

# Quarterly Report

Q2 2017



THINK BEFORE  
YOU DRINK. MAKE  
GREAT MOMENTS  
EVEN BETTER.

*Arcus*

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# Message from the CEO

Revenue for Arcus ASA second quarter 2017 was 647.4 MNOK, 2.0 percent higher than the same period last year (organic revenue growth was 2.3 percent). Adjusted EBITDA was slightly up, 71.1 MNOK versus 70.5 MNOK last year.

We are especially pleased with the continued positive development of our distribution business. Revenue increased in Q2 - the fifth quarter in row with year-on-year growth. At the same time, increased efficiency resulted in adj. EBITDA well into black territory and the seventh straight quarter of year-on-year improvement in adj. EBITDA.

We also saw positive development in the Norwegian and Finnish wine business: Sales increased, for agency brands as well as Arcus brands. However, in the Swedish market, an unfavorable product mix reduced sales and the weak SEK vs. EUR had a negative impact on profitability.

Our spirits business continued to benefit from acquisitions (Dworek vodka, Det Danske Spiritus Kompagni A/S). Underlying sales were somewhat down due to weaker sales in Denmark that were only partially off-set by stronger sales in Sweden and in Norway. The stronger sales in Sweden and Norway were partially due to a positive Easter effect.

Overall, in the first six months of 2017 we experienced lower market growth than long-term trends, and our performance was below the financial targets. However, market growth in our core markets was stronger in Q2 than Q1.

Kenneth Hamnes  
Group CEO

## Key figures Q2 2017

### CONSOLIDATED GROUP FIGURES

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Total operating revenue	647.4	634.8	1 140.9	1 167.3	2 582.4
Gross profit <sup>1)</sup>	279.6	267.3	504.5	492.5	1 114.5
EBITDA <sup>1)</sup>	68.0	68.3	89.0	89.2	290.5
EBITDA adjusted <sup>1)2)</sup>	71.1	70.5	92.4	91.7	335.3
Pre-tax profit	47.3	29.2	45.9	14.1	2.1
Earnings per share, parentcompany shareholders (NOK)	0.50	0.34	0.46	0.10	-0.67
<b>Key figures</b>					
Gross margin <sup>1)</sup>	43.2 %	42.1 %	44.2 %	42.2 %	43.2 %
EBITDA margin <sup>1)</sup>	10.5 %	10.8 %	7.8 %	7.6 %	11.2 %
EBITDA margin adjusted <sup>1)2)</sup>	11.0 %	11.1 %	8.1 %	7.9 %	13.0 %
Equity ratio <sup>1)</sup>	36.9 %	22.8 %	36.9 %	22.8 %	35.0 %
<b>Financial position</b>					
Total equity	1 477.5	830.6	1 477.5	830.6	1 502.6
Net interest bearing debt (cash) <sup>1)</sup>	922.4	1 272.9	922.4	1 272.9	711.4

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

<sup>2)</sup> EBITDA adjusted is defined by Arcus as operating profit before depreciation, amortisation and other income and expenses. See definition of other income and expenses in the APM chapter.

# Highlights Q2 2017

- **Operating revenue** for Q2 was 647.4 MNOK, compared to 634.8 MNOK in same period last year (+2.0 percent). Organic growth for Q2 was 2.3 percent.
- **Adjusted EBITDA** for Q2 was 71.1 MNOK, compared to 70.5 MNOK in the same period last year. The adjusted EBITDA of distribution increased, while it decreased for wine and spirits
- **Wine** revenues amounted to 417.9 MNOK, compared to 415.4 MNOK same period last year (+0.6 percent). Organic growth was 3.9 percent, driven by increased sales in Norway and Finland (of both agency and Arcus brands), while sales in Sweden decreased. Adjusted EBITDA margin was reduced to 10.8 percent for Q2 2017 compared to 11.3 percent same period last year, primarily due to unfavourable exchange rates in Sweden.
- **Spirits** increased sales to 159.6 MNOK, compared to 150.3 MNOK in the same period last year (+6.2 percent), driven by acquisitions and positive foreign exchange effects. Organic growth was -1.3 percent for external spirits sales. Adjusted EBITDA margin was 14.0 percent for Q2, compared to 14.5 percent in the same period last year.
- **Distribution** grew revenues to 70.8 MNOK compared to 62.4 MNOK in same quarter last year (+13.5 percent). The growth was driven by increased sales to Vinmonopolet and new contracts won in 2016. Adjusted EBITDA for Q2 2017 was 3.8 MNOK, compared to -1.2 MNOK in Q2 2016.

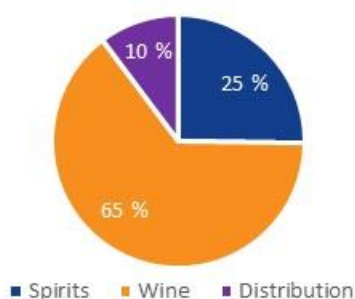
Operating revenue



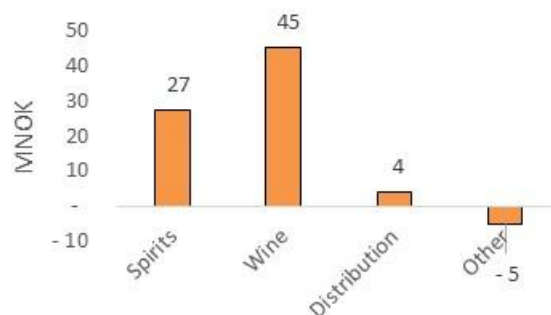
Adj. EBITDA



Operating revenue per segment<sup>2</sup>



Adj. EBITDA pr segment<sup>3</sup>



<sup>1</sup>Measured in value, no calendar day adjustments. <sup>2</sup>Organic Revenue Growth is defined as the Segment's or the Group's revenues, adjusted for currency effects and structural changes (mainly acquisitions or divestitures). Adjusted EBITDA is EBITDA adjusted for non-recurring effects, but is not corrected for foreign exchange effects. See separate chapter/note on APM for reconciliation. <sup>3</sup>Figures for Q1 2017, "Other" segment represents HQ and eliminations.

# Half-year review

The present 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. The interim reporting does not include all information that is normally prepared in a full annual financial statement, and should also be read in conjunction with the Group's annual financial statement as at 31.12.2016.

## FINANCIAL RESULTS

Operating revenue for the first half year was 1 140.9 MNOK vs. 1 167.3 MNOK (-2,3%) in the same period last year. Reported operating revenue was helped by the impact of the Dworek and DDSK acquisitions, but hampered by the weakness of the SEK vs. the NOK. In terms of organic revenue growth, the Distribution business saw solid growth, the Spirits segment was down, while Wine was flat.

Adjusted EBITDA for the first half year was 92.4 MNOK vs 91.7 MNOK for the same period last year. Acquisitions and the positive development of the Distribution business, as well as higher Spirits margins in Q1 contributed positively to the results. Wine margins were negatively impacted by the weak SEK vs. EUR.

