

**Det Danske Spiritus
Kompagni A/S**
Århusgade 88
2100 Copenhagen Ø
Central Business Registration No
34702063

Annual report 2018

The Annual General Meeting adopted the annual report on 25.06.2019

Chairman of the General Meeting



Name: Kenneth Hamnes

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Entity details

Entity

Det Danske Spiritus Kompagni A/S
Århusgade 88
2100 Copenhagen Ø

Central Business Registration No: 34702063

Founded: 01.09.2012

Registered in: Copenhagen

Financial year: 01.01.2018 - 31.12.2018

Board of Directors

Erlendur Stefan Stefansson, Chairman

Kenneth Hamnes

Henrik Bodekær Thomsen

Executive Board

Christian Alsing

Entity auditors

Ernst & Young Godkendt Revisionspartnerselskab

Osvald Helmuths Vej 4

P O Box 250

2000 Frederiksberg

Statement by Management on the annual report

The Board of Directors and the Executive Board have today considered and approved the annual report of Det Danske Spiritus Kompagni A/S for the financial year 01.01.2018 - 31.12.2018.

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

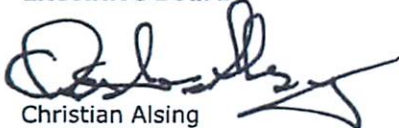
In our opinion, the financial statements give a true and fair view of the Entity's financial position at 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018.

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, 25.06.2019

Executive Board



Christian Alsing

Board of Directors



Erlendur Stefan Stefansson
Chairman



Kenneth Hamnes



Henrik Bodekær Thomsen

Independent auditor's report

To the shareholders of Det Danske Spiritus Kompagni A/S

Opinion

We have audited the financial statements of Det Danske Spiritus Kompagni A/S for the financial year 01.01.2018 - 31.12.2018, 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 31.12.2018 and of the results of its operations for the financial year 01.01.2018 - 31.12.2018 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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.

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:

Independent auditor's report

- 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.

Independent auditor's report

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, 25.06.2019

Ernst & Young

Godkendt Revisionspartnerselskab

Central Business Registration No: 30700228



Lars Hansen

State Authorised Public Accountant

mne24828

Management commentary

	2018	2017	2016	2015	2014
	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>	<u>DKK'000</u>
Financial highlights					
Key figures					
Gross profit	12.930	13.740	16.560	15.794	17.824
Operating profit/loss	5.088	6.131	8.377	6.919	9.360
Net financials	(63)	(122)	(81)	(68)	(105)
Profit/loss for the year	3.913	4.674	6.461	5.207	6.916
Total assets	65.616	63.346	56.318	53.428	60.831
Equity	10.413	11.174	12.987	11.726	13.420
Employees in average	13	13	14	13	11
Ratios					
Return on equity (%)	36,3	38,7	52,3	41,4	49,7
Equity ratio (%)	15,9	17,6	23,1	21,9	22,1

Financial highlights are defined and calculated in accordance with recommendations & ratios issued by the Danish Society of Financial Analysts, as defined below:

Ratios	Calculation formula	Ratios
Return on equity (%)	$\frac{\text{Profit/loss for the year} \times 100}{\text{Average equity}}$	The entity's return on capital invested in the entity by the owners.
Equity ratio (%)	$\frac{\text{Equity} \times 100}{\text{Total assets}}$	The financial strength of the entity.

Management commentary

Primary activities

The primary activities of Det Danske Spiritus Kompagni A/S are marketing and sale of Danish brands and spirits with proud traditions on the domestic market in Denmark. The company also sells foreign-owned brands owned by both other Group companies and other producers of spirits on the domestic market in Denmark.

Development in activities and finances

The company's income statement for the year ended 31.12.2018 shows a profit for the year of DKK 3.913 thousand while the balance sheet shows equity of DKK 10.413 thousand at 31.12.2018. The most important category for the company is aquavit, and the Danish domestic market for aquavit has been declining steadily in recent years.

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 the domestic market.

Outlook

Det Danske Spiritus Kompagni A/S operates in non-cyclical spirits markets with moderate growth historically, but with significant variations between the different categories. In particular, the Danish market for aquavit has been in consistent decline for many years. Det Danske Spiritus Kompagni 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

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

Income statement for 2018

	<u>Notes</u>	<u>2018 DKK'000</u>	<u>2017 DKK'000</u>
Gross profit		12.930	13.740
Staff costs	1	<u>(7.842)</u>	<u>(7.609)</u>
Operating profit/loss		5.088	6.131
Other financial income		1	0
Other financial expenses	2	<u>(64)</u>	<u>(122)</u>
Profit/loss before tax		5.025	6.009
Tax on profit/loss for the year	3	<u>(1.112)</u>	<u>(1.335)</u>
Profit/loss for the year	4	<u>3.913</u>	<u>4.674</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Deposits		416	400
Deferred tax		14	18
Fixed asset investments	5	<u>430</u>	<u>418</u>
Fixed assets		<u>430</u>	<u>418</u>
Trade receivables		42.725	35.202
Receivables from group enterprises		21.317	2.802
Other receivables		122	313
Prepayments	6	135	146
Receivables		<u>64.299</u>	<u>38.463</u>
Cash		<u>887</u>	<u>24.465</u>
Current assets		<u>65.186</u>	<u>62.928</u>
Assets		<u>65.616</u>	<u>63.346</u>

