

The Arcus logo features the word "Arcus" in a white, elegant serif font, with a thin white arc above the letters. It is centered within a dark blue square background.

Arcus

Quarterly Report

Q2 2020



Skagerrak Nordic Dry Gin received Double Gold at the international competition The Gin Masters in London in July. At the 2020 International Wine & Spirit Competition (IWSC), Skagerrak Nordic Dry Gin won gold and received 95 points out of a maximum of 100.

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Message from the CEO

During the COVID-19 pandemic the Nordic governments' extensive travel restrictions, and restrictions on bars and restaurants, have produced very high volumes at the monopolies and increased activity for Arcus.

Partly as a result of the above, this quarterly result is the best Q2 result in Arcus' history, both in terms of revenue and EBITDA.

The strong results would not have been possible without good cooperation and support from our suppliers and partners. Due to COVID-19, securing supplies of wine and raw materials has been challenging, but occasional late deliveries have had limited effect.

Arcus has a strong and flexible organization, a prerequisite for being able to meet such extraordinarily high demand. We have adapted and solved the challenges we have faced. I would like to thank my colleagues for their important contribution in a very challenging time. Without their hard work and positive attitude, Arcus could not have delivered such strong financial results.

Wine

In Q2, the growth was especially strong in Norway, with revenue increasing 53.3 percent compared to the same quarter last year. For Wine Norway, this quarter is the 11th quarter in a row with increased market share. In Sweden, revenues from existing business continued to grow, but sales were lower compared to Q2 last year due to the loss of producers in March 2019. Stronger SEK and EUR strengthened the overall reported growth, in addition to the acquisition of Wongraven Wines in December 2019. The strong increase in revenues combined with flat indirect costs is the main reason for the increased EBITDA-margin. A favourable product mix with more Bag-in-Box sales combined with price increases at the monopolies, led to increased gross margin in the period despite the negative effect of the strong EUR and USD on purchasing costs.

Spirits

During Q2, revenue increased in all monopoly markets as sales shifted from border channels to domestic retail. In Norway, Sweden and Finland revenue increased in the double digits during Q2 compared to last year. Despite the strong growth in monopoly markets, the organic growth on external sales was negative by 8.5 percent, mainly due to lower travel and border sales following COVID-19. EBITDA-margin increased compared to Q2 last year due to lower operational costs combined with higher gross profit from internal wine bottling.

Logistics

Logistics' revenues increased by 10.8 percent in the quarter, driven by higher sales to Vinmonopolet. EBITDA increased due to increased revenues, significantly more efficient handling in the warehouse and more cost-effective distribution.



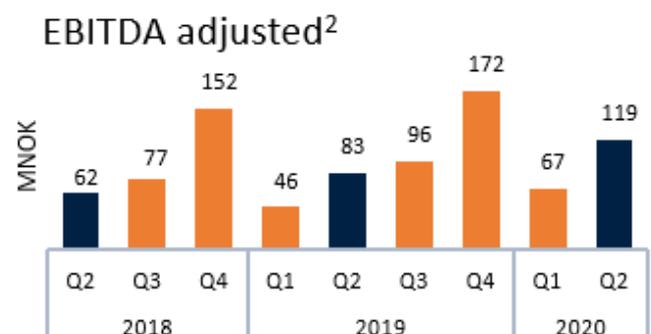
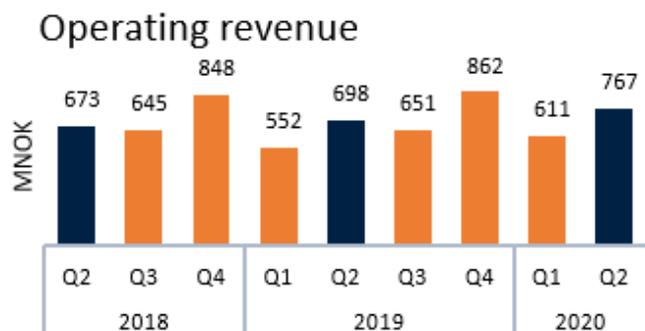
Kenneth Hamnes
Group CEO, Arcus ASA

Key figures Q2 2020

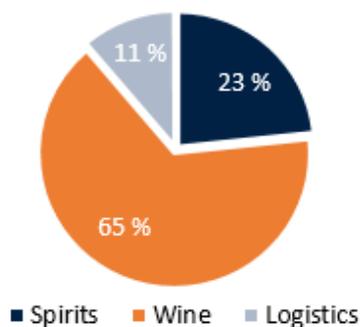
CONSOLIDATED GROUP FIGURES

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	767.2	698.0	1 378.3	1 250.1	2 762.8
Gross profit ¹⁾	316.8	280.6	578.3	518.2	1 161.7
EBITDA ^{1) 2)}	101.0	71.1	167.7	115.7	377.3
EBITDA adjusted ^{1) 2)}	119.3	82.6	185.9	128.7	397.1
Pre-tax profit ²⁾	53.7	21.7	108.0	10.7	172.5
Earnings per share, parentcompany shareholders (NOK)	0.52	0.25	1.19	0.11	1.94
Key figures					
Gross margin ¹⁾	41.3 %	40.2 %	42.0 %	41.5 %	42.0 %
EBITDA margin ¹⁾	13.2 %	10.2 %	12.2 %	9.3 %	13.7 %
EBITDA margin adjusted ¹⁾	15.5 %	11.8 %	13.5 %	10.3 %	14.4 %
Equity ratio ¹⁾	29.0 %	30.5 %	29.0 %	30.5 %	29.7 %
Financial position					
Total equity	1 741.4	1 521.3	1 741.4	1 521.3	1 662.2
Net interest bearing debt (cash) ¹⁾	1 380.6	1 835.5	1 380.6	1 835.5	1 807.1

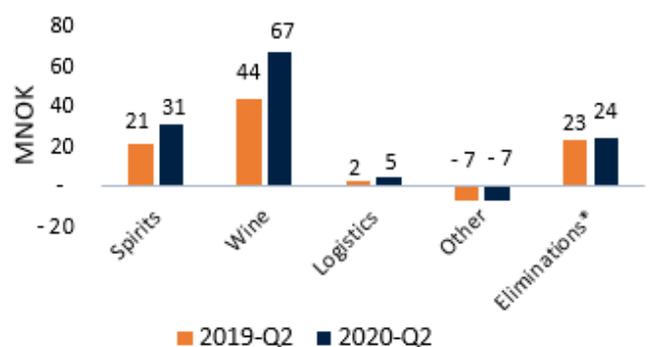
¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.



Operating revenue per segment¹⁾



EBITDA adjusted pr segment^{1,2)}



Highlights Q2 2020

OVERALL PERFORMANCE

- **Operating revenue** for Q2 2020 was 767.2 MNOK, compared to 698.0 MNOK in Q2 last year (+9.9 percent). Operating revenue increased for all business areas. Organic growth for Q2 was +1.2 percent, with an estimated positive currency effect of approximately 53.4 MNOK due to significantly stronger SEK, EUR and DKK vs NOK this year.
- **Adjusted EBITDA** for Q2 was 119.3 MNOK compared to 82.6 MNOK in Q2 last year (+44.4 percent). Adjusted EBITDA improved in all business areas.

BUSINESS SEGMENTS

- **Wine** revenues amounted to 497.4 MNOK, compared to 430.6 MNOK in Q2 last year (+15.5 percent). Organic growth was +4.4 percent. Adjusted EBITDA margin was 13.4 percent for Q2 2020, compared to 10.1 percent in Q2 last year.
- **Spirits** revenues amounted to 237.3 MNOK, compared to 214.4 MNOK in Q2 last year (+10.7 percent). Organic growth was -8.5 percent¹. Adjusted EBITDA margin was 12.9 percent for Q2, compared to 9.9 percent in Q2 last year.
- **Logistics** revenues amounted to 90.5 MNOK compared to 81.7 MNOK in Q2 last year (+10.8 percent). Adjusted EBITDA margin was 5.4 percent for Q2, compared to 2.5 percent in Q2 last year.