Pre-tax profit was significantly boosted by a decrease in net financial expenses (-17.0 MNOK vs. -49.4 MNOK last year) thanks to lower debt levels following the IPO.

## CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax YTD was -35.4 MNOK vs. -68.4 last year, with similar

levels of EBITDA. The negative cash flow was driven by a seasonal increase in working capital. This increase was however lower in the first half of 2017 than in the first half of 2016.

Total cash flow for the Group was highly influenced by the dividend payout of 100 MNOK from Arcus ASA (1.47 per share) during Q2 2017.

## 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 ASA is well positioned to meet the financial targets outlined at the IPO.

## 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 2017 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, 15 August 2017  
The Board of Directors of Arcus ASA




Kenneth Hamnes  
Group CEO



Michael Holm Johansen  
Chairman of the Board



Stein Erik Hagen



Hanne Refsholt



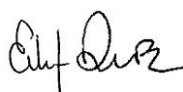
Leena Maria Saarinen



Ann-Beth Freuchen



Trond Berger



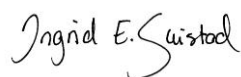
Eilif Due



Erik Hagen



Kjell Arne Greni



Ingrid Elisabeth Skistad

## Wine: Growth in Norway and Finland

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
<b>Total operating revenue</b>	<b>417.9</b>	<b>415.4</b>	<b>723.0</b>	<b>760.5</b>	<b>1 552.4</b>
Gross profit <sup>1)</sup>	102.5	105.3	174.9	196.4	386.8
Gross margin <sup>1)</sup>	24.5 %	25.4 %	24.2 %	25.8 %	24.9 %
EBITDA <sup>1)</sup>	45.2	47.1	67.4	81.8	194.2
EBITDA adjusted <sup>1)</sup>	45.2	47.1	67.4	81.8	194.2
EBITDA margin <sup>1)</sup>	10.8 %	11.3 %	9.3 %	10.8 %	12.5 %
EBITDA margin adjusted <sup>1)</sup>	10.8 %	11.3 %	9.3 %	10.8 %	12.5 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### OPERATING REVENUE

Total operating revenue for Wine was 417.9 MNOK for the second quarter, compared to 415,4 MNOK Q2 last year.

Organic growth was 3.9 percent, driven by growth in the Norwegian and Finnish markets with increased sales of both agency and Arcus brands, resulting in market share increases in both markets.

In Sweden, sales were depressed by the continued decline of Italian reds (where Arcus is strongly present) and by cool temperatures during most of the second quarter reducing the seasonal uplift in rosé sales. Hence Arcus' market shares decreased slightly for wine in Sweden during the quarter.

### EBITDA

The adjusted EBITDA-margin for Wine was 10.8 percent in the second quarter compared to 11.3 percent in the same period last year. Improved margins for key products, especially in the Norwegian market, contributed positively. However, unfavourable exchange rates in Sweden, reduced the overall EBITDA-margin.

### WINE

*Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the third largest in Finland. Arcus Wine imports and markets agency wines, as well as Arcus brands. This includes Falling Feather, Norway's best-selling red wine in 2016 and YTD 2017.*

## Spirits: Acquisition-driven growth

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Sales	159.6	150.3	291.1	279.5	751.1
Other revenue	35.8	44.8	74.7	75.5	152.8
<b>Total operating revenue</b>	<b>195.4</b>	<b>195.2</b>	<b>365.8</b>	<b>355.0</b>	<b>903.9</b>
Gross profit <sup>1)</sup>	108.2	102.2	204.4	184.5	476.9
Gross margin <sup>1)</sup>	55.4 %	52.3 %	55.9 %	52.0 %	52.8 %
EBITDA <sup>1)</sup>	27.1	25.9	43.2	27.8	158.7
EBITDA adjusted <sup>1)</sup>	27.4	28.3	43.7	31.2	162.6
EBITDA margin <sup>1)</sup>	13.9 %	13.3 %	11.8 %	7.8 %	17.6 %
EBITDA margin adjusted <sup>1)</sup>	14.0 %	14.5 %	12.0 %	8.8 %	18.0 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### OPERATING REVENUE

Total operating revenue for Spirits second quarter 2017 was 195.4 MNOK, compared to 195.2 MNOK for same period last year, a growth of 0.1 percent. Overall organic growth was -5.4 percent, composed of -1.3 percent for 'Sales' (external sales of spirits) and -19.4 percent for 'Other revenue' (mainly external bottling services).

'Sales' growth in Spirits was driven by the acquisition of the remaining 50 percent of the joint venture Det Danske Spiritus Kompagni A/S and the Dworek brand.

The decrease in underlying sales was driven by weaker sales in Denmark, especially at border shops, and negative product mix in Germany, yielding lower sales at stable volume. The decrease was partly offset by sales increases in Sweden across categories and a positive Easter effect in Norway. Due to increased competition and price increases on low margin products, aquavit market shares in Norway were somewhat down, which reduced the impact of the Easter effect.

The decrease in 'Other revenue' of 9 MNOK compared to Q2 2016, is mainly due to reduced external bottling services, as well as lower group wine bottling volume.

### EBITDA

The adjusted EBITDA-margin for Spirits was 14.0 percent for Q2 2017, compared to 14.5 percent Q2 2016. Higher margin from the acquisition of Dworek is more than offset by weaker results in the associated company Tiffon (Cognac) and indirect costs of activities deferred from last quarter.

### 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.*

## Distribution: Increased revenue and efficiency

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
<b>Total operating revenue</b>	<b>70.8</b>	<b>62.4</b>	<b>129.5</b>	<b>116.6</b>	<b>262.9</b>
Gross profit <sup>1)</sup>	70.8	62.4	129.5	116.6	262.9
Gross margin <sup>1)</sup>	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA <sup>1)</sup>	3.8	-1.2	-0.6	-9.5	2.2
EBITDA adjusted <sup>1)</sup>	3.8	-1.2	-0.6	-9.5	2.6
EBITDA margin <sup>1)</sup>	5.4 %	-2.0 %	-0.5 %	-8.1 %	0.8 %
EBITDA margin adjusted <sup>1)</sup>	5.4 %	-2.0 %	-0.5 %	-8.1 %	1.0 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### VOLUME

Distributed volume in second quarter was 11,6 million liters, an increase of 10 percent compared to the same quarter last year. The increase is due to increased sales to Vinmonopolet and effects from new contracts won during 2016.

### OPERATING REVENUE

The positive development for Distribution continued in second quarter, with an increase in operating revenue of 13.5 percent to 70.8 MNOK. The positive development is due to the double digit growth in distributed volumes and higher revenues from storage and other services.

### EBITDA

Adjusted EBITDA in the second quarter was 3.8 MNOK, compared to -1.2 MNOK same quarter last year. Total revenue per liter has increased 3.6 percent, while more efficient processes and increased productivity has enabled handling of higher volumes with a lower increase in personell costs. Positive effects from increased volumes, resulted in a decrease of 4.1 percent in operating costs pr. liter compared to second quarter last year.

