

Fourth quarter results 2017

Kenneth Hamnes, Group CEO
Sigmund Toth, CFO

20 February 2018



Q4: Highlights

Q4 revenue:

- 831.1 MNOK, +2.4 % vs Q4 '16
- Growth for all three business segments

Q4 EBITDA (adj.):

- 166.8 MNOK, +9.5 % vs Q4 '16
- Growth for all three business segments



Ivan Abrahamsen, Arcus Master Blender

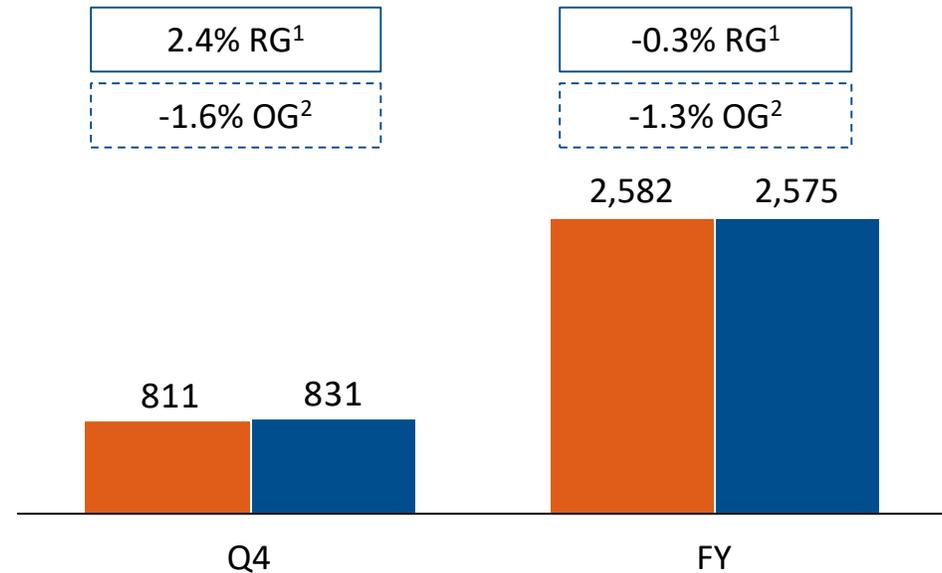
Q4: EBITDA (adj.) increased by 9.5 %



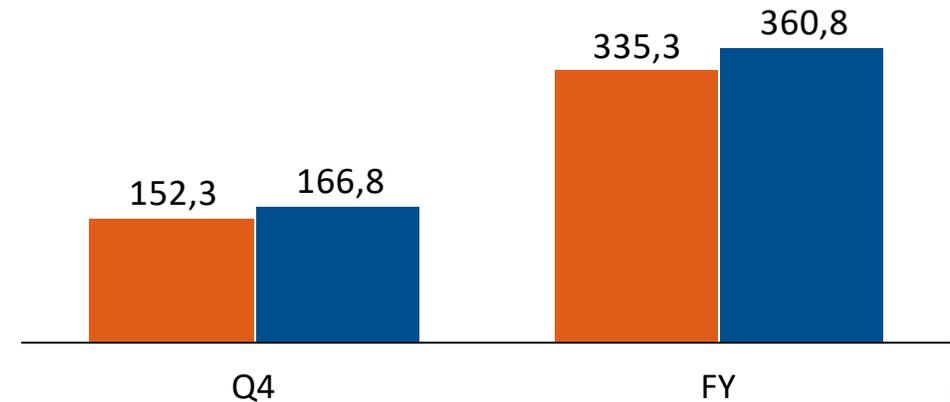
Amounts in NOK million

2016 2017

Operating Revenues



EBITDA (adj.)



- **Wine:** Increased revenue in Norway and Finland, decrease in Sweden
- **Spirits:** Soft sales in monopoly markets, but aquavit category in Norway continues to grow
- **Distribution:** Ninth consecutive quarter with adj. EBITDA year-on-year growth

