



# Quarterly Report

Q3 2019



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# Message from the CEO

We are pleased to see growth for Spirits in all major markets, increased sales for Wine in Norway, and another quarter with increased revenue for Logistics. Overall, organic growth for Q3 was 0.4 percent, the seventh consecutive quarter of organic growth, but below our ambitions. In this quarter we saw the full effect of the loss of wine producers in our Swedish wine business earlier this year.

## **Wine**

The positive sales trend for Wine in Norway continued during the quarter, resulting in higher market shares. The increased revenue was driven by higher sales of own brand bestsellers and agency products, and introduction of new products. In Sweden, loss of market shares in the quarter is explained by the loss of wine producers announced in March this year. Adjusted for the lost producers, Arcus grew faster than the market, attracting several new producers.

## **Spirits**

During Q3 we delivered growth across all major markets. The majority of the growth stems from new agencies, but we also saw growth from own brands in all markets except Norway. Our market shares improved in Denmark, Sweden and Finland, but slightly down in Norway. EBITDA-margin increased, due to indirect costs being flat combined with increased operating revenue.

## **Logistics**

Higher volumes increased revenue, continuing the positive trend from previous quarters. The increased volume was mainly driven by new agencies won by existing customers. Compared to Q3 last year, the margin improved due to increased efficiency in production.



Kenneth Hamnes  
Group CEO

# Key figures Q3 2019

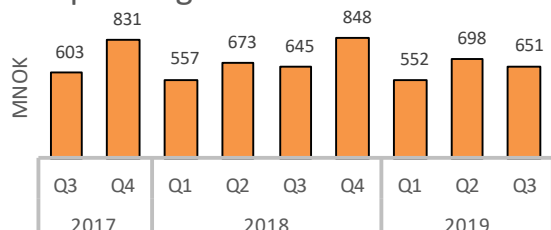
## CONSOLIDATED GROUP FIGURES

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Total operating revenue	650.8	644.9	1 901.0	1 875.1	2 723.2
Gross profit <sup>1)</sup>	264.6	260.7	782.8	776.9	1 145.9
EBITDA <sup>1) 2)</sup>	94.4	70.5	210.1	158.6	307.3
EBITDA adjusted <sup>1) 2)</sup>	96.4	76.8	225.1	160.5	312.6
Pre-tax profit <sup>2)</sup>	45.1	45.9	55.9	90.5	221.2
Earnings per share, parentcompany shareholders (NOK)	0.51	0.48	0.59	0.94	2.33
<b>Key figures</b>					
Gross margin <sup>1)</sup>	40.7 %	40.4 %	41.2 %	41.4 %	42.1 %
EBITDA margin <sup>1)</sup>	14.5 %	10.9 %	11.1 %	8.5 %	11.3 %
EBITDA margin adjusted <sup>1)</sup>	14.8 %	11.9 %	11.8 %	8.6 %	11.5 %
Equity ratio <sup>1)</sup>	31.4 %	39.1 %	31.4 %	39.1 %	37.3 %
<b>Financial position</b>					
Total equity	1 583.9	1 511.3	1 583.9	1 511.3	1 654.0
Net interest bearing debt (cash) <sup>1)</sup>	1 832.9	858.3	1 832.9	858.3	615.1

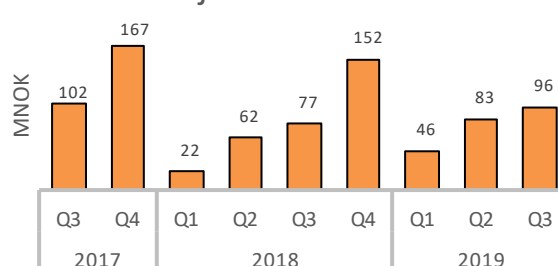
<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.

<sup>2)</sup> EBITDA and EBITDA adjusted include a positive IFRS 16 effect of 23.2 MNOK for Q3 and 69.7 YTD. Pre-tax profit includes a negative IFRS 16 effect of -2.7 MNOK for Q3 and -15.6 MNOK YTD.

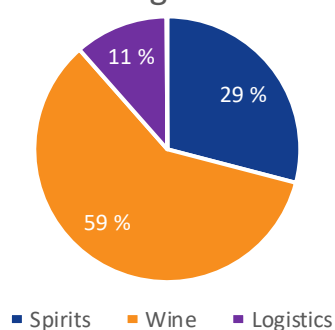
### Operating revenue



### EBITDA adjusted<sup>2</sup>



### Operating revenue per segment<sup>1</sup>



### EBITDA adjusted pr segment<sup>1,2</sup>



<sup>1</sup> Figures for Q3 2019

<sup>2</sup> EBITDA adjusted is EBITDA adjusted for non-recurring effects, but is not corrected for foreign exchange effects. See separate chapter/note on APM for reconciliation. "Other" segment represents HQ and eliminations.