### DISTRIBUTION

*Vectura is the leading integrated logistics service provider for alcoholic beverages 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 and other information

## CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q2 was 50.0 MNOK. This is 35.5 MNOK higher than same period last year, with similar levels of EBITDA. The increased cash flow was driven mainly by a lower increase of inventory in Q2 2017 compared to Q2 2016, due to higher level of inventory at the end of Q1 2017 than Q1 2016.

Total cash flow for the Group was highly influenced by the dividend payout of 100 MNOK from Arcus ASA (1.47 per share) during Q2 2017.

Net interest bearing debt was 922.4 MNOK (vs. 1 272.9 MNOK same period last year). The significant reduction is mainly due to the refinancing and reduction of long-term debt, using parts of the proceeds from the IPO.

## OTHER INFORMATION

**M&A.** In August 2017 Arcus concluded an agreement to buy the shares of the Norwegian company Bevco AS, with expected closing on September 1st. The company is the distributor of a portfolio of niche products, in particular Dooley's Toffee Liqueur.

**Option-based management incentive program.** The annual general meeting approved a new option-based management incentive program. Going forward there will be an annual grant of options. Each option grant will vest dependent on the company achieving top and bottom line performance criteria over three years. The strike price for the options is set at a premium of 10% to the share price at the time of the grant. The cost of each annual grant is charged quarterly to the P&L over the three year pre-vesting period, starting in Q2 2017.

# Group consolidated accounts

The interim financial statement has not been audited.

## CONDENSED STATEMENT OF INCOME

MNOK		Second quarter		Year to date		Year end
	Note	2017	2016	2017	2016	2016
Sales	9	633.4	612.3	1 116.3	1 128.6	2 521.8
Other revenue		14.0	22.4	24.5	38.7	60.6
<b>Total operating revenue</b>		<b>647.4</b>	<b>634.8</b>	<b>1 140.9</b>	<b>1 167.3</b>	<b>2 582.4</b>
Cost of goods		-367.8	-367.5	-636.4	-674.8	-1 467.9
<b>Gross Profit</b>		<b>279.6</b>	<b>267.3</b>	<b>504.5</b>	<b>492.5</b>	<b>1 114.5</b>
Gain on sale of fixed assets		0.0	0.0	0.0	0.1	0.1
Salaries and personnel cost		-103.9	-93.7	-209.1	-191.0	-392.5
Advertising & Promotion expenses (A&P)		-33.1	-34.5	-58.8	-66.8	-121.7
Other operating expenses		-70.8	-69.6	-143.5	-143.2	-270.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		-0.7	1.0	-0.7	0.1	5.8
Other income and expenses	2	-3.2	-2.3	-3.3	-2.6	-44.9
<b>EBITDA</b>		<b>68.0</b>	<b>68.3</b>	<b>89.0</b>	<b>89.2</b>	<b>290.5</b>
Depreciation	4, 5	-11.1	-11.5	-22.7	-22.9	-46.0
Amortisations	4, 5	-1.8	-1.4	-3.6	-2.8	-5.6
Write downs		0.0	0.0	0.0	0.0	0.0
<b>Operating profit (EBIT)</b>		<b>55.1</b>	<b>55.3</b>	<b>62.8</b>	<b>63.5</b>	<b>238.9</b>
Financial income	11	2.7	7.5	4.0	10.3	18.4
Financial expenses	6, 9, 11	-10.5	-33.6	-21.0	-59.7	-255.1
<b>Pre-tax profit</b>		<b>47.3</b>	<b>29.2</b>	<b>45.9</b>	<b>14.1</b>	<b>2.1</b>
Tax		-12.3	-9.1	-12.4	-3.6	-26.2
<b>Profit/loss for the year</b>		<b>35.0</b>	<b>20.1</b>	<b>33.5</b>	<b>10.5</b>	<b>-24.1</b>
Profit/loss for the year attributable to parent company shareholders		33.7	17.2	31.2	4.8	-34.6
Profit/loss for the year attributable to non-controlling interests		1.3	3.0	2.2	5.8	10.5
Earnings per share, continued operations		0.50	0.34	0.46	0.10	-0.67
Diluted earnings per share, continued operations		0.49	0.34	0.45	0.10	-0.67

<sup>1)</sup>Associated Companies, <sup>2)</sup>Jointly Controlled Entities

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK		Second quarter		Year to date		Year end
	Note	2017	2016	2017	2016	2016
<b>Profit/loss for the year</b>		<b>35.0</b>	<b>20.1</b>	<b>33.5</b>	<b>10.5</b>	<b>-24.1</b>
<b>Items that will not be reclassified against the statement of income</b>						
Change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-1.3
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	0.3
<b>Total items that will not be reclassified against the statement of income</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>-1.0</b>
<b>Items that may be reclassified against the statement of income</b>						
Translating differences in translation of foreign subsidiaries		35.0	-5.4	41.9	-20.0	-39.2
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0	0.0
<b>Total items that may be reclassified against the statement of income</b>		<b>35.0</b>	<b>-5.4</b>	<b>41.9</b>	<b>-20.0</b>	<b>-39.2</b>
<b>Total other comprehensive income</b>		<b>35.0</b>	<b>-5.4</b>	<b>41.9</b>	<b>-20.0</b>	<b>-40.2</b>
<b>Total comprehensive income for the year</b>		<b>70.0</b>	<b>14.7</b>	<b>75.4</b>	<b>-9.4</b>	<b>-64.3</b>
Total comprehensive income for the year attributable to parent company shareholders		68.3	12.4	72.5	-13.8	-72.0
Total comprehensive income for the year attributable to non-controlling interests		1.7	2.3	2.8	4.4	7.7

## CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK		Second quarter		Year end
	Note	2017	2016	2016
Intangible assets	5	1 772.7	1 707.6	1 710.1
Tangible assets	4	335.4	364.9	350.2
Deferred tax asset		172.9	171.8	172.1
Financial assets		48.8	53.1	58.2
<b>Total fixed assets</b>		<b>2 329.7</b>	<b>2 297.4</b>	<b>2 290.7</b>
Inventories		443.4	438.0	378.8
Accounts receivables and other receivables <sup>1)</sup>		1 104.5	818.5	1 426.0
Cash and cash equivalents		126.9	89.3	199.4
<b>Total current assets</b>		<b>1 674.8</b>	<b>1 345.7</b>	<b>2 004.2</b>
<b>Total assets</b>		<b>4 004.6</b>	<b>3 643.1</b>	<b>4 294.8</b>
Paid-in equity		772.1	1.8	772.1
Retained earnings		690.5	810.1	716.6
Non-controlling interests		14.9	18.7	13.9
<b>Total equity</b>		<b>1 477.5</b>	<b>830.6</b>	<b>1 502.6</b>
Non-current liabilities to financial institutions	7	734.8	843.8	703.3
Non-current liabilities at fair value through profit or loss	6, 9	0.0	86.3	0.0
Non-current finance lease liabilities	7	174.7	192.2	183.0
Pension obligations		34.3	37.1	34.1
Deferred tax liability		97.6	92.6	92.6
Other non-current provisions		0.5	0.9	0.6
<b>Total non-current liabilities</b>		<b>1 041.9</b>	<b>1 253.0</b>	<b>1 013.6</b>
Current liabilities to financial institutions	7	0.0	152.4	0.0
Bank Overdraft		115.9	127.2	0.0
Current liabilities at fair value through profit or loss	6, 9	13.8	0.0	24.1
Current finance lease liabilities		16.5	15.4	16.5
Tax payable		0.0	0.0	0.0
Accounts payable and other payables		1 338.9	1 264.4	1 738.0
<b>Total current liabilities</b>		<b>1 485.1</b>	<b>1 559.5</b>	<b>1 778.6</b>
<b>Total equity and liabilities</b>		<b>4 004.6</b>	<b>3 643.1</b>	<b>4 294.8</b>