¹Reported growth

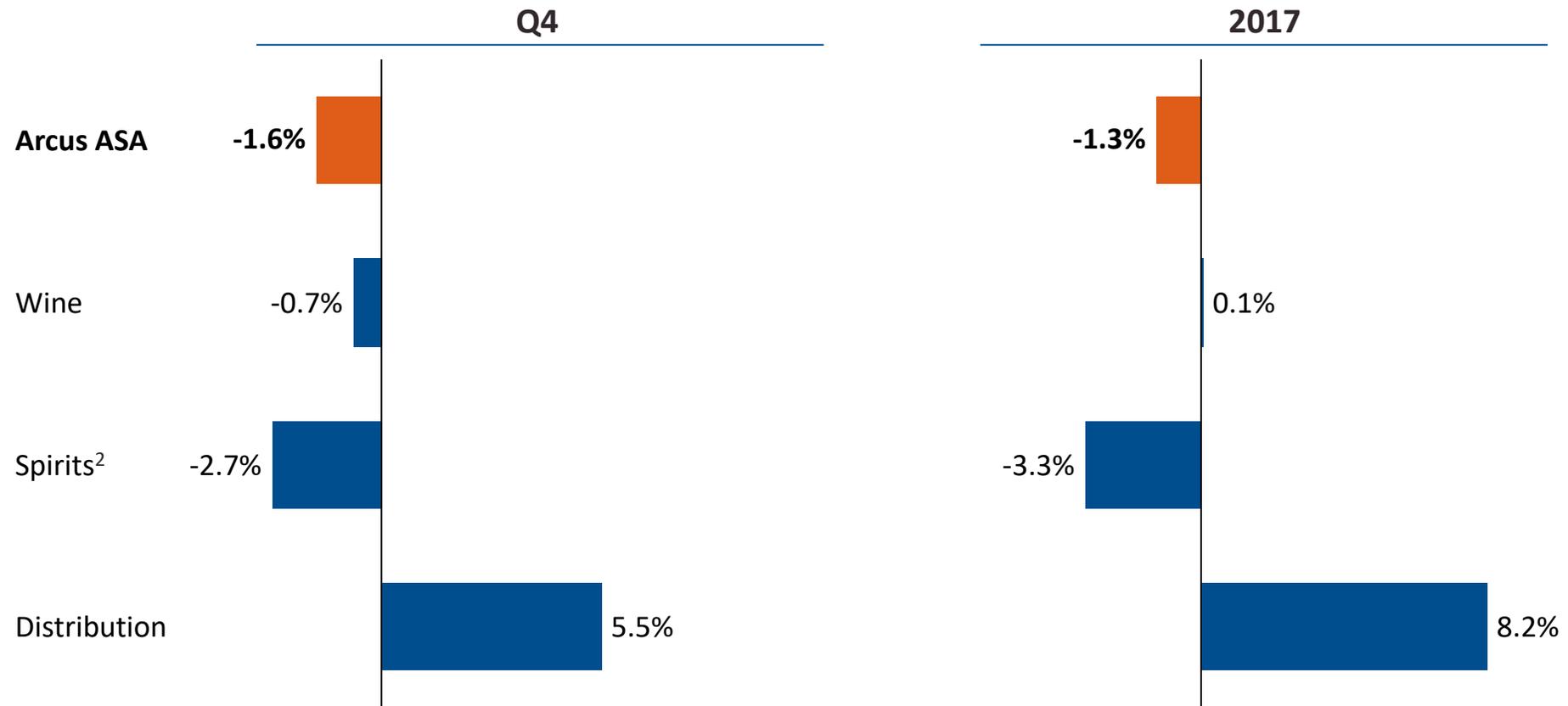
²Reported growth adjusted for currency translation effects and structural changes. FY +0.5 % when including minor bolt-ons.



Q4: Organic growth lower than long-term target



Organic growth¹ overall and by reporting segment Percent



¹Reported growth adjusted for currency translation effects and structural changes

²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only

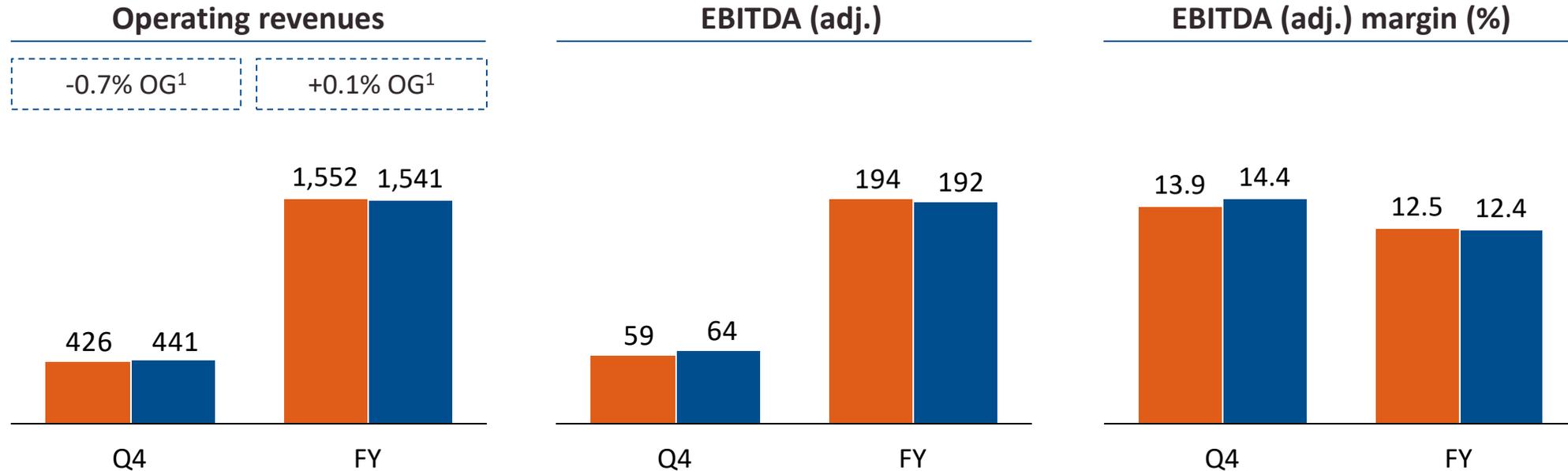


Q4 Wine: Improved margins despite strong euro



Amounts in NOK million

2016 2017



- Norway: Increased sales in line with market growth of 3.8 %
- Sweden: Lower sales of red wine best sellers, but strong horeca-growth and new listings
- Finland: Flat sales to Alko, but increased horeca-growth

¹Reported growth adjusted for currency translation effects and structural changes