¹Calculated on external spirits sales

Wine: Significant growth and flat indirect costs

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	497.4	430.6	874.8	771.7	1 603.4
Gross profit ¹⁾	117.8	97.1	206.5	175.7	365.1
Gross margin ¹⁾	23.7 %	22.6 %	23.6 %	22.8 %	22.8 %
EBITDA ¹⁾	62.6	36.8	98.9	63.6	161.1
EBITDA adjusted ¹⁾	66.6	43.5	103.3	70.7	169.9
EBITDA margin ¹⁾	12.6 %	8.5 %	11.3 %	8.2 %	10.0 %
EBITDA margin adjusted ¹⁾	13.4 %	10.1 %	11.8 %	9.2 %	10.6 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Wine was 497.4 MNOK for the second quarter, compared to 430.6 MNOK in Q2 last year. Organic growth was 4.4 percent, while reported growth was 15.5 percent. Reported growth includes 39.7 MNOK in exchange rate effects from the stronger SEK and EUR, as well as 6.6 MNOK from the acquisition of Wongraven Wines in December 2019.

In Norway and Finland, the restrictions on travel and HORECA related to the COVID-19 led to significant growth at the monopolies in the quarter. This effect was less significant in Sweden where measures were less strict.

In Sweden, Arcus' sales at Systembolaget were down in a growing market. Excluding the lost producers in the subsidiary Vinunic, Arcus' sales grew in line with the market, fuelled by growth of popular Bag-in-Box products.

In Norway, Arcus' sales grew more than the extremely fast-growing market, again leading to increased market share during the period. Both own brands and the agency business outperformed the

market in the quarter, fuelled by Arcus' strong position within the Bag-in-Box format with high demand during the COVID-19.

In Finland, Arcus' sales to Alko increased in line with the market in the period. Well-known brands and Arcus' own brands responded well to the increased demand at Alko.

EBITDA

The adjusted EBITDA-margin for Wine was 13.4 percent in the second quarter, up from 10.1 percent same period last year.

The strong increase in revenues combined with flat indirect costs is the main reason for the increased EBITDA-margin. A favourable product mix with more Bag-in-Box sales and price increases to the monopolies led to increased gross margin in the period despite negative currency effects.

WINE

Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the fifth largest in Finland. Arcus imports and markets agency wines, as well as Arcus brands.

Spirits: Strong EBITDA growth

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Sales	175.6	179.2	329.1	317.7	811.6
Other revenue	61.7	35.2	108.0	72.0	164.0
Total operating revenue	237.3	214.4	437.0	389.7	975.6
Gross profit ¹⁾	112.8	105.6	212.4	199.1	484.3
Gross margin ¹⁾	47.5 %	49.2 %	48.6 %	51.1 %	49.6 %
EBITDA ¹⁾	29.1	20.3	47.6	30.1	146.9
EBITDA adjusted ¹⁾	30.5	21.1	49.3	31.1	148.9
EBITDA margin ¹⁾	12.3 %	9.5 %	10.9 %	7.7 %	15.1 %
EBITDA margin adjusted ¹⁾	12.9 %	9.9 %	11.3 %	8.0 %	15.3 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

OPERATING REVENUE

Total operating revenue for Spirits in the second quarter of 2020 was 237.3 MNOK, compared to 214.4 MNOK for the same period last year, an increase of 10.7 percent. The increase was driven by internal wine bottling. Organic growth was negative 8.5 percent¹ mainly due to extremely low DFTR and border sales following COVID-19.

Revenue continued to increase in the monopoly markets in Q2, as sales shifted from travel and border channels to domestic retail. In Norway, Sweden and Finland revenue increased in the double digits during Q2 compared to last year. Market share in Norway was down, as the market grew even faster than Arcus with sales of global brands shifting from DFTR to Vinmonopolet. Arcus market shares in Sweden and Finland were stable.

In Denmark, revenue decreased in the quarter as Danish border trade was only opened towards the end of the period. Overall domestic market share increased driven by growth in vodka and premixed cocktails. Shares in the aquavit category were slightly down as private label brands benefited from growth in the value segment due to closed borders.

Sales in the DFTR channel were very limited during Q2. Germany and other markets saw an increase in

revenue, but depletion was challenged by reduced retail activation during COVID-19.

EBITDA

The adjusted EBITDA margin for Spirits was 12.9 percent for Q2 2020, compared to 9.9 percent Q2 2019.

Lower operational costs combined with higher gross profit from internal bottling strengthened EBITDA.

The lower operational costs during the period stem largely from cancelled, reduced or postponement of activities due to COVID-19, as well as reduced travel. Higher internal wine-bottling volumes contributed positively on gross profit but reduced the gross margin.

There was a negative contribution from associated company Tiffon (Braastad cognac).

SPIRITS

Arcus is a global leader in aquavit with brands such as Gammel Opland, Linie, Løiten and Aalborg. Other important categories are bitter (Gammel Dansk), vodka (Vikingfjord, Kalinka, Amundsen and Dworek) and cognac (Braastad). Key markets are Norway, Denmark, Sweden, Finland, Germany and Duty Free Travel Retail (DFTR). Arcus brands are produced and bottled at Gjelleråsen, outside Oslo.

¹ Calculated on external spirits sales

Logistics: Strong revenue and EBITDA growth

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenue	90.5	81.7	168.1	150.2	328.1
Gross profit ¹⁾	90.5	81.7	168.1	150.2	328.1
Gross margin ¹⁾	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA ¹⁾	4.9	0.8	3.2	-1.4	13.8
EBITDA adjusted ¹⁾	4.9	2.1	3.2	-0.2	15.4
EBITDA margin ¹⁾	5.4 %	0.9 %	1.9 %	-0.9 %	4.2 %
EBITDA margin adjusted ¹⁾	5.4 %	2.5 %	1.9 %	-0.1 %	4.7 %

¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

VOLUME

Distributed volume in the second quarter was 17.1 million liters, an increase of 4.0 million liters from the same quarter last year. The volume growth was driven by significantly higher sales to Vinmonopolet, as HORECA was significantly reduced due to COVID-19 measures. Volumes to Vinmonopolet increased by 47.1 percent, while Vinmonopolet's total sales increased by 45.2 percent compared to the same quarter last year.

By the end of the first quarter, Vectura's share of deliveries to Vinmonopolet was 50.2 percent, compared to 49.6 percent by the end of same quarter last year.

Distributed volume in the HORECA-channel declined by 62.8 percent compared to last year, as most bars and restaurants were closed during the first part of the quarter. By the end of the quarter, volumes in the HORECA-channel were almost back to normal levels.

Sales to other wholesalers decreased by 30.9 percent compared to the second quarter last year.

Due to the extraordinarily high volumes delivered to Vinmonopolet, there were some issues regarding consumers' orders via the order assortment.

OPERATING REVENUE

Operating revenue increased by 10.8 percent to 90.5 MNOK in the quarter, compared to 81.7 MNOK in the same period last year. The increase was driven by higher volumes at Vinmonopolet. Revenue per liter was down as prices at Vinmonopolet are lower than in other channels due to the lower complexity and higher dropsizes for Vinmonopol-deliveries.

EBITDA

Adjusted EBITDA in the second quarter was 4.9 MNOK, an improvement of 2.8 MNOK compared to the same quarter last year.

The high volumes to Vinmonopolet increased dropsize and reduced distribution costs per liter.

This more than compensated for the decline in revenue per liter and additional costs incurred to handle all the orders and limit delays in deliveries (e.g. use of overtime, nightshifts and weekends in the warehouse; additional external storage of goods).

LOGISTICS

Vectura is the leading integrated logistics service provider for alcoholic-beverage importers in Norway. Vectura serves both Arcus-Gruppen AS and external customers. Vectura is located next to Arcus' production facility at Gjelleråsen, outside Oslo

Financial position

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q2 2020 was 528.4 MNOK, compared to 13.2 MNOK in Q2 2019 (change of +515.2 MNOK).

The Q2 cash flow was higher this year mainly due to a significant reduction in net working capital during the period this year compared to an increase last year, and higher EBITDA this year.

The net working capital decreased in the quarter this year with increased accounts payables, alcohol tax and VAT fueled by the significant sales growth, but without the corresponding higher receivables.

The receivables declined in the period this year despite higher sales, mainly because Vinmonopolet

temporarily (until 30 June) reduced their own credit terms due to COVID-19.

In addition, cash flow from change in net working capital had negative cut-off effects last year when payments arrived first banking day in July.