<sup>1)</sup> The balance of accounts receivables are significantly higher as of 30.06.2017 than 30.06.2016 due to the decision to stop using factoring. This led to a one-time increase in receivables of 225 MNOK.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		30.06.2017			30.06.2016		
		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		Note					
Equity 1 January			<b>1 488.7</b>	<b>13.9</b>	<b>1 502.6</b>	<b>844.8</b>	<b>31.6</b>
Total comprehensive income for the period			72.5	2.8	<b>75.4</b>	-13.8	4.4
Dividends			-100.0	-2.2	<b>-102.2</b>	0.0	-16.7
Sharebased payments	9, 10		4.1	0.0	<b>4.1</b>	0.0	0.0
Change in non-controlling interest			-0.5	-1.9	<b>-2.4</b>	0.0	-19.7
Transfer from minority to majority at end of period *			0.0	0.0	<b>0.0</b>	-19.1	19.1
<b>Equity at the end of period</b>			<b>1 464.8</b>	<b>12.7</b>	<b>1 477.5</b>	<b>811.9</b>	<b>18.7</b>
							<b>830.6</b>

\* As of 30.06.2016, the Group owned 90,1% of subsidiary Excellars AS. In addition, put and call options existed associated with the non-controlling interests, and the Group was not considered to have control of the shares at the end of the reporting period. This company was recognized as though they had been wholly owned, but with partial presentation of the non-controlling interests. Partial presentation of non-controlling interests means that the non-controlling interests' share of the profit for the year is shown in the statement of income, whereas no non-controlling interests were stated in the equity statement. The transfer refers to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

As a result of the IPO on December 1st 2016, the put option was triggered, and the Group acquired the remaining shares during Q1 2017.

## CONDENSED STATEMENT OF CASHFLOW

MNOK		Second quarter		Year to date		Year end
	Note	2017	2016	2017	2016	2016
Pre-tax profit		47.3	29.2	45.9	14.1	2.1
Depreciation and amortisations		12.9	12.9	26.3	25.6	51.6
Received dividend from associated companies		0.0	2.9	0.0	2.9	2.9
Net interest in period		7.7	18.8	15.1	38.2	70.4
Other items without cash effect		12.2	4.8	18.3	1.9	138.2
Change in inventories		-29.7	-54.4	-64.6	-49.7	9.4
Change in receivables		-158.4	-95.6	375.1	288.0	-329.2
Change in payables		157.9	95.8	-451.4	-389.5	98.8
<b>Cash flow from operating activities before tax</b>		<b>50.0</b>	<b>14.5</b>	<b>-35.4</b>	<b>-68.4</b>	<b>44.4</b>
Tax paid		-9.6	-12.2	-22.3	-38.0	-46.7
<b>Cash flow from operating activities</b>		<b>40.3</b>	<b>2.3</b>	<b>-57.7</b>	<b>-106.4</b>	<b>-2.3</b>
Proceeds from sale of tangible & intangible fixed assets		0.0	0.0	0.0	0.9	1.1
Payments on acquisition of tangible & intangible fixed assets		-2.8	-3.2	-5.5	-7.8	-15.2
Payments on acquisition of Brands		0.0	0.0	-4.0	0.0	-32.6
Payments on acquisition of operations		0.0	0.0	1.2	0.0	0.0
<b>Cash flows from investment activities</b>		<b>-2.7</b>	<b>-3.2</b>	<b>-8.3</b>	<b>-7.0</b>	<b>-46.7</b>
Proceeds - co-investment program	6, 9, 11	0.0	1.0	0.0	1.0	1.0
Payments - co-investment program	6, 9, 11	0.0	-1.0	0.0	-2.6	-157.9
Capital increase		0.0	0.0	0.0	0.0	768.9
New debt to financial institutions	7	0.0	0.0	0.0	99.5	802.6
Repayment debt to financial institutions	7	-4.2	-43.3	-8.3	-80.8	-1 093.9
Change other long term loans		0.0	-0.1	0.0	-1.2	-1.1
Interest paid in period		-7.7	-18.8	-15.1	-38.1	-70.2
Paid dividend and Group contributions		-100.8	-11.8	-102.2	-23.1	-28.3
Other financing payments		0.3	0.1	-12.9	-60.3	-146.3
<b>Cash flow from financing activities</b>		<b>-112.4</b>	<b>-73.9</b>	<b>-138.5</b>	<b>-105.7</b>	<b>74.9</b>
<b>Total cash flow</b>		<b>-74.8</b>	<b>-74.7</b>	<b>-204.4</b>	<b>-219.0</b>	<b>25.8</b>
Holdings of cash and cash equivalents at the beginning of period		74.2	41.3	199.4	190.4	190.4
Effect of exchange rate changes on cash and cash equivalents		11.5	-4.5	16.0	-9.4	-16.8
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>11.0</b>	<b>-37.9</b>	<b>11.0</b>	<b>-37.9</b>	<b>199.4</b>

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

Cash and cash equivalents at the end of the period	126.9	89.3	126.9	89.3	199.4
Overdraft cashpool system at the end of the period	-115.9	-127.2	-115.9	-127.2	0.0
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>11.0</b>	<b>-37.9</b>	<b>11.0</b>	<b>-37.9</b>	<b>199.4</b>

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

The Groups 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 Groups annual financial statement as at 31.12.2016.

The consolidated financial statement for the year 2016 was approved by the Board on March 15th 2017.

The accounting principles used in the Groups interim reporting, are the same principles presented in the approved financial statement for 2016.

As of 30.06.2017, 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
		2017	2016	2016
EUR average rate	Income statement items	9.1792	9.4280	9.2980
EUR closing rate	Balance sheet items	9.5737	9.3286	9.0865
SEK average rate	Income statement items	0.9566	1.0139	0.9830
SEK closing rate	Balance sheet items	0.9896	0.9911	0.9484
DKK average rate	Income statement items	1.2343	1.2655	1.2488
DKK closing rate	Balance sheet items	1.2874	1.2541	1.2223

## NOTE 2 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 the share matching incentive program described in more detail in the IPO prospectus.