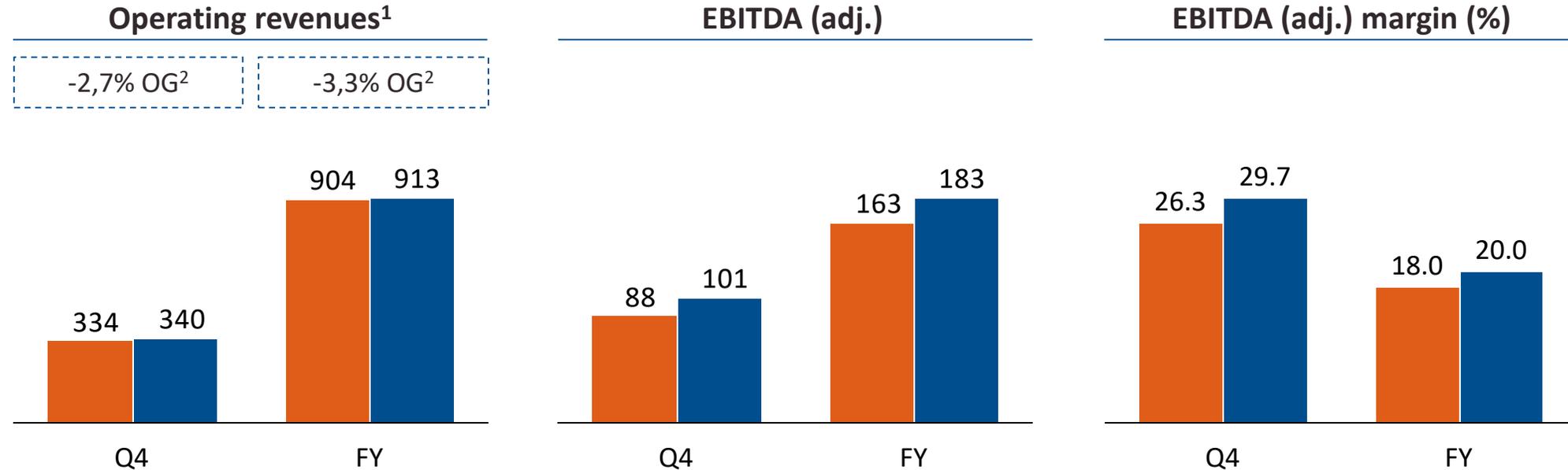


Q4 Spirits: Improved margins



Amounts in NOK million

2016 2017



- Soft sales in Norway, aquavit still one of the fastest growing categories
- Low Danish-German border sales, but Christmas campaigns increased sales in Denmark
- Sales in Germany increased through new channels, mainly due to Christmas campaign in hard discount

¹Reported growth includes both external spirits sales and other revenue (internal and external bottling).

²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only

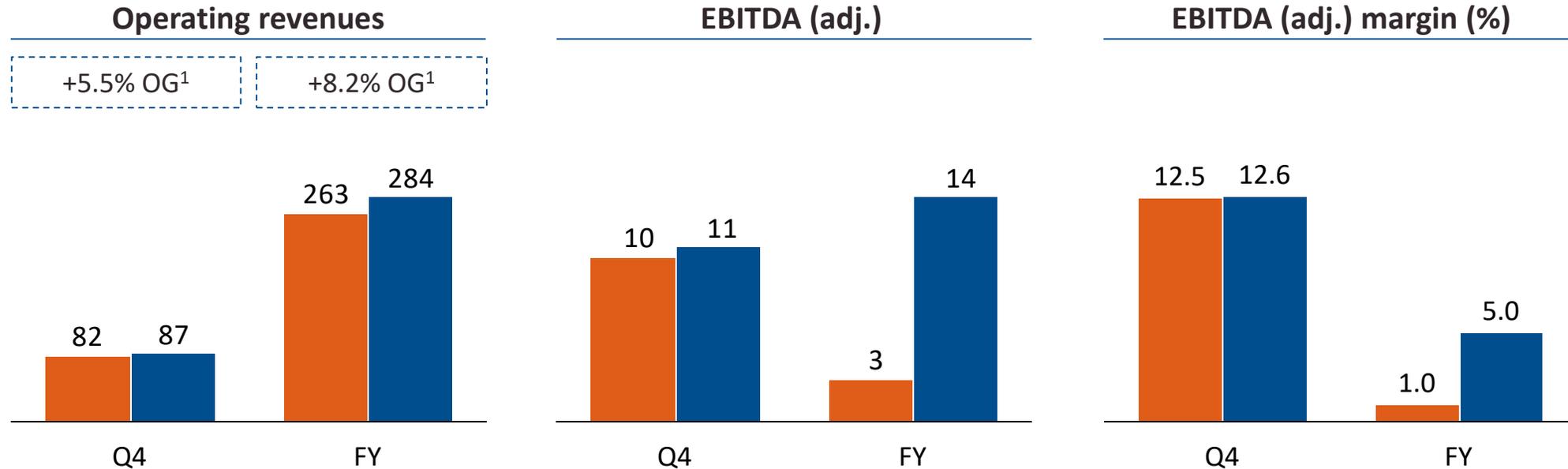


Q4 Distribution: Continued profitable growth



Amounts in NOK million

2016 2017



- Full effect from a new contract implemented Q2 '17
- Distribution to hotels, restaurants and cafés increased by 9 %
- Market share to Vinmonopolet at year-end 46.7 % vs 44.5 % year-end 2016

¹Reported growth adjusted for currency translation effects and structural changes



Financial performance

Sigmund Toth, CFO



Q4 Group P&L: Increased EBITDA (adj.)