Net interest bearing debt was 1,380.6 MNOK compared to 1,835.5 MNOK at the end of Q2 2019. Excluding IFRS16 effects, it was 258.6 MNOK vs 930.8 MNOK last year. The higher cash flow in the period, and postponed payment of dividend from (May last year, July this year), increased the cash position more than the stronger SEK vs NOK increased the long-term loan in SEK, reducing net debt compared to last year.

Other information

STRONG SALES OF NEW CATEGORIES IN DENMARK

Pre-mixed cocktails, introduced in Denmark in the autumn of 2019, have become very popular during spring and summer. Pre-mixed classic cocktails are new products for Arcus in the Danish market, 1.5-liter bag-in-boxes, bottled at Arcus' production facility at Gjelleråsen.

The Skagerrak Nordic Dry Gin, launched in Denmark late 2019, has during the summer become the #2 best-selling premium gin.



AWARDS FOR SKAGERRAK NORDIC DRY GIN

Skagerrak Nordic Dry Gin received Double Gold at the international competition The Gin Masters in London in July, where an international jury blind tasted 219 gins. Skagerrak Nordic Dry Gin achieved gold in the categories Contemporary and Premium.

At the International Wine & Spirit Competition in London in July, Skagerrak Nordic Dry Gin received 95 points out of 100 (i.e. "An excellent spirit with an exceptional balance and rare and complex flavours. An example that stands out against its peers").



WONGRAVEN EXPANSION

Since entering a long-term relationship with Sigurd Wongraven December 2019, some of his wines have already been introduced in Sweden. In addition, Wongraven has also launched beer for sale at Vinmonopolet (Saison Wongraven). The beer is blended by Kjetil Jikiun, founder of Nøgne Ø, and Sigurd Wongraven.

BREACH OF COMPETITION CLAUSE

At the Stockholm Chamber of Commerce, an arbitration tribunal has ruled that former employee Stefan Stjärnström breached the competition clause in his employment contract with Vinunic. Stjärnström will have to repay his severance pay, in addition to Vinunic's legal fees and own costs.

In February 2019, Stefan Stjärnström recruited five key employees from Vinunic AB and Vingruppen i Norden AB to his new company. Days after, several wine producers ended their cooperation with Vinunic to join his company too. Stjärnström's competition clause expired 31 December 2018. The arbitration tribunal evidenced the fact that Stjärnström already before 31 December 2018 started his competing company and therefore was in breach with the parties' agreement. Vinunic and Vingruppen are pleased with the ruling and deem that it is fair. The ruling cannot be appealed and is final.

SEVERAL AQUAVIT LAUNCHES IN NORWAY

To strengthen Arcus' position in the Norwegian aquavit market, several new aquavits will be launched at Vinmonopolet in September. Among the new launches are Markens Grøde (tender win), Edvard Munch Aquavit and Gammel Opland Juleaquavit.



Environmental, Social and Governance (ESG)

LIFE CYCLE ANALYSIS OF THREE PRODUCTS

On behalf of Arcus, Research Institute of Sweden (RISE), has performed a life cycle analysis of LINIE Aquavit 0.7L bottle, Aalborg Taffel 0.7L bottle and Falling Feather 3L BIB. In the comprehensive study RISE has calculated CO₂ emissions, use of freshwater and spill in the ocean throughout each product's lifecycle. Arcus will publish the results this autumn.

WINE SWEDEN REACHED THE 2019 CLIMATE GOAL

Wine Sweden (Vingruppen Norden) has reached its climate goal for 2019. This is a result of more effective transportation of products, and improved recycling at the office. Wine Sweden is now at 0.35 kg CO₂e/liter of beverage, a reduction of 8 percent

from previous year, which is in line with the reduction ratio required to become a climate-neutral operation in 2030, according to the Swedish Climate Initiative for the Beverage Industry.

BIOLOGICAL WASTE CONVERTED TO BIOGAS

Since April, Arcus has delivered biological waste from the distillation and maceration process to Norsk Matretur where the waste is converted into biogas. Biogas can be used as fuel for cars, buses and trucks. Arcus expects to deliver 75 tons of waste per year.

Half-year review

This half-year review presents highlights only. Additional details are available in the Group's interim report for Q1 and the review of Q2 results in this report. This interim report does not include all information that is normally prepared in a full annual financial statement and should be read in conjunction with the Group's annual financial statement as at 31.12.2019.

FINANCIAL RESULTS

The COVID-19 outbreak and the effects therefrom have significantly impacted our business in 2020, particularly in Norway. Operating revenue for the first half year was 1 378.3 MNOK vs. 1 250.1 MNOK (+10.3 percent) in the same period last year. Organic growth was 3.9 percent in the period with the Wine and Distribution business seeing solid growth. The external sales in the Spirits segment slightly declined in the first half year, but a significant increase in internal bottling services lifted total revenues above same period last year. Reported operating revenue was boosted by the weakness of the NOK vs. the SEK and the EUR.

Adjusted EBITDA for the first half year was 185.9 MNOK. This represents a 44.5 percent increase compared to 128.7 MNOK for the same period last year. All business areas contributed positively compared to last year and the increase is mainly explained by significant sales growth in the monopoly channels due to COVID-19 restrictions, combined with indirect costs at same level as last year.

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax YTD was 541.2 MNOK vs. -111.9 last year. Higher profits this year contributed positively, although the main reason for the higher cash flow is the reduction in net working capital this first half year compared to an increase last year. The significant increase in sales during COVID-19 increased alcohol tax, VAT and accounts payable, but without a corresponding increase in accounts receivables because Vinmonopolet temporarily (until 30 June) reduced their own credit terms due to COVID-19. In addition, cash flow from change in net working capital had negative cut-off effects last year when payments arrived on the first banking day in July.

OUTLOOK

Arcus ASA operates in non-cyclical wine and spirits markets with moderate and steady growth, but with some variations between the different categories, countries and seasons. Tender wins, new products, operational efficiency improvements in Arcus' three business segments and minor bolt-on acquisitions will contribute to profitable growth going forward. Over the next years, Arcus is still committed to meet the financial targets outlined at the IPO. In the short term, the COVID-19 outbreak will continue to influence our business in ways that are currently difficult to predict. While we currently still experience positive effects, it is impossible to forecast how long they will continue. We are closely monitoring events in order to minimize potential disruption to our operations and so that we can continue meeting our customers' and consumers' expectations.

The Group's overdraft facility at SEB has been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19. The due date on the group's term loan has also been extended by one year to 24 October 2022.

COVID-19 is identified as an impairment indicator for certain cash generating units (CGUs) in Spirits, and management has estimated the recoverable amount and compared this to the carrying amount for the relevant CGUs. Based on the impairment tests performed, no impairment is identified in the first half of 2020. Depending on the duration of the COVID-19, and to what extent the business is affected in the medium to long term

perspective, it may have an impact on assumptions applied for calculating the recoverable amount for fixed and intangible assets, including goodwill.

LONG-TERM FINANCIAL TARGETS

As communicated in connection with the IPO, Arcus targets organic revenue growth in the level of 3-5 percent p.a. (including minor bolt-on acquisitions), as well as EBITDA growth of 6-9 percent p.a. over the next three to five years.

SEASONAL VARIATIONS

The business of Arcus is seasonal. Sales of wine and spirits increase during national festivals and holidays, in particular Easter and Christmas. Q4 is normally the strongest quarter in terms of income as well as operating profit due to Christmas and New Year's Eve.

DECLARATION BY THE BOARD OF DIRECTORS

The Board of Directors and Chief Executive Officer confirm, to the best of our knowledge, that the unaudited, condensed financial statements for the period 1 January to 30 June 2020 including notes, have been prepared in accordance with IAS 34 – Interim Financial Reporting, as determined by the EU and Norwegian Additional Requirements in the Securities Trading Act. It is also stated that the information in the condensed financial statement, provides a fair view of the business, and the Group's assets, liabilities, financial position and overall results.

Nittedal, 17 August 2020
The Board of Directors of Arcus ASA



Michael Holm Johansen
Chairman of the Board



Carl Erik Hagen



Kirsten Ægidius



Leena Maria Saarinen



Ann-Beth Freuchen



Nils Selte



Ingeborg Flønes



Erik Hagen



Therese Jacobsen



Anne-Marie Flåten



Kenneth Hamnes
Group CEO

Group consolidated accounts

The interim financial statement has not been audited.