### Group

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
<b>Other income and expenses</b>					
Gain on sales of fixed assets	0.0	0.0	0.0	0.8	0.9
Salary & personnel cost	-2.2	-0.9	-1.1	-1.3	-7.0
Other operating expenses	-1.0	-1.4	-2.3	-2.0	-38.8
<b>Other income and expenses</b>	<b>-3.2</b>	<b>-2.3</b>	<b>-3.3</b>	<b>-2.6</b>	<b>-44.9</b>

### Spirits

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
<b>Other income and expenses</b>					
Gain on sales of fixed assets	0.0	0.0	0.0	0.0	0.1
Salary & personnel cost	0.0	-0.9	0.0	-1.3	-1.4
Other operating expenses	-0.3	-1.5	-0.6	-2.1	-2.6
<b>Other income and expenses</b>	<b>-0.3</b>	<b>-2.4</b>	<b>-0.6</b>	<b>-3.4</b>	<b>-3.9</b>

**Wine**

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2017	2016	2017	2016	2016
Other income and expenses	0.0	0.0	0.0	0.0	0.0

**Distribution**

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2017	2016	2017	2016	2016
Salary & personnel cost	0.0	0.0	0.0	0.0	-0.4
Other income and expenses	0.0	0.0	0.0	0.0	-0.4

**Other**

MNOK	Second quarter		Year to date		Year end
Other income and expenses	2017	2016	2017	2016	2016
Gain on sales of fixed assets	0.0	0.0	0.0	0.8	0.8
Salary & personnel cost	-2.2	0.0	-1.1	0.0	-5.1
Other operating expenses	-0.7	0.1	-1.7	0.1	-36.2
Other income and expenses	-2.9	0.1	-2.8	0.9	-40.6

**NOTE 3 SEGMENT INFORMATION**

MNOK	Second quarter		Year to date		Year end
External sales	2017	2016	2017	2016	2016
Spirits	160.5	149.3	292.9	277.7	746.2
Wine	412.9	401.7	714.4	733.8	1 515.4
Distribution	60.0	62.6	109.0	117.2	260.2
Other	0.0	-1.3	0.0	0.0	0.0
<b>Total external sales</b>	<b>633.4</b>	<b>612.3</b>	<b>1 116.3</b>	<b>1 128.6</b>	<b>2 521.8</b>

MNOK	Second quarter		Year to date		Year end
Sales between segments	2017	2016	2017	2016	2016
Spirits	-1.0	1.0	-1.8	1.8	4.9
Wine	0.0	6.6	0.0	12.8	23.3
Distribution	2.3	-7.6	4.6	-14.6	-28.2
Other	0.0	0.0	0.0	0.0	0.0
Eliminations	-1.3	0.0	-2.8	0.0	0.0
<b>Total sales revenue between segments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

MNOK	Second quarter		Year to date		Year end
External other revenue	2017	2016	2017	2016	2016
Spirits	2.7	9.2	4.4	15.7	28.0
Wine	5.0	7.1	8.6	13.9	11.5
Distribution	6.2	4.8	11.5	8.9	20.6
Other	0.1	1.3	0.1	0.2	0.4
<b>Total external other revenue</b>	<b>14.0</b>	<b>22.4</b>	<b>24.5</b>	<b>38.7</b>	<b>60.6</b>

MNOK	Second quarter		Year to date		Year end
Other revenue between segments	2017	2016	2017	2016	2016
Spirits	33.2	35.6	70.3	59.8	124.7
Wine	0.0	0.0	0.0	0.0	2.2
Distribution	2.4	2.6	4.5	5.2	10.2
Other	43.4	43.2	86.9	86.5	173.0
Eliminations	-78.9	-81.5	-161.7	-151.6	-310.2
<b>Total other revenue between segments</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

MNOK	Second quarter		Year to date		Year end
EBITDA	2017	2016	2017	2016	2016
Spirits	27.1	25.9	43.2	27.8	158.7
Wine	45.2	47.1	67.4	81.8	194.2
Distribution	3.8	-1.2	-0.6	-9.5	2.2
Other	-8.1	-3.5	-20.9	-10.9	-64.6
Eliminations	0.0	0.0	0.0	0.0	0.0
<b>Total EBITDA</b>	<b>68.0</b>	<b>68.3</b>	<b>89.0</b>	<b>89.2</b>	<b>290.5</b>

MNOK	Second quarter		Year to date		Year end
EBIT	2017	2016	2017	2016	2016
Spirits	21.1	19.9	31.0	15.8	134.8
Wine	44.7	46.8	66.6	81.3	193.1
Distribution	0.5	-4.6	-7.4	-16.3	-11.4
Other	-10.0	-5.5	-24.9	-15.0	-72.9
Eliminations	-1.3	-1.2	-2.6	-2.4	-4.7
<b>Total EBIT</b>	<b>55.1</b>	<b>55.3</b>	<b>62.8</b>	<b>63.5</b>	<b>238.9</b>

MNOK	Second quarter		Year to date		Year end
Total profit for the year	2017	2016	2017	2016	2016
Spirits	56.3	7.2	71.7	-16.1	52.3
Wine	26.1	33.9	38.5	59.5	140.9
Distribution	0.3	-3.6	-6.4	-13.2	-9.5
Other	-12.8	-11.5	-27.3	-27.1	-217.0
Total profits from discontinued operations	0.0	0.0	0.0	0.0	0.0
Eliminations	0.1	-11.3	-1.2	-12.6	-31.0
<b>Total profit for the year</b>	<b>70.0</b>	<b>14.7</b>	<b>75.4</b>	<b>-9.4</b>	<b>-64.3</b>

## NOTE 4 FIXED ASSETS

MNOK	Second quarter		Year to date		Year end
Fixed Assets	2017	2016	2017	2016	2016
<b>Purchase cost at beginning of period</b>	<b>631,2</b>	<b>624,9</b>	<b>628,8</b>	<b>624,1</b>	<b>624,1</b>
Additions tangible fixed assets	0,8	2,5	3,5	6,8	11,4
Transferred from assets under construction	-0,8	-0,7	-1,1	-2,2	-4,0
Reclassifications	0,0	0,0	0,0	-1,3	-1,3
Translation differences	0,4	-0,4	0,5	-1,0	-1,5
<b>Purchase cost at end of period</b>	<b>631,7</b>	<b>626,4</b>	<b>631,7</b>	<b>626,4</b>	<b>628,8</b>
Accumulated depreciation at beginning of period	-287,3	-253,0	-278,5	-246,2	-246,2
Ordinary depreciation in period	-8,7	-8,8	-17,4	-17,5	-34,9
Reclassifications	0,0	0,0	0,0	1,3	1,3
Translation differences	-0,3	0,4	-0,4	0,9	1,3
<b>Accumulated depreciation at end of period</b>	<b>-296,3</b>	<b>-261,5</b>	<b>-296,3</b>	<b>-261,5</b>	<b>-278,5</b>
<b>Book Value at end of period</b>	<b>335,4</b>	<b>364,9</b>	<b>335,4</b>	<b>364,9</b>	<b>350,2</b>