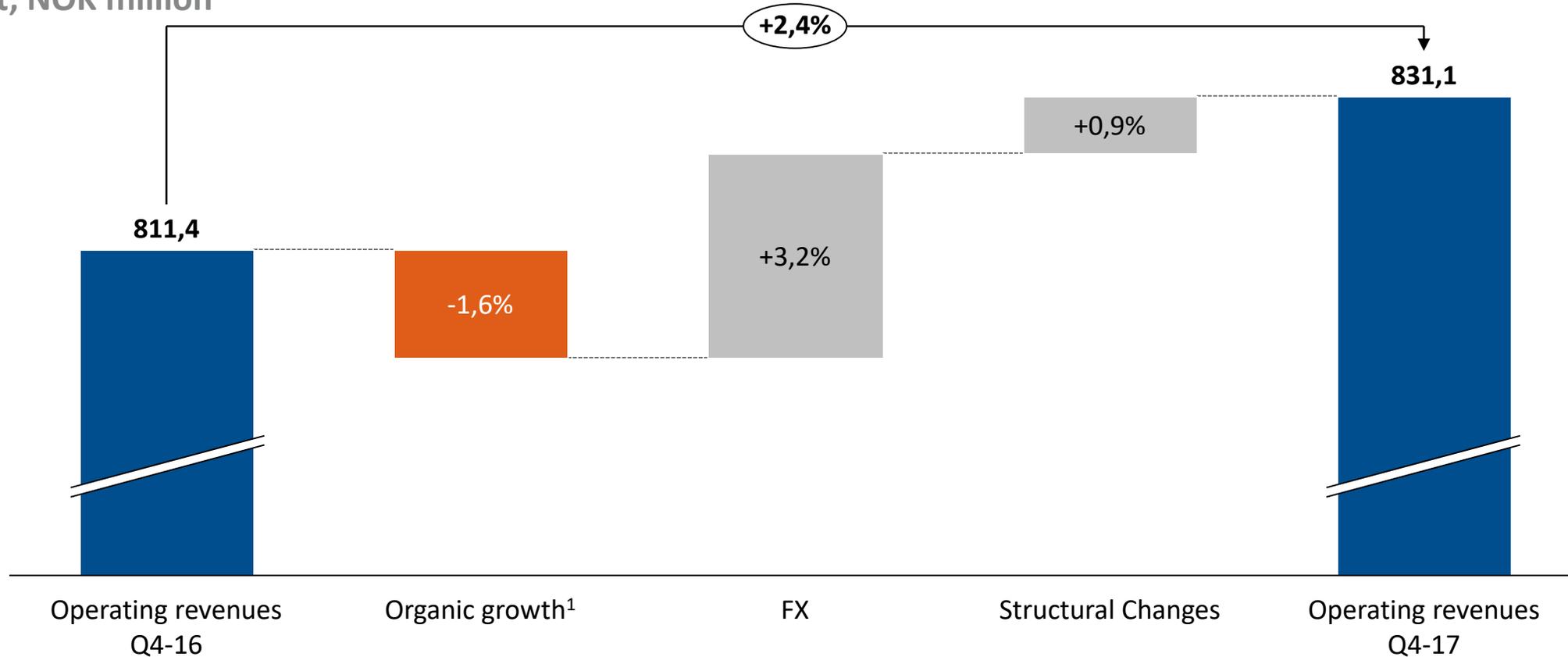
Amounts in NOK million

Profit and Loss	Q4-17	Q4-16	2017	2016
Operating revenues	831,1	811,4	2 575,1	2 582,4
EBITDA (adj.)	166,8	152,3	360,8	335,3
Depreciation, Amortization and Write-downs	-35,3	-13,1	-74,3	-51,6
EBIT (adj.)	131,5	139,2	286,5	283,7
Other income and expenses	-0,8	-36,4	-13,2	-44,9
EBIT	130,7	102,8	273,3	238,9
Net financials and other	9,0	-93,0	-14,6	-236,7
Pre-tax profit	139,7	9,9	258,7	2,1
Tax	-42,0	-24,4	-70,5	-26,2
Profit/loss for the year	97,8	-14,5	188,2	-24,1
EPS (NOK)	1,40	-0,30	2,67	-0,67