CONDENSED STATEMENT OF INCOME

MNOK	Note	Second quarter		Year to date		Full Year
		2020	2019	2020	2019	2019
Sales	2,9	759.0	685.5	1 354.1	1 227.5	2 710.4
Other revenue	2	8.1	12.4	24.2	22.6	52.4
Total operating revenue	2,9	767.2	698.0	1 378.3	1 250.1	2 762.8
Cost of goods		-450.4	-417.4	-800.0	-731.9	-1 601.1
Gross Profit		316.8	280.6	578.3	518.2	1 161.7
Gain on sale of fixed assets		0.0	0.0	0.1	0.0	0.0
Salaries and personnel cost		-122.5	-112.6	-241.0	-221.3	-439.2
Advertising & Promotion expenses (A&P)		-23.3	-32.3	-43.6	-56.2	-116.0
Other operating expenses		-48.5	-55.5	-105.8	-112.4	-213.5
Share of profit from AC ¹⁾ and JCE ²⁾		-3.4	2.3	-2.1	0.4	4.1
Other income and expenses	3	-18.3	-11.5	-18.2	-13.0	-19.7
EBITDA		101.0	71.1	167.7	115.7	377.3
Depreciation	5,6	-28.8	-24.6	-57.5	-49.4	-111.8
Amortisations	5,6	-2.7	-1.9	-5.4	-3.8	-7.7
Operating profit (EBIT)		69.5	44.7	104.9	62.4	257.8
Financial income	12	9.7	7.1	53.2	11.8	25.9
Financial expenses	7,10,12	-25.6	-30.0	-50.1	-63.5	-111.2
Pre-tax profit		53.7	21.7	108.0	10.7	172.5
Tax		-17.2	-4.7	-25.8	-2.8	-39.2
Profit/loss for the year		36.5	16.9	82.1	7.9	133.3
Profit/loss for the year attributable to parent company shareholders		35.6	16.9	81.0	7.8	132.3
Profit/loss for the year attributable to non-controlling interests		0.8	0.1	1.1	0.1	1.0
Earnings per share, continued operations		0.52	0.25	1.19	0.11	1.94
Diluted earnings per share, continued operations		0.49	0.24	1.12	0.11	1.85

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK	Note	Second quarter		Year to date		Full Year
		2020	2019	2020	2019	2019
Profit/loss for the year		36.5	16.9	82.1	7.9	133.3
Items that will not be reclassified against the statement of income						
Change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-2.0
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	0.4
Total		0.0	0.0	0.0	0.0	-1.6
Items that may be reclassified against the statement of income						
Translating differences in translation of foreign subsidiaries		-51.6	0.1	110.8	-23.5	-5.0
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0	0.0
Total		-51.6	0.1	110.8	-23.5	-5.0
Total other comprehensive income		-51.6	0.1	110.8	-23.5	-6.6
Total comprehensive income for the year		-15.1	17.0	193.0	-15.5	126.7
Total comprehensive income for the year attributable to parent company shareholders		-15.9	17.1	191.5	-15.4	126.1
Total comprehensive income for the year attributable to non-controlling interests		0.7	-0.1	1.4	-0.1	0.7

CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Second quarter		Full Year
		30.06.2020	30.06.2019	31.12.2019
Intangible assets	6	2 023.6	1 848.5	1 923.2
Tangible assets	5	1 402.1	1 195.6	1 431.2
Deferred tax asset		72.1	117.7	86.1
Financial assets		69.0	60.4	65.3
Total fixed assets		3 566.8	3 222.2	3 505.8
Inventories		583.0	496.1	486.6
Accounts receivables and other receivables		1 186.4	1 174.3	1 392.5
Cash and cash equivalents		675.1	98.5	205.0
Total current assets		2 444.5	1 768.9	2 084.1
Total assets		6 011.3	4 991.1	5 589.9
Paid-in equity		772.1	772.1	772.1
Retained earnings		964.7	746.2	886.2
Non-controlling interests		4.6	3.0	3.9
Total equity		1 741.4	1 521.3	1 662.2
Non-current liabilities to financial institutions	8	775.5	684.5	703.8
Non-current liabilities at fair value through profit or loss	7,10	59.8	68.0	69.3
Non-current lease liabilities	8	1 203.4	1 016.5	1 151.0
Pension obligations		18.8	21.3	23.7
Deferred tax liability		117.2	99.7	101.3
Other non-current liabilities		0.9	0.4	0.5
Total non-current liabilities		2 175.7	1 890.3	2 049.6
Bank Overdraft	8	0.0	180.4	0.0
Current liabilities at fair value through profit or loss	7,10	0.0	0.0	0.0
Current finance lease liabilities	8	71.9	48.8	154.2
Tax payable		6.6	0.0	5.0
Dividend payable		112.9	0.0	0.0
Accounts payable and other payables		1 902.8	1 350.3	1 718.8
Total current liabilities		2 094.2	1 579.5	1 878.0
Total equity and liabilities		6 011.3	4 991.1	5 589.9

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		30.06.2020			30.06.2019		
	Note	Attributed to equity holders of the parent company	Non-controlling interest	Total equity	Attributed to equity holders of the parent company	Non-controlling interest	Total equity
Statement of changes in equity							
Equity 1 January		1 658.3	3.9	1 662.2	1 651.1	3.0	1 654.0
Total comprehensive income for the period		191.5	1.4	193.0	-15.4	-0.1	-15.5
Dividends		-113.8	0.0	-113.8	-115.9	0.0	-115.9
Re-purchase of own shares		0.0	0.0	0.0	-1.3	0.0	-1.3
Sharebased payments	10,11	2.5	0.0	2.5	-0.1	0.0	-0.1
Change in non-controlling interest		-1.7	-0.7	-2.4	0.0	0.1	0.1
Equity at the end of period		1 736.8	4.6	1 741.4	1 518.4	3.0	1 521.3

In several of the Group's wine companies, there are managing directors with non-controlling interests. Most of these managing directors have put options associated with their ownership, which they can exercise at a certain point of time in the future.

Although the Group does not have control of the shares at the end of the reporting period, the Group also does not control the possible exercise of the put-option. Because of this, these non-controlling interests where the managing director have put-options related to their shares, are recognized as though they are owned by the Group.

The presented remaining non-controlling interest in the equity is non-controlling interests where there are no put-options associated. From Q2 2020, the Group has made a change regarding presentation of the non-controlling interests' share of profit, where also the profit shown in the statement of income relates only to the non-controlling interests' where there are no put options associated. The comparative figures for the former periods are also changed.