*Specification of fixed assets*

MNOK	Second quarter		Year to date		Year end
Fixed Assets	2017	2016	2017	2016	2016
Machinery and equipment	312.2	335.3	312.2	335.3	326.0
Fixtures and fittings, tools, office equipment etc.	19.2	24.1	19.2	24.1	21.5
Assets under construction	3.9	5.5	3.9	5.5	2.7
<b>Book Value at end of period</b>	<b>335.4</b>	<b>364.9</b>	<b>335.4</b>	<b>364.9</b>	<b>350.2</b>

## NOTE 5 INTANGIBLE ASSETS

MNOK	Second quarter		Year to date		Year end
Intangible assets	2017	2016	2017	2016	2016
<b>Purchase cost at beginning of period</b>	<b>1 873.7</b>	<b>1 842.6</b>	<b>1 845.2</b>	<b>1 860.4</b>	<b>1 860.4</b>
Addition of intangible assets	1.9	0.7	6.0	1.0	36.4
Acquisition of business	0.0	0.0	15.9	0.0	0.0
Transferred from assets under construction	0.8	0.7	1.1	2.2	4.0
Translation differences	40.4	-9.7	48.6	-29.3	-55.6
<b>Purchase cost at end of period</b>	<b>1 916.8</b>	<b>1 834.3</b>	<b>1 916.8</b>	<b>1 834.3</b>	<b>1 845.2</b>
Acc. depreciation and amortizations at beginning of period	-139.8	-122.6	-135.2	-118.5	-118.5
Depreciation in period	-2.5	-2.7	-5.3	-5.4	-11.2
Amortisations in period	-1.8	-1.4	-3.6	-2.8	-5.6
Translation differences	0.0	0.0	0.0	0.0	0.1
<b>Acc. depreciation and amortizations at end of period</b>	<b>-144.1</b>	<b>-126.7</b>	<b>-144.1</b>	<b>-126.7</b>	<b>-135.2</b>
<b>Book Value at end of period</b>	<b>1 772.7</b>	<b>1 707.6</b>	<b>1 772.7</b>	<b>1 707.6</b>	<b>1 710.1</b>

*Specification of intangible assets*

MNOK	Second quarter		Year to date		Year end
Intangible assets	2017	2016	2017	2016	2016
Goodwill	1 051.8	1 025.1	1 051.8	1 025.1	1 010.2
Brands	692.5	650.6	692.5	650.6	669.2
Software	28.4	31.9	28.4	31.9	30.7
<b>Book Value at end of period</b>	<b>1 772.7</b>	<b>1 707.6</b>	<b>1 772.7</b>	<b>1 707.6</b>	<b>1 710.1</b>

**NOTE 6 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS**

MNOK	Second quarter		Year to date		Year end
Liabilities at fair value through profit and loss	2017	2016	2017	2016	2016
Book value at beginning of period	13.8	77.3	24.1	119.0	119.0
Additions in period	0.0	0.0	0.0	1.0	1.0
Paid during period	0.0	0.0	-10.5	-42.0	-244.4
Changes in value during period	0.0	9.0	0.1	8.2	148.2
Interest during period	0.0	0.0	0.0	0.1	0.3
<b>Book value at end of period</b>	<b>13.8</b>	<b>86.3</b>	<b>13.8</b>	<b>86.3</b>	<b>24.1</b>
<i>From this;</i>					
Current liability	13.8	0.0	13.8	0.0	24.1
Non-current liability	0.0	86.3	0.0	86.3	0.0
<b>Total liabilities through profit and loss</b>	<b>13.8</b>	<b>86.3</b>	<b>13.8</b>	<b>86.3</b>	<b>24.1</b>

Payment year to date Q2 2017 represents the acquirement of the remaining minority shares of the wine-subsiary, Excellars AS.

**NOTE 7 DEBT TO FINANCIAL INSTITUTIONS****Liabilities to financial institutions, including financial leasing**

MNOK	Second quarter		Year to date		Year end
Debt to financial institutions	2017	2016	2017	2016	2016
Debt at beginning of period	915.4	1 276.0	910.8	1 225.7	1 225.7
New debt in period	0.0	0.0	0.0	100.0	811.3
Repayments in period	-4.2	-43.8	-8.3	-81.3	-1 081.0
Translation differences	22.2	-12.9	30.9	-25.0	-45.2
<b>Debt to financial institutions at end of period</b>	<b>933.4</b>	<b>1 219.3</b>	<b>933.4</b>	<b>1 219.3</b>	<b>910.8</b>
Capitalized borrowing costs at beginning of period	-7.6	-18.0	-8.0	-20.0	-20.0
Capitalized borrowing costs during period	0.0	0.0	0.0	-0.5	-8.7
Amortized borrowing costs during period	0.4	2.5	0.8	5.0	20.6
Translation differences	-0.2	0.0	-0.2	0.0	0.0
<b>Capitalized borrowing costs at end of period</b>	<b>-7.4</b>	<b>-15.5</b>	<b>-7.4</b>	<b>-15.5</b>	<b>-8.0</b>
<b>Book value debt to financial institutions at end of period</b>	<b>926.0</b>	<b>1 203.8</b>	<b>926.0</b>	<b>1 203.8</b>	<b>902.7</b>

**From this, current liabilities to financial institutions, including financial leasing**

MNOK	Second quarter		Year to date		Year end
Liabilities to financial institutions	2017	2016	2017	2016	2016
Current portion of non-current loans	0.0	152.4	0.0	152.4	0.0
Current portion of non-current financial leasing	16.5	15.4	16.5	15.4	16.5
Bank overdraft	115.9	127.2	115.9	127.2	0.0
<b>Current liabilities to financial institutions at end of period</b>	<b>132.4</b>	<b>295.1</b>	<b>132.4</b>	<b>295.1</b>	<b>16.5</b>

## NOTE 8 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		Year end
Purchase of goods and services	2017	2016	2017	2016	2016
Tiffon SA	10.5	13.6	20.2	20.2	56.1
Hoff SA <sup>3)</sup>	5.6	8.0	11.9	17.3	22.5
Det Danske Spiritus Kompagni A/S <sup>1)</sup>	0.0	0.4	0.0	2.4	3.3
Gjelleråsen Eiendom AS <sup>2)</sup>	19.8	0.0	39.6	0.0	77.6
<b>Totale purchase transactions</b>	<b>35.9</b>	<b>22.0</b>	<b>71.7</b>	<b>39.8</b>	<b>159.4</b>

MNOK	Second quarter		Year to date		Year end
Sale of goods and services	2017	2016	2017	2016	2016
Tiffon SA	0.9	2.0	2.9	3.4	3.4
Det Danske Spiritus Kompagni A/S <sup>1)</sup>	0.0	24.9	0.0	50.1	132.2
<b>Totale sale transactions</b>	<b>0.9</b>	<b>26.9</b>	<b>2.9</b>	<b>53.5</b>	<b>141.8</b>