Negative organic growth, off-set by structural changes and FX



Q4 17 Operating revenue growth
Percent; NOK million

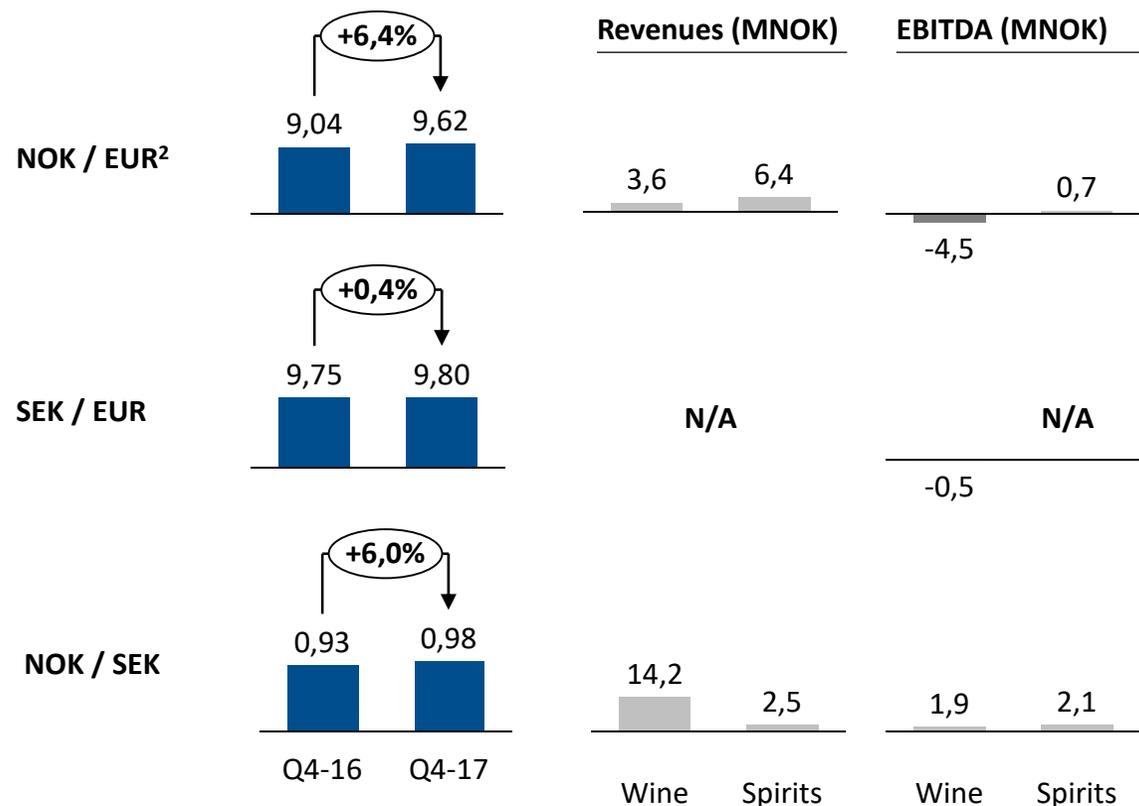


¹Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

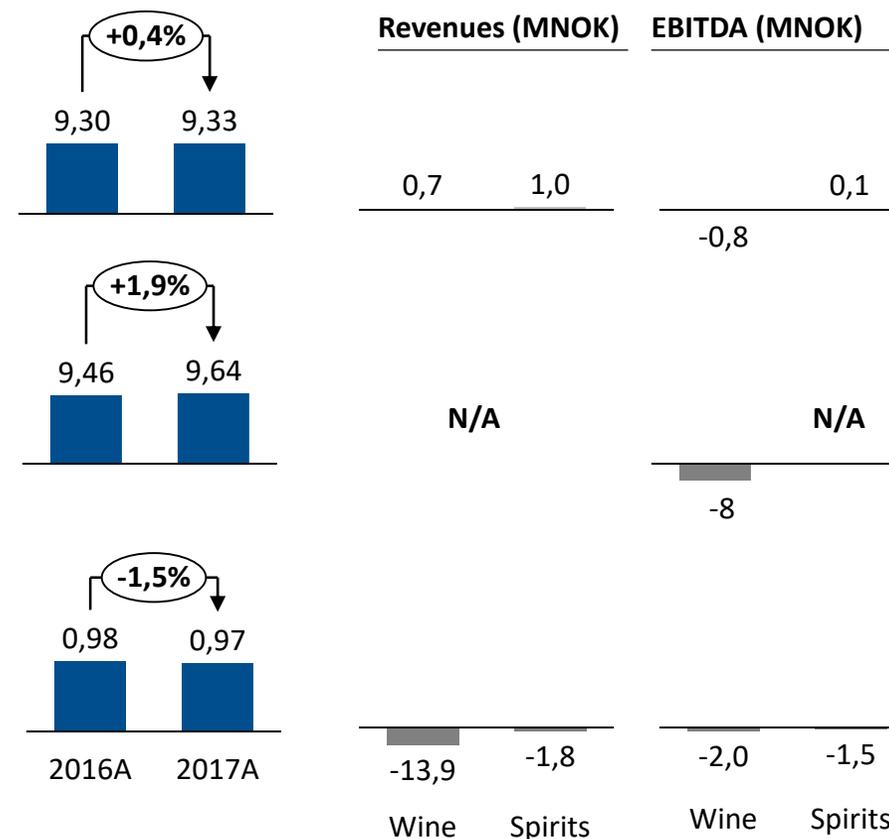
Positive FX effects on Q4 revenues, but negative effect FY



Currency rate effects¹ (Q4 2017 actuals vs. Q4 2016 actuals)



Currency rate effects¹ (2017A currency rate³ vs. 2016 actuals)

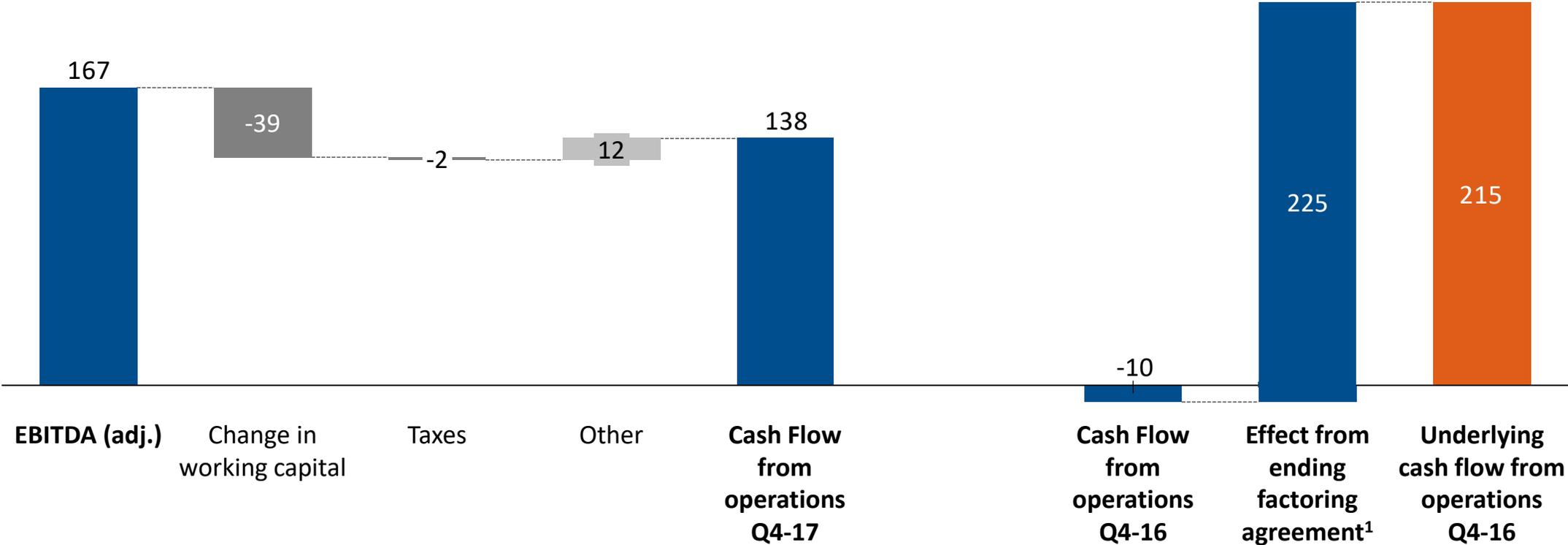


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include NOK / USD (Revenues) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy is to off-set adverse foreign exchange movements through increased prices, though this adjustment might take time. Here effects are shown before any corrective pricing. 2) NOK / EUR includes costs and revenues in DKK as DKK moves within narrow band to the EUR. 3) 2017A currency rate is average rate for the year