CONDENSED STATEMENT OF CASHFLOW

MNOK	Note	Second quarter		Year to date		Full Year
		2020	2019	2020	2019	2019
Pre-tax profit		53.7	21.7	108.0	10.7	172.5
Depreciation and amortisations	5,6	31.5	26.5	62.9	53.2	119.6
Received dividend from associated companies		0.0	0.4	1.0	0.4	0.4
Net interest in period		19.4	27.5	46.0	53.3	97.5
Other items without cash effect		6.9	-2.7	11.9	-8.9	-6.3
Change in inventories		-50.3	-7.5	-96.4	-55.0	-45.5
Change in receivables		221.8	-153.3	223.4	175.0	-38.9
Change in payables		245.4	100.6	184.4	-340.7	27.4
Cash flow from operating activities before tax		528.4	13.2	541.2	-111.9	326.7
Tax paid		-10.0	-10.0	-21.9	-19.5	-34.9
Cash flow from operating activities		518.4	3.2	519.2	-131.4	291.8
Proceeds from sale of tangible & intangible fixed assets		0.0	0.0	0.1	0.0	0.1
Payments on acquisition of tangible & intangible fixed assets	5,6	-4.4	-4.8	-20.1	-7.2	-20.0
Payments on acquisition of Brands	6	0.0	0.0	0.0	0.0	-0.3
Payments on acquisition of operations		0.0	0.0	0.0	0.0	-50.7
Other investments		-4.3	0.0	-4.3	0.0	0.0
Cash flows from investment activities		-8.7	-4.8	-24.4	-7.2	-70.8
Payments - co-investment program	7.12	0.0	0.0	0.0	-2.1	-2.1
New debt to financial institutions	8	0.0	0.0	-2.5	0.0	0.0
Repayment debt to financial institutions	8	-17.6	-12.0	-35.2	-24.0	-66.2
Change other long term loans		0.1	0.0	0.1	1.0	1.0
Interest paid in period		-19.3	-27.4	-45.9	-53.2	-97.3
Paid dividend and Group contributions		-0.9	-114.7	-0.9	-115.9	-116.2
Other financing payments		0.0	0.0	0.0	-3.7	-2.9
Cash flow from financing activities		-37.7	-154.1	-84.4	-197.9	-283.7
Cash flow from discontinued operations		0.0	0.0	0.0	0.0	0.0
Total cash flow		472.0	-155.7	410.5	-336.5	-62.7
Holdings of cash and cash equivalents at the beginning of period		206.0	79.9	205.0	282.6	282.6
Effect of exchange rate changes on cash and cash equivalents		-2.9	-6.1	59.6	-28.0	-14.8
Holdings of cash and cash equivalents at the end of period		675.1	-81.9	675.1	-81.9	205.0
Specification of cash and cash equivalents at the end of the period						
Cash and cash equivalents at the end of the period		675.1	98.5	675.1	98.5	205.0
Overdraft cashpool system at the end of the period		0.0	-180.4	0.0	-180.4	0.0
Holdings of cash and cash equivalents at the end of period		675.1	-81.9	675.1	-81.9	205.0

Notes

NOTE 1 ACCOUNTING PRINCIPLES

The Group's condensed interim financial statements are prepared according to IAS 34 Interim Financial Reporting. The interim reporting does not include all information that is normally prepared in a full annual financial statement and should be read in conjunction with the Group's annual financial statement as at December 31st 2019.

The Board approved the consolidated financial statement for the year 2019 on April 29th 2020.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2019. There are no significant effects from adoption of new standards effective as of January 1st 2020. The Group has not voluntarily adopted any other standard that has been issued but is not yet mandatory.

As of June 30th 2020, the following exchange rates have been used in translation of income and financial position figures from subsidiaries with functional currency other than NOK:

Exchange rates		Year to date		Year end
		2020	2019	2019
EUR average rate	Income statement items	10.7562	9.7332	9.8540
EUR closing rate	Balance sheet items	10.9302	9.6842	9.8807
SEK average rate	Income statement items	1.0083	0.9256	0.9308
SEK closing rate	Balance sheet items	1.0405	0.9178	0.9426
DKK average rate	Income statement items	1.4407	1.3038	1.3198
DKK closing rate	Balance sheet items	1.4670	1.2973	1.3228

NOTE 2 REVENUES

The following table present the Group's total external revenues by market:

Group	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues					
Norway	361.8	269.7	633.6	489.9	1 124.7
Sweden	289.1	296.2	525.8	533.0	1 074.9
Denmark	27.6	32.4	60.2	60.5	156.0
Finland	75.4	58.8	122.6	99.6	227.7
Germany	11.7	8.9	15.8	13.2	56.9
USA	1.3	1.0	2.4	2.1	4.6
DFTR ¹⁾	-0.2	30.3	16.4	50.7	111.7
Other	0.5	0.6	1.5	1.2	6.3
Total operating revenues	767.2	698.0	1 378.3	1 250.1	2 762.8

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

Spirits	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues					
Norway	135.3	97.7	236.1	183.1	463.1
Sweden	48.2	36.2	84.3	65.1	142.2
Denmark	27.2	32.0	59.3	59.7	153.5
Finland	13.2	10.1	23.0	18.8	46.3
Germany	11.7	8.9	15.8	13.2	56.9
USA	1.3	1.0	2.4	2.1	4.6
DFTR ¹⁾	0.0	27.9	14.6	46.6	102.7
Other	0.5	0.6	1.5	1.2	6.3
Total operating revenues	237.3	214.4	437.0	389.7	975.6

Wine	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues					
Norway	202.3	128.0	345.0	233.3	510.5
Sweden	233.4	252.1	428.4	453.9	904.0
Finland	61.2	48.0	98.2	80.1	179.6
DFTR ¹⁾	-0.2	2.4	1.7	4.2	9.1
Total operating revenues	497.4	430.6	874.8	771.7	1 603.4

Logistics	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues					
Norway	90.5	81.7	168.1	150.2	328.1
Total operating revenues	90.5	81.7	168.1	150.2	328.1

¹⁾ DFTR; Duty Free Travel Retail

NOTE 3 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.

Other income and expenses during Q2 are mainly related to various business development projects and termination payment agreements.

Group

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	2020	2019	2020	2019	2019
Salary & personnel cost	-4.4	-7.0	-4.4	-8.5	-9.1
Other operating expenses	-13.9	-4.5	-13.8	-4.5	-10.6
Other income and expenses	-18.3	-11.5	-18.2	-13.0	-19.7

Spirits

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	2020	2019	2020	2019	2019
Salary & personnel cost	-1.0	0.0	-1.0	-0.1	-0.7
Other operating expenses	-0.4	-0.8	-0.7	-0.8	-1.3
Other income and expenses	-1.4	-0.8	-1.7	-1.0	-2.0

Wine

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	2020	2019	2020	2019	2019
Salary & personnel cost	-3.3	-5.7	-3.3	-6.1	-6.5
Other operating expenses	-0.8	-1.0	-1.1	-1.0	-2.3
Other income and expenses	-4.0	-6.7	-4.3	-7.2	-8.8

Logistics

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	2020	2019	2020	2019	2019
Salary & personnel cost	0.0	-1.3	0.0	-1.2	-1.2
Other operating expenses	0.0	0.0	0.0	0.0	-0.4
Other income and expenses	0.0	-1.3	0.0	-1.2	-1.6

Other

MNOK	Second quarter		Year to date		Full Year
Other income and expenses	2020	2019	2020	2019	2019
Salary & personnel cost	-0.1	0.0	-0.1	-1.1	-0.7
Other operating expenses	-12.7	-2.6	-12.0	-2.6	-6.6
Other income and expenses	-12.8	-2.6	-12.1	-3.7	-7.3

NOTE 4 SEGMENT INFORMATION

MNOK	Second quarter		Year to date		Full Year
External sales	2020	2019	2020	2019	2019
Spirits	175.6	179.2	329.1	318.5	811.9
Wine	493.4	424.7	859.8	761.1	1 574.1
Logistics	79.2	70.5	145.3	128.2	283.0
Other	10.9	11.2	20.0	19.7	41.4
Total external sales	759.0	685.5	1 354.1	1 227.5	2 710.4

MNOK	Second quarter		Year to date		Full Year
Sales between segments	2020	2019	2020	2019	2019
Spirits	0.0	0.0	0.0	-0.8	-0.3
Wine	1.0	0.4	2.2	0.7	3.7
Logistics	2.9	2.6	5.5	5.2	10.6
Eliminations	-3.9	-3.0	-7.7	-5.1	-14.0
Total sales revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	Second quarter		Year to date		Full Year
External other revenue	2020	2019	2020	2019	2019
Spirits	0.9	2.2	3.1	3.9	9.7
Wine	1.4	3.9	9.7	6.8	19.9
Logistics	5.2	5.6	10.3	10.7	20.2
Other	0.6	0.7	1.1	1.2	2.6
Total external other revenue	8.1	12.4	24.2	22.6	52.4

MNOK	Second quarter		Year to date		Full Year
Other revenue between segments	2020	2019	2020	2019	2019
Spirits	60.8	33.0	104.9	68.1	154.3
Wine	1.6	1.6	3.0	3.1	5.7
Logistics	3.3	3.1	7.0	6.1	14.3
Other	45.3	44.4	90.4	88.4	176.8
Eliminations	-111.0	-82.0	-205.3	-165.7	-351.1
Total other revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	Second quarter		Year to date		Full Year
EBITDA	2020	2019	2020	2019	2019
Spirits	29.1	20.3	47.6	30.1	146.9
Wine	62.6	36.8	98.9	63.6	161.1
Logistics	4.9	0.8	3.2	-1.4	13.8
Other	-19.5	-9.9	-29.7	-23.2	-37.1
Eliminations	23.9	23.1	47.8	46.5	92.7
Total EBITDA	101.0	71.1	167.7	115.7	377.3