### *Receivables and debt at end of period*

MNOK	Second quarter		Year end
Short term receivables from related parties	2017	2016	2016
Tiffon SA	0.9	0.0	0.0
Det Danske Spiritus Kompagni A/S <sup>1)</sup>	0.0	9.2	21.1
<b>Total short term receivables from related parties</b>	<b>0.9</b>	<b>9.2</b>	<b>21.1</b>

MNOK	Second quarter		Year end
Short term debt to related parties	2017	2016	2016
Tiffon SA	4.6	3.7	11.1
Hoff SA	2.8	3.8	0.5
Det Danske Spiritus Kompagni A/S <sup>1)</sup>	0.0	0.1	0.1
<b>Total short term debt to related parties</b>	<b>7.5</b>	<b>7.6</b>	<b>11.7</b>

<sup>1)</sup> Det Danske Spiritus Kompagni A/S was acquired 100% during Q1 2017, and is from that time no longer a joint venture, but a fully subsidiary of the Group

<sup>2)</sup> Gjelleråsen Eiendom AS was included as related party from Q4 2016, when Canica AS became shareholder of Arcus ASA.

<sup>3)</sup> During Q2, Arcus signed a new supplier-contract with Hoff SA. The new agreement expires in 2022, but Arcus has option to renew the contract for further periods at the same conditions.

## NOTE 9 FINANCIAL INSTRUMENTS

Categorisations of financial assets and liabilities

MNOK	Financial instruments at fair value through profit and loss	Loans and receivables	Assets available for sale	Financial liabilities	Total book value at end of period
<b>Assets</b>					
Other investments in shares	0.0	0.0	0.2	0.0	0.2
Other long term receivables	0.0	1.3	0.0	0.0	1.3
Accounts receivables	0.0	989.8	0.0	0.0	989.8
Other receivables	0.4	73.5	0.0	0.0	73.9
Cash and cash equivalents	0.0	126.9	0.0	0.0	126.9
<b>Total financial assets as of second quarter 2017</b>	<b>0.4</b>	<b>1 191.5</b>	<b>0.2</b>	<b>0.0</b>	<b>1 192.1</b>
<b>Total financial assets as of second quarter 2016</b>	<b>0.0</b>	<b>758.2</b>	<b>0.2</b>	<b>0.0</b>	<b>758.4</b>
<b>Liabilities</b>					
Liabilities to financial institutions	0.0	0.0	0.0	926.0	926.0
Liabilities at fair value through profit and loss	13.8	0.0	0.0	0.0	13.8
Other non-current term debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	453.3	453.3
Other current debt	0.0	0.0	0.0	14.8	14.8
<b>Total financial liabilities as of second quarter 2017</b>	<b>13.8</b>	<b>0.0</b>	<b>0.0</b>	<b>1 394.1</b>	<b>1 407.9</b>
<b>Total financial liabilities as of second quarter 2016</b>	<b>102.1</b>	<b>0.0</b>	<b>0.0</b>	<b>1 658.1</b>	<b>1 760.2</b>

Fair value hierarchy

<i>Assets</i>					
MNOK	Level 1	Level 2	Level 3	Book Value	
Currency derivatives	0.0	0.4	0.0	0.4	
<b>Total financial assets</b>	<b>0.0</b>	<b>0.4</b>	<b>0.0</b>	<b>0.4</b>	
<i>Liabilities</i>					
MNOK	Level 1	Level 2	Level 3	Book Value	
Liabilities at fair value through profit and loss	0.0	0.0	13.8	13.8	
<b>Total financial liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>13.8</b>	<b>13.8</b>	

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		Year end
	2017	2016	2017	2016	2016
Financial liabilities, level 3, at beginning of period	13.8	77.3	24.1	119.0	119.0
Fair value at the first time of recognition	0.0	0.0	0.0	1.0	1.0
Paid during the period	0.0	0.0	-10.5	-42.0	-244.4
Changes in value during the period	0.0	9.0	0.1	8.2	148.2
Interest during period	0.0	0.0	0.0	0.1	0.3
<b>Financial liabilities, level 3 at end of period</b>	<b>13.8</b>	<b>86.3</b>	<b>13.8</b>	<b>86.3</b>	<b>24.1</b>

**Liabilities measured at fair value, categorized at level 3 in the fair value hierarchy, was at the beginning of the year 2017 related to two factors:**

- Options for the purchase of non-controlling interests in Excellars AS (9,9%).
- Issuance of synthetic options in the share program for selected former and current executives in the Group.

**Options for the purchase of non-controlling interests:**

The liabilities related to options for the purchase of non-controlling interests is estimated on the basis of pricing mechanisms that underlie the purchase agreement and 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 multiple based on the Groups earnings in total. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

During Q1 2017, the Group purchased the remaining 9,9% of the shares in subsidiary Excellars AS, increasing shareholding from 90,1% to 100,0%. The balance sheet contains no remaining liability.

**Synthetic shares and options in the share program:**

The synthetic options are valued using the Black & Scholes and will from settlement entail payments equal to any value per share beyond the exercise price multiplied by the number of synthetic options.

In relation to Arcus ASA's introduction on the Oslo Stock Exchange during Q4 2016, most of the commitments regarding the synthetic option program was settled. The synthetic options have had no value change during Q2.

**NOTE 10 OPTIONS**

The General meeting decided a new option incentive programme in May. The Group Executive Management and a few other key employees (15 employees in total), now hold a total of 1.407.368 stock options in Arcus (1.009.544 are held by the Group Executive Management). The option programme, has a strike price of NOK 51.38. The share options has 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		Year end
	2017	2016	2017	2016	2016
<b>Change in number of options:</b>					
Outstanding options beginning of period	0	0	0	0	0
Issued during period	1 407 368	0	1 407 368	0	0
<b>Outstanding options end of period</b>	<b>1 407 368</b>	<b>0</b>	<b>1 407 368</b>	<b>0</b>	<b>0</b>

**NOTE 11 FINANCIAL INCOME AND EXPENSES**

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Interest income	1.4	1.6	2.8	3.6	7.9
Other financial income	1.4	5.9	1.3	6.7	10.4
<b>Total financial income</b>	<b>2.7</b>	<b>7.5</b>	<b>4.0</b>	<b>10.3</b>	<b>18.4</b>
Interest cost	-7.7	-18.8	-15.1	-38.2	-70.4
Other financial expenses	-2.8	-14.8	-5.8	-21.5	-184.7
<b>Total financial expenses</b>	<b>-10.5</b>	<b>-33.6</b>	<b>-21.0</b>	<b>-59.7</b>	<b>-255.1</b>
<b>Net financial profit/loss</b>	<b>-7.8</b>	<b>-26.1</b>	<b>-16.9</b>	<b>-49.4</b>	<b>-236.7</b>

Other financial expenses during Q2 is mainly consisting of amortized borrowing costs and agio effects.

**NOTE 12 OTHER EVENTS****Changes of non-controlling interests**

During March, the Group has purchased non-controlling interests of Vinordia AS, Symposium Wines AS and Vinuniq AS. Remaining non-controlling interest after the purchase is 20% in Symposium Wines AS, while Vinordia AS and Vinuniq AS are now 100% owned by the Group.