Reduced underlying cash flow due to lower increase in supplier payables and overdue receivables paid first banking day 2018



Q4-17 Cash Flow from Operations Amounts in NOK million

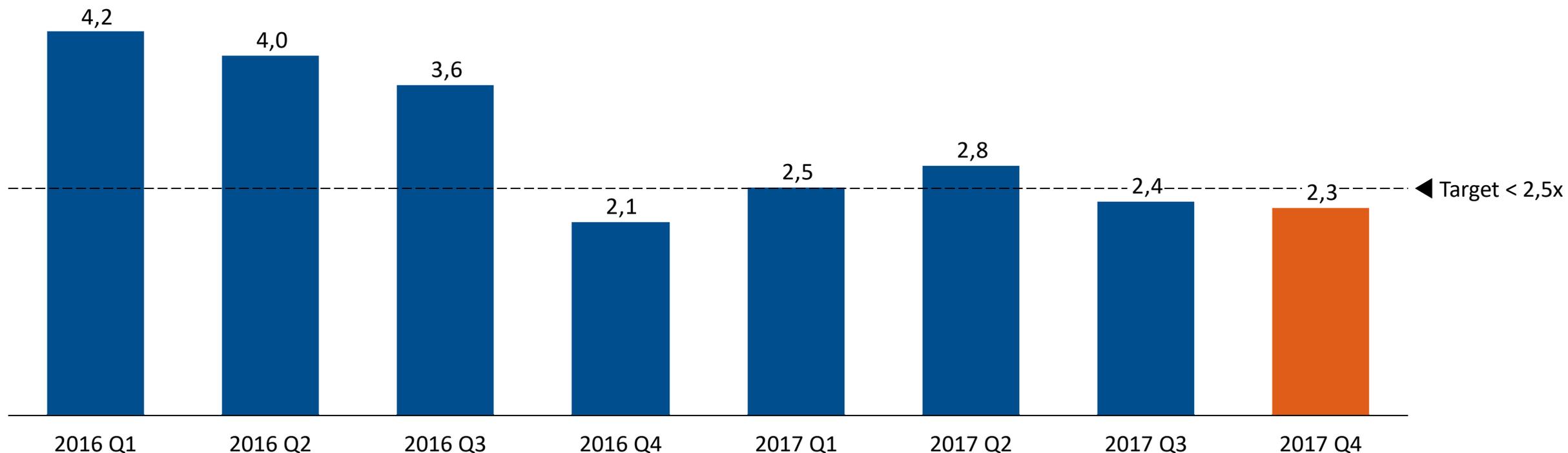


¹The decision to stop using factoring had a one-time negative effect of 225 MNOK on operating cash flow in Q4 2016. Correcting for this effect, Cash Flow from operations was 215 MNOK in Q4 2016

Gearing reduced through the IPO capital increase, slightly below target at the end of Q4 due to seasonal effects



Net Interest Bearing Debt (NIBD) / R12M Adjusted EBITDA by quarter



Summary

Kenneth Hamnes, Group CEO



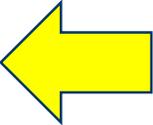
2017: Solid EBITDA (adj.) growth, increased M&A activity

2017 Financial performance

	Actuals	Targets
Organic revenue growth	-1,3 %	
<i>Incl. minor M&A bolt-ons</i>	<i>+0,5 %</i>	<i>+3-5%</i>
EBITDA (adj.) growth	+7,6 %	+6-9 %
Dividend pay-out ¹	60 %	50-70 %
M&A # bolt-ons (vs '16)	4 vs 1	

Growth initiatives

Increase activity in non-monopoly markets

Relaunch Gammel Opland as premium aquavit 

Revitalize wine portfolio, tenders & innovation

Continuously look for bolt-on acquisition

¹Final decision to be made by General Assembly



Opland – the most prestigious aquavit



GAMMEL OPLAND

Gammel Opland is the world's most prestigious and balanced cask matured aquavit. **Matured for 24 months.**



OPLAND EDEL

Opland Edel has matured for more than five years in two types of casks. First it has matured more than four years in old **sherry oak casks** before finished off in old **port or madeira casks.**