MNOK	Second quarter		Year to date		Full Year
EBIT	2020	2019	2020	2019	2019
Spirits	22.8	14.0	35.0	17.6	121.6
Wine	60.5	36.1	94.8	62.1	158.0
Logistics	1.9	-1.9	-2.8	-6.9	2.4
Other	-20.9	-11.4	-32.4	-26.3	-43.1
Eliminations	5.1	7.9	10.2	15.9	18.8
Total EBIT	69.5	44.7	104.9	62.4	257.8

MNOK	Second quarter		Year to date		Full Year
Total comprehensive income for the year	2020	2019	2020	2019	2019
Spirits	-39.0	8.7	151.0	-22.7	74.7
Wine	44.5	26.0	89.6	44.7	113.8
Logistics	3.1	-1.5	-2.0	-5.1	2.5
Other	-16.2	-10.9	-31.1	-22.9	-42.8
Eliminations	-7.6	-5.3	-14.5	-9.4	-21.4
Total comprehensive income for the year	-15.1	17.0	193.0	-15.5	126.7

NOTE 5 FIXED ASSETS

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	2020	2019	2020	2019	2019
Purchase cost at beginning of period	1 888.7	1 578.1	1 863.1	658.0	658.0
Additions tangible fixed assets	4.4	4.0	20.1	6.1	19.1
Additions user rights through lease	0.0	-0.4	0.3	920.1	1 185.0
Transferred from assets under construction	0.0	-0.3	0.0	-0.3	-0.3
Value changes	0.0		0.0	0.0	16.3
Reclassifications	0.0	0.0	0.0	-0.4	-0.3
Purchase price, disposed assets	-4.1	-3.6	-4.1	-4.8	-14.6
Translation differences	-2.4	-0.1	7.1	-1.0	-0.1
Purchase cost at end of period	1 886.6	1 577.7	1 886.6	1 577.7	1 863.1
Accumulated depreciation at beginning of period	-461.7	-363.2	-431.9	-342.2	-342.2
Accumulated depreciation, disposed assets	4.1	3.5	4.1	4.7	14.5
Ordinary depreciation in period	-27.3	-22.5	-54.6	-45.6	-104.7
Reclassifications	0.0	0.0	0.0	0.4	0.3
Translation differences	0.5	0.2	-2.1	0.6	0.2
Accumulated depreciation at end of period	-484.4	-382.1	-484.4	-382.1	-431.9
Book Value at end of period	1 402.1	1 195.6	1 402.1	1 195.6	1 431.2

The table above includes both tangible fixed assets and rights of use assets.

Specification of split tangible fixed assets and rights of use assets

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	2020	2019	2020	2019	2019
Tangible fixed assets	162.9	149.0	162.9	149.0	152.0
Right of Use assets	1 239.2	1 046.6	1 239.2	1 046.6	1 279.3
Book value at end of period	1 402.1	1 195.6	1 402.1	1 195.6	1 431.2

Specification of fixed assets per asset category

MNOK	Second quarter		Year to date		Full Year
Fixed Assets	2020	2019	2020	2019	2019
Land, buildings and other real estate	1 078.3	886.0	1 078.3	886.0	1 107.2
Machinery and equipment	253.3	285.6	253.3	285.6	293.4
Transport & Vehicles	27.4	0.0	27.4	0.0	0.0
Fixtures and fittings, tools, office equipment etc.	13.0	18.7	13.0	18.7	16.9
Assets under construction	30.1	5.4	30.1	5.4	13.6
Book Value at end of period	1 402.1	1 195.6	1 402.1	1 195.6	1 431.2

NOTE 6 INTANGIBLE ASSETS

MNOK	Second quarter		Year to date		Full Year
Intangible assets	2020	2019	2020	2019	2019
Purchase cost at beginning of period	2 289.8	2 046.7	2 128.2	2 074.1	2 074.1
Addition of intangible assets	0.0	0.8	0.0	1.1	1.5
Acquisition of business	0.0	0.0	0.0	0.0	61.5
Transferred from assets under construction	0.0	0.3	0.0	0.3	0.3
Translation differences	-52.5	-1.7	109.1	-29.3	-9.3
Purchase cost at end of period	2 237.3	2 046.2	2 237.3	2 046.2	2 128.2
Acc. depreciation and amortizations at beginning of period	-209.7	-193.9	-205.0	-190.2	-190.2
Depreciation in period	-1.4	-1.8	-2.8	-3.7	-7.2
Amortisations in period	-2.7	-1.9	-5.4	-3.9	-7.7
Translation differences	0.1	-0.1	-0.5	0.1	0.0
Acc. depreciation and amortizations at end of period	-213.8	-197.7	-213.8	-197.7	-205.0
Book Value at end of period	2 023.6	1 848.5	2 023.6	1 848.5	1 923.2

Specification of intangible assets

MNOK	Second quarter		Year to date		Full Year
Intangible assets	2020	2019	2020	2019	2019
Goodwill	1 105.9	1 025.3	1 105.9	1 025.3	1 048.2
Brands	899.1	798.9	899.1	798.9	854.0
Software	18.6	24.2	18.6	24.2	21.0
Book Value at end of period	2 023.6	1 848.5	2 023.6	1 848.5	1 923.2

NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Second quarter		Year to date		Full Year
Liabilities at fair value through profit and loss	2020	2019	2020	2019	2019
Book value at beginning of period	59.6	69.8	69.3	74.2	74.2
Paid during period	-2.1	0.0	-2.1	0.0	0.0
Changes in value during period	1.6	-1.2	-12.9	-3.2	-3.4
Interest during period	0.1	0.0	0.1	0.1	0.2
Translation differences	0.8	-0.7	5.4	-3.1	-1.7
Book value at end of period	59.8	68.0	59.8	68.0	69.3
<i>From this;</i>					
Current liability	0.0	0.0	0.0	0.0	0.0
Non-current liability	59.8	68.0	59.8	68.0	69.3
Total liabilities through profit and loss	59.8	68.0	59.8	68.0	69.3

Liabilities at fair value through profit and loss consist of put options regarding minority shares in companies included in the Wine business, held by non-controlling interests.

NOTE 8 INTEREST BEARING DEBT

Interest bearing liabilities, including leasing

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Interest bearing debt					
Debt at beginning of period	2 074.6	1 774.7	2 012.2	897.8	897.8
New debt in period	0.0	0.0	0.3	920.3	1 185.4
Value changes	0.0	0.0	0.0	0.0	16.3
Repayments in period	-17.7	0.0	-35.1	-24.1	-66.2
Debt to credit institutions in purchased business	0.0	-12.0	0.0	0.0	0.0
Translation differences	-1.1	-9.1	78.5	-40.4	-21.1
Interest bearing debt at end of period	2 055.8	1 753.6	2 055.8	1 753.6	2 012.2
Capitalized borrowing costs at beginning of period	-5.2	-4.3	-3.1	-4.8	-4.8
Capitalized borrowing costs during period	-2.5	0.0	-2.5	0.0	0.0
Amortized borrowing costs during period	0.5	0.4	1.0	0.8	1.6
Translation differences	2.4	0.0	-0.2	0.1	0.1
Capitalized borrowing costs at end of period	-4.8	-3.9	-4.8	-3.9	-3.1
Book value interest bearing debt at end of period	2 050.9	1 749.7	2 050.9	1 749.7	2 009.0

The table above includes both liabilities to financial institutions and lease obligations.

Specification of split liabilities to financial institutions and lease obligations

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Interest bearing liabilities					
Liabilities to financial institutions	775.5	684.5	775.5	684.5	703.8
Lease obligations	1 275.4	1 065.2	1 275.4	1 065.2	1 305.2
Book value interest bearing debt at end of period	2 050.9	1 749.7	2 050.9	1 749.7	2 009.0

Current interest bearing, including leasing and bank overdraft:

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Interest bearing liabilities					
Current portion of non-current loans	0.0	0.0	0.0	0.0	0.0
Current portion of non-current lease obligations	71.9	48.8	71.9	48.8	154.2
Bank overdraft	0.0	180.4	0.0	180.4	0.0
Current interest bearing liabilities at end of period	71.9	229.2	71.9	229.2	154.2

The Group's overdraft facility at SEB has during the quarter been increased from 600 MNOK to 800 MNOK to provide additional liquidity reserves during the potentially volatile situation caused by the COVID-19.

