,7% respectively. Royalties for 2019 is lower than 2018. Cost of materials and consumables are up from 64 MDKK to 66 MDKK (3,6%), other external expenses are down from 17 MDKK to 14 MDKK (-20%), while personnel cost are up 22% due to one more employee.

### Uncertain tax position

The Danish tax authorities (SKAT) initiated in 2017 an audit of the Company's transfer pricing arrangements for the period 2013-2017. In 2020, the authorities has concluded for the years 2013-2015, where an adjustment towards Arcus Sweden will be made, increasing the taxable income for Arcus DK in the period by 9 MDKK. A tax liability regarding this has been booked as of end 2019.

The audit has not been concluded for the years 2016-2017, but the management feel discussions are going well and hopefully these years will be concluded in the near future. Management does currently not anticipate any significant changes for the years 2016-2017.

### Risk from external factors

Management is concerned about the market development, but this considered, we are satisfied with the financial performance in the year. Management is working hard on strategies to change the negative trend in the aquavit market, and strategies to grow in other categories than aquavit on both domestic and international markets.

### Outlook

Arcus Denmark A/S operates in non-cyclical spirits markets with moderate growth historically, but with some variations between the different categories and countries. In particular, the Danish market for aquavit has been in consistent decline for many years, but where Aalborg had international growth in 2019. In spite of a challenging year, Arcus Denmark A/S and the rest of the Group have strong Brands, and are well positioned to face the future.

### Events after the balance sheet date

#### Covid-19

During the first half of 2020, Arcus was affected by the global medical and financial crisis following COVID-19.

Arcus experienced the first effects from the COVID-19 in March 2020. Even though Q2 is the first full quarter affected by the COVID-19 the results are better than prognosed in the beginning of the crisis. It is still too early to predict how severely the pandemic will affect the various business areas in a medium- and long-term perspective.

In Denmark, revenue is negatively influenced by Covid-19 as Danish border trade was closed between mid of March until late June. Overall domestic market share has increased driven by growth in vodka and premixed cocktails. Market shares in the aquavit category has been slightly negatively influenced as private label brands benefited from growth in the value segment due to closed borders.

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

# Income statement for 2019

	Notes	2019 DKK	2018 DKK
<b>Gross profit/loss</b>		<b>31,472,761</b>	<b>30,460,760</b>
Staff costs	2	(6,583,526)	(5,416,549)
Depreciation, amortisation and impairment losses	3	(35,000)	(35,000)
<b>Operating profit/loss</b>		<b>24,854,235</b>	<b>25,009,211</b>
Other financial income		124,378	235,954
Other financial expenses	4	(943,598)	(814,717)
<b>Profit/loss before tax</b>		<b>24,035,015</b>	<b>24,430,448</b>
Tax on profit/loss for the year	5	(7,280,085)	(5,401,323)
<b>Profit/loss for the year</b>	6	<b>16,754,930</b>	<b>19,029,125</b>

# Balance sheet at 31.12.2019

## Assets

	Notes	2019 DKK	2018 DKK
Plant and machinery		169,167	204,167
<b>Property, plant and equipment</b>	7	<b>169,167</b>	<b>204,167</b>
Deferred tax	9	218,000	296,000
<b>Other financial assets</b>	8	<b>218,000</b>	<b>296,000</b>
<b>Fixed assets</b>		<b>387,167</b>	<b>500,167</b>
Manufactured goods and goods for resale		10,830,707	13,611,726
<b>Inventories</b>		<b>10,830,707</b>	<b>13,611,726</b>
Trade receivables		5,414	21,721
Receivables from group enterprises		35,990,333	51,270,008
Other receivables		14,400	14,400
<b>Receivables</b>		<b>36,010,147</b>	<b>51,306,129</b>
<b>Current assets</b>		<b>46,840,854</b>	<b>64,917,855</b>
<b>Assets</b>		<b>47,228,021</b>	<b>65,418,022</b>

**Equity and liabilities**

	<b>Notes</b>	<b>2019 DKK</b>	<b>2018 DKK</b>
Contributed capital	10	10,324,000	10,324,000
Retained earnings		1,539,608	784,678
Proposed dividend		16,000,000	19,000,000
<b>Equity</b>		<b>27,863,608</b>	<b>30,108,678</b>
Trade payables		1,572,094	(135)
Payables to group enterprises		4,999,241	25,392,762
Income tax payable		5,822,654	5,131,000
Other payables		6,970,424	4,785,717
<b>Current liabilities other than provisions</b>		<b>19,364,413</b>	<b>35,309,344</b>
<b>Liabilities other than provisions</b>		<b>19,364,413</b>	<b>35,309,344</b>
<b>Equity and liabilities</b>		<b>47,228,021</b>	<b>65,418,022</b>

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# Statement of changes in equity for 2019