During May, the Group purchased and sold non-controlling interests of Valid Wines AB, changing the ownership from 97% to 83%. The purchaser of the non-controlling interests is the CEO of Valid Wines AB.

**Events after the close of Q2 2017**

In August 2017 Arcus concluded an agreement to buy the shares of the Norwegian company Bevco AS, with expected closing on September 1st. The company is the distributor of a portfolio of niche products, in particular Dooley's Toffee Liqueur.

No significant other events have occurred between the close of Q2 and the date on which Arcus's interim financial statements for Q2 2017 were approved. This applies to events that would have provided knowledge of factors present at the close of Q2 2017, or events concerning matters that have arisen since the close of Q2 2017.

## 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		Year end
	2017	2016	2017	2016	2016
Total operating revenues	647.4	634.8	1 140.9	1 167.3	2 582.4
Cost of goods	-367.8	-367.5	-636.4	-674.8	-1 467.9
<b>Gross Profit</b>	<b>279.6</b>	<b>267.3</b>	<b>504.5</b>	<b>492.5</b>	<b>1 114.5</b>

#### Spirits

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Total operating revenues	195.4	195.2	365.8	355.0	903.9
Cost of goods	-87.2	-93.0	-161.3	-170.5	-427.0
<b>Gross Profit</b>	<b>108.2</b>	<b>102.2</b>	<b>204.4</b>	<b>184.5</b>	<b>476.9</b>

#### Wine

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Total operating revenues	417.9	415.4	723.0	760.5	1 552.4
Cost of goods	-315.4	-310.1	-548.1	-564.2	-1 165.6
<b>Gross Profit</b>	<b>102.5</b>	<b>105.3</b>	<b>174.9</b>	<b>196.4</b>	<b>386.8</b>

#### Distribution

MNOK	Second quarter		Year to date		Year end
	2017	2016	2017	2016	2016
Total operating revenues	70.8	62.4	129.5	116.6	262.9
Cost of goods	0.0	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>70.8</b>	<b>62.4</b>	<b>129.5</b>	<b>116.6</b>	<b>262.9</b>

### 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 2 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		Year end
EBITDA adjusted	2017	2016	2017	2016	2016
EBIT	55,1	55,3	62,8	63,5	238,9
Depreciation, amortisations and write downs	12,9	12,9	26,3	25,6	51,6
EBITDA	68,0	68,3	89,0	89,2	290,5
Other income and expenses	3,2	2,3	3,3	2,6	44,9
EBITDA adjusted	71,1	70,5	92,4	91,7	335,3

### Spirits

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2017	2016	2017	2016	2016
EBIT	21,1	19,9	31,0	15,8	134,8
Depreciation, amortisations and write downs	6,0	6,0	12,1	12,0	23,9
EBITDA	27,1	25,9	43,2	27,8	158,7
Other income and expenses	0,3	2,4	0,6	3,4	3,9
EBITDA adjusted	27,4	28,3	43,7	31,2	162,6

### Wine

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2017	2016	2017	2016	2016
EBIT	44,7	46,8	66,6	81,3	193,1
Depreciation, amortisations and write downs	0,4	0,3	0,8	0,5	1,0
EBITDA	45,2	47,1	67,4	81,8	194,2
Other income and expenses	0,0	0,0	0,0	0,0	0,0
EBITDA adjusted	45,2	47,1	67,4	81,8	194,2

### Distribution

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2017	2016	2017	2016	2016
EBIT	0,5	-4,6	-7,4	-16,3	-11,4
Depreciation, amortisations and write downs	3,4	3,4	6,8	6,8	13,6
EBITDA	3,8	-1,2	-0,6	-9,5	2,2
Other income and expenses	0,0	0,0	0,0	0,0	0,4
EBITDA adjusted	3,8	-1,2	-0,6	-9,5	2,6

**Parent Company**

MNOK	Second quarter		Year to date		Year end
EBITDA adjusted	2017	2016	2017	2016	2016
EBIT	-10,0	-5,5	-24,9	-15,0	-72,9
Depreciation, amortisations and write downs	1,9	2,0	4,0	4,0	8,4
EBITDA	-8,1	-3,5	-20,9	-10,9	-64,6
Other income and expenses	2,9	-0,1	2,8	-0,9	40,6
EBITDA adjusted	-5,3	-3,6	-18,1	-11,8	-24,0

**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 + finance lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Year to date		Year end
<i>Net interest bearing debt</i>	2017	2016	2016
Non-current liabilities to financial institutions	734.8	843.8	703.3
Book value of Capitalized arrangement fees	7.4	15.5	8.0
Book value of Interest swap	0.0	15.7	0.0
Non-current finance lease liabilities	174.7	192.2	183.0
Current liabilities to financial institutions	0.0	152.4	0.0
Bank Overdraft	115.9	127.2	0.0
Current finance lease liabilities	16.5	15.4	16.5
Cash and cash equivalents	-126.9	-89.3	-199.4
<b>Net interest bearing debt</b>	<b>922.4</b>	<b>1 272.9</b>	<b>711.4</b>

## Organic growth

Organic revenue growth represent 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	2017	2016	2017	2016
Reported total operating revenues	647.4	634.8	1 140.9	1 167.3
Currency effects	0.0	-8.8	0.0	-34.1
Structural changes <sup>1)</sup>	-7.3	0.0	-15.1	-1.0
<b>Baseline organic growth</b>	<b>640.1</b>	<b>626.0</b>	<b>1 125.8</b>	<b>1 132.2</b>

### Spirits

MNOK	Second quarter		Year to date	
Total revenues	2017	2016	2017	2016
Reported total operating revenues	195.4	195.2	365.8	355.0
Currency effects	0.0	-0.5	0.0	-5.7
Structural changes	-11.9	-0.6	-23.5	-1.6
<b>Baseline organic growth</b>	<b>183.5</b>	<b>194.1</b>	<b>342.3</b>	<b>347.7</b>

### Wine

MNOK	Second quarter		Year to date	
Total revenues	2017	2016	2017	2016
Reported total operating revenues	417.9	415.4	723.0	760.5
Currency effects	0.0	-8.8	0.0	-29.3
Structural changes <sup>1)</sup>	4.6	0.0	8.4	0.0
<b>Baseline organic growth</b>	<b>422.5</b>	<b>406.6</b>	<b>731.4</b>	<b>731.2</b>

### Distribution

MNOK	Second quarter		Year to date	
Total revenues	2017	2016	2017	2016
Reported total operating revenues	70.8	62.4	129.5	116.6
<b>Baseline organic growth</b>	<b>70.8</b>	<b>62.4</b>	<b>129.5</b>	<b>116.6</b>

<sup>1)</sup> Includes reclassification of 4.6 MNOK (Q2) and 8.4 MNOK (YTD) from other revenues to reduced Advertising & Promotion expenses, see segment Wine.

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