The due date on the group's term loan has also been extended by one year to 24 October 2022.

NOTE 9 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 senior management, as well as companies in which any of these parties have either controlling interests, board appointments or are senior staff. All transactions with related parties that are not eliminated in the Group accounts are presented below:

Sale and purchase transactions with related parties

MNOK	Second quarter		Year to date		Full Year
Purchase of goods and services	2020	2019	2020	2019	2019
Tiffon SA	9.9	12.5	26.7	30.2	57.5
Hoff SA	6.1	6.0	10.5	11.9	21.0
Total purchase transactions	16.0	18.6	37.2	42.1	78.5

MNOK	Second quarter		Year to date		Full Year
Sale of goods and services	2020	2019	2020	2019	2019
Tiffon SA	0.0	0.0	1.9	0.0	1.2
Total sale transactions	0.0	0.0	1.9	0.0	1.2

Receivables and debt at end of period

MNOK	30.06.2020	30.06.2019	31.12.2019
Current receivables from related parties			
Tiffon SA	0.0	0.4	0.0
Total current receivables from related parties	0.0	0.4	0.0
Non-current receivables from related parties			
Smakeappen AS	0.5	0.0	0.5
Total non-current receivables from related parties	0.5	0.0	0.5
Current debt to related parties			
Tiffon SA	1.5	5.0	4.4
Hoff SA	2.7	1.4	0.5
Total current debt to related parties	4.2	6.4	4.9

NOTE 10 FINANCIAL INSTRUMENTS

MNOK	Financial instruments at fair value through profit and loss	Financial instruments at amortized cost	Financial instruments at fair value through OCI	Total book value at end of period
	Assets			
Other investments in shares	0.0	0.0	0.3	0.3
Other long term receivables	0.0	0.5	0.0	0.5
Accounts receivables	0.0	1 047.4	0.0	1 047.4
Other receivables ¹⁾	0.1	62.5	0.0	62.6
Cash and cash equivalents	0.0	675.1	0.0	675.1
Total financial assets as of second quarter 2020	0.1	1 785.5	0.3	1 785.9
Total financial assets as of second quarter 2019	0.0	1 245.3	0.0	1 245.3
Liabilities				
Liabilities to financial institutions	0.0	775.5	0.0	775.5
Leasing commitments	0.0	1 275.4	0.0	1 275.4
Liabilities at fair value through profit and loss	59.8	0.0	0.0	59.8
Other non-current term debt	0.0	0.2	0.0	0.2
Accounts payable	0.0	665.4	0.0	665.4
Other current debt ²⁾	0.0	16.6	0.0	16.6
Total financial liabilities as of second quarter 2020	59.8	2 733.1	0.0	2 792.9
Total financial liabilities as of second quarter 2019	68.4	2 268.3	0.0	2 336.7

¹⁾ Prepayments are not defined as financial assets according to IFRS, and hence not included in the figures.

²⁾ Accrued costs and public taxes are not defined as financial liabilities according to IFRS, and hence not included in the figures.

Fair value hierarchy**Assets**

MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.0	0.1	0.0	0.1
Total financial assets	0.0	0.1	0.0	0.1

Liabilities

MNOK	Level 1	Level 2	Level 3	Book Value
Liabilities at fair value through profit and loss	0.0	0.0	59.8	59.8
Currency derivatives	0.0	0.0	0.0	0.0
Total financial liabilities	0.0	0.0	59.8	59.8

There has not been any transfers of financial assets or liabilities between levels during the period.

Changes financial liabilities, level 3

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Financial liabilities, level 3, at beginning of period	59.6	69.8	69.3	74.2	74.2
Fair value at the first time of recognition	0.0	0.0	0.0	0.0	0.0
Paid during the period	-2.1	0.0	-2.1	0.0	0.0
Changes in value during the period	1.6	-1.2	-12.9	-3.2	-3.4
Interest during period	0.1	0.0	0.1	0.1	0.2
Translation differences	0.8	-0.7	5.4	-3.1	-1.7
Financial liabilities, level 3 at end of period	59.8	68.0	59.8	68.0	69.3

At the end of the period, liabilities measured at fair value, categorized at level 3 in the fair value hierarchy is related to put-options held by non-controlling interests in wine companies in Norway and Sweden. The liabilities for these put-options are estimated on the basis of pricing mechanisms that underlie the shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms share value development measured by EBIT (earnings) until the estimated due date, multiplied by a marketbased multiple. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

NOTE 11 OPTIONS

The Group has an option programme for senior Group Executives and a few other key personell. During Q2, the General Meeting granted 2,508,879 new options in this programme. The table below show outstanding options from 2018, 2019 and 2020.

As of end of Q2 2020, the Group Executive Management holds 3,973,286 options. The share options have a vesting period of three years and the options can be exercised during the next two years. The options will expire after five years.

Changes in outstanding options are shown in the table below;

Number of options	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Change in number of options:					
Outstanding options beginning of period	3 095 893	2 050 660	3 095 893	2 417 500	2 417 500
Issued during period	2 508 879	2 195 086	2 508 879	2 195 086	2 195 086
Forfeited during the period	0	0	0	-366 840	-1 516 693
Outstanding options end of period	5 604 772	4 245 746	5 604 772	4 245 746	3 095 893

Option calculation assumptions:		Options #2020	Options #2019	Options #2018
Grant date		June 10th 2020	April 11th 2019	April 11th 2018
Total outstanding options at end of period:		2 508 879	2 033 802	1 062 091
Vesting period - Start		June 2020	April 2019	April 2018
Vesting period - End		June 2023	April 2022	April 2021
Redemption period - Start		June 2023	April 2022	April 2021
Redemption period - End		June 2025	April 2024	April 2023
Share price on the allocation date	NOK	41,00	38,80	43,70
Share price on the balance sheet date	NOK	39,00	39,00	39,00
Redemption price - minimum	NOK	39,02	40,52	45,22
Redemption price - maximum	NOK	123,00	116,40	131,10
Risk-free interest rate	%	0,31 %	0,31 %	0,18 %
Volatility	%	20,0 %	20,0 %	20,0 %
Expected dividend	%	3,9 %	3,9 %	3,9 %

NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Interest income	3.2	4.8	10.2	8.7	22.5
Other financial income	6.5	2.2	43.1	3.2	3.4
Total financial income	9.7	7.1	53.2	11.8	25.9
Interest cost	-18.6	-27.9	-44.2	-53.7	-94.1
Other financial expenses	-6.9	-2.2	-5.9	-9.9	-17.0
Total financial expenses	-25.6	-30.0	-50.1	-63.5	-111.2
Net financial profit/loss	-15.8	-23.0	3.1	-51.7	-85.3

NOTE 13 OTHER EVENTS**Events after the close of Q2 2020****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.

Arcus has made use of certain relief and support measures available from governments in different territories to mitigate the effects of COVID-19. Such measures primarily relate to reduced social security contributions, reimbursement of salaries to employees on sick leave or temporarily laid off and delays in payment terms of taxes and other levies.

In Q2 Arcus successfully increased the overdraft facility with SEB for general corporate purposes with maturity October 2022, see note 8 for further information.

COVID-19 is identified as an impairment indicator for certain cash generating units (CGUs) in Spirits, and management has estimated the recoverable amount and compared this to the carrying amount for the relevant CGUs. There is an increased uncertainty about the future performance due to COVID-19 and which increases the sensitivity of the assumptions applied in the impairment assessment.

Management has based its current estimates of future cash flows on the expectation that the businesses will normalize from COVID-19 around the beginning of 2021 and the discount rates are based on an expected stabilization of volatility, risk premiums and interest rates at levels prior to the COVID-19 outbreak. However, management believes it is still too early to predict the full impact that COVID-19 will have on the business and financial markets as the situation is still developing and hence there is a high degree of uncertainty associated with these assumptions.