OPLAND SINGLE CASK

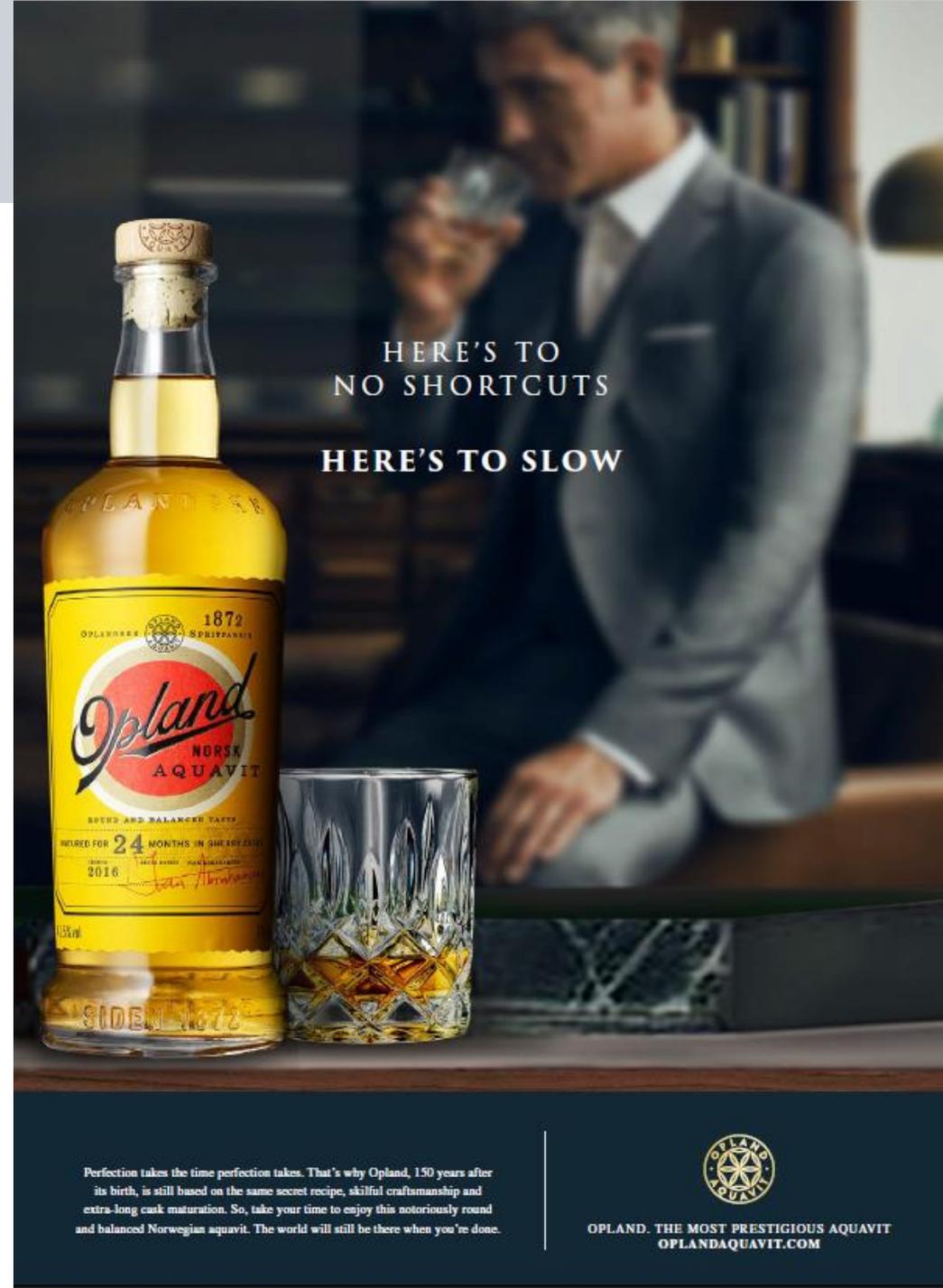
Opland Single Cask gives an unparalleled experience in showing the cask's importance for the aquavit's maturation and taste. **Limited editions of 400 bottles.**





Gammel Opland background

- Norway's best-selling aquavit for decades
- Limited sales outside Norway
- Premium priced, but without the packaging/positioning
- The taste is very well balanced, thus broad consumer appeal
- There is an open premium position above all classic aquavits
- Arcus wants to have the undisputed category beacon



Perfection takes the time perfection takes. That's why Opland, 150 years after its birth, is still based on the same secret recipe, skillful craftsmanship and extra-long cask maturation. So, take your time to enjoy this notoriously round and balanced Norwegian aquavit. The world will still be there when you're done.



OPLAND. THE MOST PRESTIGIOUS AQUAVIT
OPLANDAQUAVIT.COM



The Opland strategy

- The redesign targets a true premium perception
- Core values are quality, craftsmanship and heritage
- Opland is our premium brand for the future – in all markets
- March 2018: Soft launch in Norway
- April 2018: Launch in Germany and duty free
- The pricing strategy will reflect the positioning