	Contributed capital DKK	Retained earnings DKK	Proposed dividend DKK	Total DKK
Equity beginning of year	10,324,000	784,678	19,000,000	30,108,678
Ordinary dividend paid	0	0	(19,000,000)	(19,000,000)
Profit/loss for the year	0	754,930	16,000,000	16,754,930
<b>Equity end of year</b>	<b>10,324,000</b>	<b>1,539,608</b>	<b>16,000,000</b>	<b>27,863,608</b>

# Notes

## 1 Unusual circumstances

### Covid-19

During the first half of 2020, Arcus was affected by the global medical and financial crisis following COVID-19. Arcus experienced the first effects from the COVID-19 in March 2020. Even though Q2 is the first full quarter affected by the COVID-19 the results are better than prognosed in the beginning of the crisis. It is still too early to predict how severely the pandemic will affect the various business areas in a medium- and long-term perspective.

In Denmark, revenue is negatively influenced by Covid-19 as Danish border trade was closed between mid of March until late June. Overall domestic market share has increased driven by growth in vodka and premixed cocktails. Market shares in the aquavit category has been slightly negatively influenced as private label brands benefited from growth in the value segment due to closed borders.

## 2 Staff costs

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Wages and salaries	5,597,968	4,577,871
Pension costs	522,992	462,930
Other social security costs	121,761	59,266
Other staff costs	340,805	316,482
	<b>6,583,526</b>	<b>5,416,549</b>
Average number of full-time employees	<b>5</b>	<b>4</b>

Persuant to Section 98 (b) (3) of the Danish Financial Statements Act, remuneration of the Executive Board has not been disclosed.

## 3 Depreciation, amortisation and impairment losses

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Depreciation of property, plant and equipment	35,000	35,000
	<b>35,000</b>	<b>35,000</b>

## 4 Other financial expenses

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Other interest expenses	799,920	693,777
Interest regarding tax paid on account	143,678	120,940
	<b>943,598</b>	<b>814,717</b>

**5 Tax on profit/loss for the year**

	<b>2019</b>	<b>2018</b>
	<b>DKK</b>	<b>DKK</b>
Current tax	5,242,000	5,295,000
Change in deferred tax	78,000	106,000
Adjustment concerning previous years	1,960,085	323
	<b>7,280,085</b>	<b>5,401,323</b>



## 6 Proposed distribution of profit and loss

	2019 DKK	2018 DKK
Ordinary dividend for the financial year	16,000,000	19,000,000
Retained earnings	754,930	29,125
	<b>16,754,930</b>	<b>19,029,125</b>

## 7 Property, plant and equipment

	Plant and machinery DKK
Cost beginning of year	856,027
<b>Cost end of year</b>	<b>856,027</b>
Depreciation and impairment losses beginning of year	(651,860)
Depreciation for the year	(35,000)
<b>Depreciation and impairment losses end of year</b>	<b>(686,860)</b>
<b>Carrying amount end of year</b>	<b>169,167</b>

## 8 Financial assets

	Deferred tax DKK
Cost beginning of year	296,000
Disposals	(78,000)
<b>Cost end of year</b>	<b>218,000</b>
<b>Carrying amount end of year</b>	<b>218,000</b>

## 9 Deferred tax

	2019 DKK	2018 DKK
Property, plant and equipment	218,000	296,000
<b>Deferred tax</b>	<b>218,000</b>	<b>296,000</b>
	<b>2019 DKK</b>	<b>2018 DKK</b>
<b>Changes during the year</b>		
Beginning of year	296,000	402,000
Recognised in the income statement	(78,000)	(106,000)
<b>End of year</b>	<b>218,000</b>	<b>296,000</b>

### 10 Share capital

The share capital consists of the 10.324 shares of DKK 1.000 each. The share capital have not been changed for the last 5 years.

### 11 Unrecognised rental and lease commitments

	2019 DKK	2018 DKK
Liabilities under rental or lease agreements until maturity in total	<b>17,454,000</b>	<b>21,300,000</b>

### 12 Contingent liabilities

The Entity serves as the administration company in a Danish joint taxation arrangement. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable for income taxes etc for the jointly taxed entities, and for obligations, if any, relating to the withholding of tax on interest, royalties and dividend for these entities.

### 13 Assets charged and collateral

SEB has first ranking security interest over all the shares in Arcus Denmark A/S.

### 14 Related parties with controlling interest

Arcus-Gruppen AS, Norway control the Entity.

### 15 Transactions with related parties

	<b>Parent</b>	<b>Associates</b>
	<b>DKK</b>	<b>DKK</b>
Sales revenue, internal	0	92,017,000
Royalty income	0	19,384,000
Cost of goods, internal	0	50,185,000
Other indirect costs	1,307,000	1,703,000
Royalty costs	0	2,997,000
Receivables	0	35,990,000
Liabilities other than provisions	107,000	4,892,000

### 16 Group relations

Name and registered office of the Parent preparing consolidated financial statements for the largest group:  
Arcus-Gruppen AS, Norway

Name and registered office of the Parent preparing consolidated financial statements for the smallest group:  
Arcus-Gruppen AS, Norway

Copies of the consolidated financial statements can be obtain on <https://www.arcus.no/en/investor/>

# Accounting policies

## Reporting class

This annual report has been prepared in accordance with the provisions of the Danish Financial Statements Act governing reporting class C enterprises (medium).