Based on the impairment tests performed, no impairment is identified in the first half of 2020. Depending on the duration of the COVID-19, and to what extent the business is affected in the medium to long term perspective, it may have an impact on assumptions applied for calculating the recoverable amount for fixed and intangible assets, including goodwill.

During the first half year of 2020 Arcus has been following potential credit loss cases closely and have to some extent also reassessed the loss rates to be applied when estimating provisions for expected credit loss.

Arcus does not expect losses on trade receivables to increase significantly.

Possible merger between Vectura and Cuveco

An agreement on the possible merger between Vectura and Cuveco has not yet been reached at the end of Q2 2020.

Arbitration tribunal regarding breach of competition clause

At the Stockholm Chamber of Commerce, an arbitration tribunal has ruled that former employee Stefan Stjärnström breached the competition clause in his employment contract with Vinunic. Stjärnström will have to repay his severance pay,

in addition to Vinunic's legal fees and own costs (see "Other information" for background and further information). The repayment is not material in accounting terms and will be accounted for during Q3 2020.

Other

No other significant events have occurred between the close of Q2 and the date on which Arcus's interim financial statements for Q2 2020 were approved. This applies to events that would have provided knowledge of factors present at the close of Q2 2020, or events concerning matters that have arisen since the close of Q2 2020.

Alternative Performance Measures (APM)

In the discussion of the reported operating results, financial position, cash flows and notes, the Group refers to certain alternative performance measures (APM), which are not defined by generally accepted accounting principles (GAAP) such as IFRS.

Arcus ASA management makes regular use of these alternative performance measures and is of the opinion that this information, along with comparable GAAP measures, is useful to investors who wish to evaluate the company's operating performance, ability to repay debt and capability to pursue new business opportunities. Such alternative performance measures should not be viewed in isolation or as an alternative to the equivalent GAAP measure.

Gross Profit

Gross profit is defined by Arcus ASA as total operating revenue minus the cost of goods sold.

Gross margin = Gross profit / Total revenue

Group

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	767.2	698.0	1 378.3	1 250.1	2 762.8
Cost of goods	-450.4	-417.4	-800.0	-731.9	-1 601.1
Gross Profit	316.8	280.6	578.3	518.2	1 161.7

Spirits

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	237.3	214.4	437.0	389.7	975.6
Cost of goods	-124.5	-108.8	-224.6	-190.6	-491.3
Gross Profit	112.8	105.6	212.4	199.1	484.3

Wine

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	497.4	430.6	874.8	771.7	1 603.4
Cost of goods	-379.7	-333.5	-668.3	-596.0	-1 238.3
Gross Profit	117.8	97.1	206.5	175.7	365.1

Logistics

MNOK	Second quarter		Year to date		Full Year
	2020	2019	2020	2019	2019
Total operating revenues	90.5	81.7	168.1	150.2	328.1
Cost of goods	0.0	0.0	0.0	0.0	0.0
Gross Profit	90.5	81.7	168.1	150.2	328.1

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 detailed specifications of what these items include in note 3 relating to the individual line items.

EBITDA and EBITDA Adjusted

EBITDA is defined by Arcus ASA as operating profit before depreciation, write down and amortisation.

EBITDA adjusted is defined by Arcus ASA as operating profit before depreciation, amortisation and other income and expenses.

EBITDA-margin = EBITDA/Total operating revenue

EBITDA-margin adjusted = EBITDA adjusted /Total operating revenue

Below is a reconciliation from EBIT to EBITDA adjusted:

Group

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	2020	2019	2020	2019	2019
EBIT	69.5	44.7	104.9	62.4	257.8
Depreciation, amortisations and write downs	31.5	26.5	62.9	53.2	119.6
EBITDA	101.0	71.1	167.7	115.7	377.3
Other income and expenses	18.3	11.5	18.2	13.0	19.7
EBITDA adjusted	119.3	82.6	185.9	128.7	397.1

Spirits

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	2020	2019	2020	2019	2019
EBIT	22.8	14.0	35.0	17.6	121.6
Depreciation, amortisations and write downs	6.3	6.3	12.6	12.5	25.3
EBITDA	29.1	20.3	47.6	30.1	146.9
Other income and expenses	1.4	0.8	1.7	1.0	2.0
EBITDA adjusted	30.5	21.1	49.3	31.1	148.9

Wine

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	2020	2019	2020	2019	2019
EBIT	60.5	36.1	94.8	62.1	158.0
Depreciation, amortisations and write downs	2.1	0.7	4.1	1.5	3.1
EBITDA	62.6	36.8	98.9	63.6	161.1
Other income and expenses	4.0	6.7	4.3	7.2	8.8
EBITDA adjusted	66.6	43.5	103.3	70.7	169.9

Logistics

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	2020	2019	2020	2019	2019
EBIT	1.9	-1.9	-2.8	-6.9	2.4
Depreciation, amortisations and write downs	3.0	2.7	5.9	5.5	11.5
EBITDA	4.9	0.8	3.2	-1.4	13.8
Other income and expenses	0.0	1.3	0.0	1.2	1.6
EBITDA adjusted	4.9	2.1	3.2	-0.2	15.4

Parent Company

MNOK	Second quarter		Year to date		Full Year
EBITDA adjusted	2020	2019	2020	2019	2019
EBIT	-20.9	-11.4	-32.4	-26.3	-43.1
Depreciation, amortisations and write downs	1.4	1.6	2.7	3.1	6.0
EBITDA	-19.5	-9.9	-29.7	-23.2	-37.1
Other income and expenses	12.8	2.6	12.1	3.7	7.3
EBITDA adjusted	-6.7	-7.3	-17.6	-19.5	-29.8

Other definitions alternative performance measures shown in key figures table:**Equity ratio**

Equity ratio = Total equity/Total equity and liabilities

Net interest bearing debt

Net interest bearing debt = Liabilities to financial institutions + lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Second quarter		Full Year
	30.06.2020	30.06.2019	31.12.2019
Net interest bearing debt			
Non-current liabilities to financial institutions	775.5	684.5	703.8
Book value of Capitalized arrangement fees	4.8	3.9	3.1
Non-current lease liabilities	1 203.4	1 016.5	1 151.0
Current lease liabilities	71.9	48.8	154.2
Cash and cash equivalents	-675.1	-98.5	-205.0
Net interest bearing debt	1 380.6	1 835.5	1 807.1

Organic growth

Organic revenue growth represents the Segment's and the Group's revenues, adjusted for currency effects and structural changes, such as acquisitions or divestitures.

Group

MNOK	Second quarter		Year to date	
Total revenues	2020	2019	2020	2019
Reported total operating revenues	767.2	698.0	1 378.3	1 250.1
Currency effects	0.0	53.4	0.0	66.9
Structural changes	-6.6	0.0	-9.5	0.0
Baseline organic growth	760.6	751.4	1 368.8	1 317.0
Growth	9.9 %		10.3 %	
Organic Growth	1.2 %		3.9 %	

Spirits

MNOK	Second quarter		Year to date	
Total revenues	2020	2019	2020	2019
Reported total operating revenues	237.3	214.4	437.0	389.7
Currency effects	0.0	12.5	0.0	16.4
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	237.3	226.9	437.0	406.2
Growth	10.7 %		12.1 %	
Organic Growth	4.6 %		7.6 %	

Wine

MNOK	Second quarter		Year to date	
Total revenues	2020	2019	2020	2019
Reported total operating revenues	497.4	430.6	874.8	771.7
Currency effects	0.0	39.7	0.0	49.0
Structural changes	-6.6	0.0	-9.5	0.0
Baseline organic growth	490.8	470.3	865.3	820.7
Growth	15.5 %		13.4 %	
Organic Growth	4.4 %		5.4 %	

Logistics

MNOK	Second quarter		Year to date	
Total revenues	2020	2019	2020	2019
Reported total operating revenues	90.5	81.7	168.1	150.2
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	90.5	81.7	168.1	150.2
Growth	10.8 %		11.9 %	
Organic Growth	10.8 %		11.9 %	

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ANNUAL REPORT

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Arcus ASA

INSTAGRAM

Destilleriveien
ArcusGruppen

FACEBOOK:

ArcusGruppen

THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

The Arcus logo features the word "Arcus" in a white, elegant serif font. A white, curved line arches over the letters, starting above the 'A' and ending above the 'S', creating a distinctive graphic element.