TIME. TIME.
AND EVEN MORE TIME

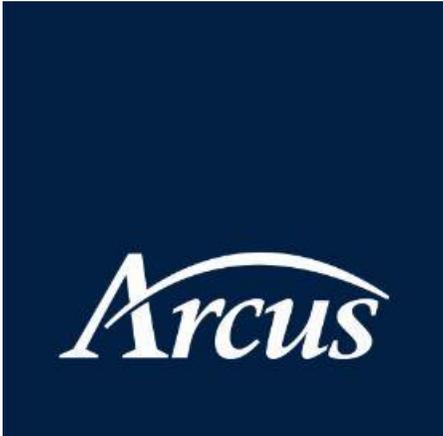
HERE'S TO SLOW



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Q&A

Kenneth Hamnes, Group CEO
Sigmund Toth, CFO



Condensed statement of income



MNOK	Note	Fourth quarter		Full year	
		2017	2016	2017	2016
Sales	9	820.0	796.0	2 530.1	2 521.8
Other revenue		11.1	15.4	44.9	60.6
Total operating revenue		831.1	811.4	2 575.1	2 582.4
Cost of goods		-444.3	-449.1	-1 408.5	-1 467.9
Gross Profit		386.8	362.2	1 166.5	1 114.5
Gain on sale of fixed assets		0.0	0.0	0.0	0.1
Salaries and personnel cost		-117.3	-110.3	-417.4	-392.5
Advertising & Promotion expenses (A&P)		-35.1	-37.2	-122.7	-121.7
Other operating expenses		-71.0	-67.1	-269.0	-270.8
Share of profit from AC ¹⁾ and JCE ²⁾		3.4	4.6	3.3	5.8
Other income and expenses	2	-0.8	-36.4	-13.2	-44.9
EBITDA		166.0	115.9	347.6	290.5
Depreciation	4, 5	-10.7	-11.7	-44.2	-46.0
Amortisations	4, 5	-1.9	-1.4	-7.4	-5.6
Write downs		-22.7	0.0	-22.7	0.0
Operating profit (EBIT)		130.7	102.8	273.3	238.9
Financial income	11	20.6	4.7	25.9	18.4
Financial expenses	6, 9, 11	-11.6	-97.7	-40.4	-255.1
Pre-tax profit		139.7	9.9	258.7	2.1
Tax		-42.0	-24.4	-70.5	-26.2
Profit/loss for the year		97.8	-14.5	188.2	-24.1
Profit/loss for the year attributable to parent company shareholders		95.3	-16.6	181.3	-34.6
Profit/loss for the year attributable to non-controlling interests		2.5	2.1	6.9	10.5
Earnings per share, continued operations		1.40	-0.30	2.67	-0.67
Diluted earnings per share, continued operations		1.37	-0.30	2.62	-0.67

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

Condensed statement of financial position



MNOK	Note	Full year	
		2017	2016
Intangible assets	5	1 891.4	1 710.1
Tangible assets	4	329.8	350.2
Deferred tax asset		136.8	172.1
Financial assets		60.1	58.2
Total fixed assets		2 418.1	2 290.7
Inventories		410.8	378.8
Accounts receivables and other receivables		1 519.1	1 426.0
Cash and cash equivalents		184.4	199.4
Total current assets		2 114.2	2 004.2
Total assets		4 532.4	4 294.8
Paid-in equity		772.1	772.1
Retained earnings		878.5	716.6
Non-controlling interests		18.8	13.9
Total equity		1 669.4	1 502.6
Non-current liabilities to financial institutions	7	742.8	703.3
Non-current liabilities at fair value through profit or loss	6, 9	0.0	0.0
Non-current finance lease liabilities	7	166.4	183.0
Pension obligations		30.6	34.1
Deferred tax liability		101.0	92.6
Other non-current provisions		0.3	0.6
Total non-current liabilities		1 041.1	1 013.6
Current liabilities to financial institutions	7	0.0	0.0
Bank Overdraft		72.7	0.0
Current liabilities at fair value through profit or loss	6, 9	0.0	24.1
Current finance lease liabilities		17.4	16.5
Tax payable		2.1	0.0
Accounts payable and other payables		1 729.6	1 738.0
Total current liabilities		1 821.8	1 778.6
Total equity and liabilities		4 532.4	4 294.8

Condensed statement of cash flow



MNOK	Note	Fourth quarter		Full year	
		2017	2016	2017	2016
Pre-tax profit		139.7	9.9	258.8	2.1
Depreciation and amortisations	4, 5	35.3	13.1	74.3	51.6
Received dividend from associated companies		0.0	0.0	0.0	2.9
Net interest in period		9.5	13.9	31.5	70.4
Other items without cash effect		-5.5	71.9	12.1	138.2
Change in inventories		35.8	46.1	-31.8	9.4
Change in receivables ¹⁾		-615.6	-772.7	-50.0	-329.2
Change in payables		541.2	608.1	-61.6	98.8
Cash flow from operating activities before tax		140.4	-9.7	233.2	44.4
Tax paid		-2.1	-0.1	-33.2	-46.7
Cash flow from operating activities		138.3	-9.8	199.9	-2.3
Proceeds from sale of tangible & intangible fixed assets		0.0	0.1	0.0	1.1
Payments on acquisition of tangible & intangible fixed assets	4, 5	-11.1	-5.7	-22.2	-15.2
Payments on acquisition of Brands	5	-114.6	-0.3	-118.6	-32.6
Payments on acquisition of operations	12	0.0	0.0	-2.8	0.0
Other investments		0.0	0.0	-0.4	0.0
Cash flows from investment activities		-125.7	-5.9	-144.0	-46.7
Proceeds - co-investment program	6, 9, 11	0.0	0.0	0.0	1.0
Payments - co-investment program	6, 9, 11	0.0	-155.3	0.0	-157.9
Capital increase		0.0	768.9	0.0	768.9
New debt to financial institutions	7	0.0	703.1	0.0	802.6
Repayment debt to financial institutions	7	-4.2	-972.3	-15.7	-1 093.9
Change other long term loans		0.0	0.0	0.1	-1.1
Interest paid in period		-9.5	-13.9	-31.5	-70.2
Paid dividend and Group contributions		-1.2	-0.3	-103.5	-28.3
Other financing payments		0.0	-47.7	-12.9	-146.3
Cash flow from financing activities		-14.9	282.6	-163.5	74.9
Total cash flow		-2.3	267.0	-107.6	25.8
Holdings of cash and cash equivalents at the beginning of period		106.3	-69.3	199.4	190.4
Effect of exchange rate changes on cash and cash equivalents		7.7	1.7	19.9	-16.8
Holdings of cash and cash equivalents at the end of period		111.7	199.4	111.7	199.4

Specification of cash and cash equivalents at the end of the period

Cash and cash equivalents at the end of the period	184.4	199.4	184.4	199.4
Overdraft cashpool system at the end of the period	-72.7	0.0	-72.7	0.0
Holdings of cash and cash equivalents at the end of period	111.7	199.4	111.7	199.4

¹⁾ The decision to stop using factoring led to a one-time increase in working capital of 225 MNOK in Q4 2016.

THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

Arcus