The accounting policies applied to these financial statements are consistent with those applied last year.

## Recognition and measurement

Assets are recognised in the balance sheet when it is probable as a result of a prior event that future economic benefits will flow to the Entity, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the Entity has a legal or constructive obligation as a result of a prior event, and it is probable that future economic benefits will flow out of the Entity, and the value of the liability can be measured reliably.

On initial recognition, assets and liabilities are measured at cost. Measurement subsequent to initial recognition is effected as described below for each financial statement item.

Anticipated risks and losses that arise before the time of presentation of the annual report and that confirm or invalidate affairs and conditions existing at the balance sheet date are considered at recognition and measurement.

Income is recognised in the income statement when earned, whereas costs are recognised by the amounts attributable to this financial year.

## Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the rate in effect at the payment date, or the rate at the balance sheet date, are recognised in the income statement as financial income or financial expenses. Property, plant and equipment, intangible assets, inventories and other non-monetary assets that have been purchased in foreign currencies are translated using historical rates.

## Income statement

### Gross profit or loss

Gross profit or loss comprises revenue, changes in inventories of finished goods and work in progress, own work capitalised, other operating income, cost of raw materials and consumables and external expenses.

### Revenue

Revenue from the sale of manufactured goods and goods for resale is recognised in the income statement when delivery is made and risk has passed to the buyer. Revenue is recognised net of VAT, duties and sales discounts and is measured at fair value of the consideration fixed. The Company has chosen IAS 18 as interpretation for revenue recognition.

**Costs of raw materials and consumables**

Costs of raw materials and consumables comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. This item includes shrinkage, if any, and ordinary writedowns of the relevant inventories.

**Other external expenses**

Other external expenses include expenses relating to the Entity's ordinary activities, including expenses for premises, stationery and office supplies, marketing costs, etc. This item also includes writedowns of receivables recognised in current assets.

**Staff costs**

Staff costs comprise salaries and wages, and social security contributions, pension contributions, etc for entity staff.

**Depreciation, amortisation and impairment losses**

Depreciation, amortisation and impairment losses relating to property, plant and equipment and intangible assets comprise depreciation, amortisation and impairment losses for the financial year, and gains and losses from the sale of intangible assets and property, plant and equipment.

**Other financial income**

Other financial income comprises interest income, including interest income on receivables from group enterprises, net capital or exchange gains on securities, payables and transactions in foreign currencies, amortisation of financial assets, and tax relief under the Danish Tax Prepayment Scheme etc.

**Other financial expenses**

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, payables and transactions in foreign currencies, and tax surcharge under the Danish Tax Prepayment Scheme etc.

**Tax on profit/loss for the year**

Tax for the year, which consists of current tax for the year and changes in deferred tax, is recognised in the income statement by the portion attributable to the profit for the year and recognised directly in equity by the portion attributable to entries directly in equity.

**Balance sheet****Property, plant and equipment**

Other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation.

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Plant and machinery

3 - 7 years

Estimated useful lives and residual values are reassessed annually.

Items of property, plant and equipment are written down to the lower of recoverable amount and carrying amount.

### **Deferred tax**

Deferred tax is recognised on all temporary differences between the carrying amount and the tax-based value of assets and liabilities, for which the tax-based value is calculated based on the planned use of each asset.

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

### **Inventories**

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

Cost consists of purchase price plus delivery costs. Cost of manufactured goods and work in progress consists of costs of raw materials, consumables, direct labour costs and indirect production costs.

Indirect production costs comprise indirect materials and labour costs, costs of maintenance of, depreciation of and impairment losses relating to machinery, factory buildings and equipment used in the manufacturing process, and costs of factory administration and management. Finance costs are not included in cost.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute sale.

### **Receivables**

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts.

### **Dividend**

Dividend is recognised as a liability at the time of adoption at the general meeting. Proposed dividend for the financial year is disclosed as a separate item in equity. Extraordinary dividend adopted in the financial year is recognised directly in equity when distributed and disclosed as a separate item in Management's proposal for distribution of profit/loss.

### **Other financial liabilities**

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

### **Income tax receivable or payable**

Current tax receivable or payable is recognised in the balance sheet, stated as tax computed on this year's taxable income, adjusted for prepaid tax.

### **Cash flow statement**

With reference to section 86(4) of the Danish Financial Statements Act, no cash flow statement for the company is prepared, as the company's cash flows are part of the consolidated cash flow statement of Arcus Gruppen AS, Norway.