Balance sheet at 31.12.2018

	<u>Notes</u>	<u>2018</u> <u>DKK'000</u>	<u>2017</u> <u>DKK'000</u>
Contributed capital	7	6.500	6.500
Retained earnings		13	0
Proposed dividend		3.900	4.674
Equity		<u>10.413</u>	<u>11.174</u>
Trade payables		5.987	11.254
Payables to group enterprises		29.357	22.312
Income tax payable		630	232
Other payables		19.229	18.374
Current liabilities other than provisions		<u>55.203</u>	<u>52.172</u>
Liabilities other than provisions		<u>55.203</u>	<u>52.172</u>
Equity and liabilities		<u>65.616</u>	<u>63.346</u>
Unrecognised rental and lease commitments	8		
Contingent liabilities	9		
Mortgages and securities	10		
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Transactions with related parties	12		
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Statement of changes in equity for 2018

	Contributed capital DKK'000	Retained earnings DKK'000	Proposed dividend DKK'000	Total DKK'000
Equity beginning of year	6.500	0	4.674	11.174
Ordinary dividend paid	0	0	(4.674)	(4.674)
Profit/loss for the year	0	13	3.900	3.913
Equity end of year	6.500	13	3.900	10.413

Notes

	2018	2017
	DKK'000	DKK'000
1. Staff costs		
Wages and salaries	7.185	6.960
Pension costs	594	603
Other staff costs	63	46
	7.842	7.609
Average number of employees	12	13

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

	2018	2017
	DKK'000	DKK'000
2. Other financial expenses		
Interest expenses	57	102
Interest regarding tax paid on account	7	20
	64	122

	2018	2017
	DKK'000	DKK'000
3. Tax on profit/loss for the year		
Tax on current year taxable income	1.109	1.335
Change in deferred tax for the year	3	0
	1.112	1.335

	2018	2017
	DKK'000	DKK'000
4. Proposed distribution of profit/loss		
Ordinary dividend for the financial year	3.900	4.674
Retained earnings	13	0
	3.913	4.674

Notes

	Deposits	Deferred tax
	DKK'000	DKK'000
5. Fixed asset investments		
Cost beginning of year	400	17
Additions	16	0
Disposals	0	(3)
Cost end of year	416	14
Carrying amount end of year	416	14

The deferred tax assets relates to timing differences on fixed asset and prepayments.

6. Prepayments

Prepayments relates to rent, insurance etc. which relates to the next financial year.

7. Contributed capital

The share capital consists of the 6.500.000 shares of DKK 1 each. The share capital have been changed from DKK 500 thousand to DKK 6.500 thousand in 2013.

	2018	2017
	DKK'000	DKK'000
8. Unrecognised rental and lease commitments		
Hereof liabilities under rental or lease agreements until maturity in total	4.081	5.087

9. Contingent liabilities

The Entity participates in a Danish joint taxation arrangement where Arcus Denmark A/S serves as the administrative company. According to the joint taxation provisions of the Danish Corporation Tax Act, the Entity is therefore liable from the financial year 2017 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 the jointly taxed entities.

10. Mortgages and securities

The Company has deposited DKK 40 thousand as security for duty and taxes.

11. Related parties with controlling interest

The following shareholder is registered in the Company's register of shareholders as holding minimum 5% of the votes or minimum 5% of share capital - Arcus-Gruppen AS, Norway.

Notes

	Parent	Associates
	DKK'000	DKK'000
12. Transactions with related parties		
Other income	0	120
Costs of sales	0	87.063
Royalty income	0	1.200
Royalty costs	0	1.400
Other costs	210	0
Receivables	20.040	1.277
Liabilities other than provisions	0	29.357

13. 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

The consolidated annual report can be obtain on <https://www.arcus.no/en/investor/>

Accounting policies

Reporting class

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

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.

Accounting policies

Other operating income

Other operating income comprises income of a secondary nature as viewed in relation to the Entity's primary activities, including rental income and gains from the sale of intangible assets and property, plant and equipment.

Costs of raw materials and consumables

Costs of raw materials and consumables comprise goods consumed in the financial year measured at cost, adjusted for ordinary inventory writedowns.

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 as well as social security contributions, pension contributions, etc for entity staff.

Other financial income

Other financial income comprises interest income, including interest income on receivables from group enterprises, payables and transactions in foreign currencies.

Other financial expenses

Other financial expenses comprise interest expenses, including interest expenses on payables to group enterprises, transactions in foreign currencies, and tax relief 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

Deferred tax

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

Accounting policies

Receivables

Receivables are measured at amortised cost, usually equalling nominal value less writedowns for bad and doubtful debts. The Company has chosen IAS 39 as interpretation for impairment of financial receivables.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

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.

Operating leases

Lease payments on operating leases are recognised on a straight-line basis in the income statement over the term of the lease.

Other financial liabilities

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

Income tax receivable or payable

Current tax payable or receivable 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.