\*Segment elimination includes a positive IFRS 16 adjustment of 23.2 MNOK

# Highlights Q3 2019

## OVERALL PERFORMANCE

- **Operating revenue** for Q3 2019 was 650.8 MNOK, compared to 644.9 MNOK in Q3 last year (+0.9 percent). Operating revenue increased for Spirits and Distribution, but was down for Wine. Organic growth for Q3 was 0.4 percent (1.7 percent September YTD), with an estimated positive currency effect of approximately 3.6 MNOK due to stronger SEK and EUR vs NOK this year.
- **Adjusted EBITDA** for Q3 was 96.4 MNOK, but 73.3 MNOK when adjusted for positive effects from IFRS 16. This is a reduction of 4.6 percent compared to 76.8 MNOK Q3 last year. (IFRS 16 is implemented as of January 1 2019 on group level only, and the results for the segments are therefore comparable. Please see Note 1, page 18, for comparable figures.)

## BUSINESS SEGMENTS

- **Wine** revenues amounted to 382.8 MNOK, compared to 393.9 MNOK in Q3 last year (-2.8 percent). Organic growth was -3.3 percent. Adjusted EBITDA margin was 10.7 percent for Q3 2019, compared to 13.2 percent in Q3 last year.
- **Spirits** revenues amounted to 224.1 MNOK, compared to 208.6 MNOK in Q3 last year (+7.5 percent). Organic revenue grew by 7.6 percent<sup>1</sup>. Adjusted EBITDA margin was 13.9 percent for Q3, compared to 12.2 percent in Q3 last year.
- **Logistics** revenues amounted to 79.3 MNOK compared to 72.7 MNOK in Q3 last year (+9.2 percent). Adjusted EBITDA margin was 6.3 percent for Q3, compared to 3.4 percent in Q3 last year.

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<sup>1</sup>Calculated on external spirits sales

## Wine: Continued growth in Norway

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
<b>Total operating revenue</b>	<b>382.8</b>	<b>393.9</b>	<b>1 154.5</b>	<b>1 174.0</b>	<b>1 624.7</b>
Gross profit <sup>1)</sup>	82.3	91.7	258.0	272.9	380.4
Gross margin <sup>1)</sup>	21.5 %	23.3 %	22.3 %	23.2 %	23.4 %
EBITDA <sup>1)</sup>	41.0	46.8	104.6	111.4	169.7
EBITDA adjusted <sup>1)</sup>	41.1	51.8	111.8	121.7	181.5
EBITDA margin <sup>1)</sup>	10.7 %	11.9 %	9.1 %	9.5 %	10.4 %
EBITDA margin adjusted <sup>1)</sup>	10.7 %	13.2 %	9.7 %	10.4 %	11.2 %

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

### OPERATING REVENUE

Total operating revenue for Wine was 382.8 MNOK for the third quarter, compared to 393.9 MNOK in Q3 last year. Organic growth was -3.3 percent, while reported growth was -2.8 percent because of the positive effect from stronger SEK and EUR in translation of revenues in Sweden and Finland to NOK.

In Sweden, Arcus' sales at Systembolaget were down in a growing market, entirely explained by the loss of producers in the subsidiary Vinunic. The lost producers sold extremely well in the summer season last year, resulting in a negative effect in this quarter more significant than what is expected going forward. Excluding the lost agencies, performance was good as Arcus grew sales faster than the market. Several new wine producers have been won this quarter, but not compensating for Vinunic's loss.

In Norway, Arcus' sales continued to grow significantly faster than the market, leading to further market share gains in the period. The positive momentum continued with increased volume from strong sales of bestsellers within own brands, significant growth in the agency business, and introduction of new products. The agency business experienced volume growth five times the market development.

In Finland, Arcus' sales to Alko in the period decreased more than the slightly declining market.

Arcus' drop in sales is still mainly explained by the loss of producers late 2018. Efforts to renew the portfolio have yet to fully offset the decline.

Sales to the Duty Free Travel Retail-channel increased, fuelled by increased distribution of own bestsellers.

### EBITDA

The adjusted EBITDA-margin for Wine was 10.7 percent in the third quarter, down from 13.2 percent last year.

Gross margin is down due to negative effects from stronger EUR and USD, continued growth from new products with lower margins in the introduction phase, and loss of producers with above average margins. Price adjustments September 1 in Norway and Sweden do not fully compensate for these effects.

In addition to the reduced gross margin, higher indirect costs combined with lower revenues reduced EBITDA-margin.

### 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: Continued growth, improved margin

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Sales	183.9	169.6	501.6	466.8	762.4
Other revenue	40.3	38.9	112.3	115.1	157.2
<b>Total operating revenue</b>	<b>224.1</b>	<b>208.6</b>	<b>613.8</b>	<b>581.9</b>	<b>919.6</b>
Gross profit <sup>1)</sup>	107.5	101.1	306.7	298.3	471.6
Gross margin <sup>1)</sup>	48.0 %	48.5 %	50.0 %	51.3 %	51.3 %
EBITDA <sup>1)</sup>	31.0	24.9	61.2	53.2	142.8
EBITDA adjusted <sup>1)</sup>	31.1	25.5	62.2	54.6	144.6
EBITDA margin <sup>1)</sup>	13.8 %	12.0 %	10.0 %	9.1 %	15.5 %
EBITDA margin adjusted <sup>1)</sup>	13.9 %	12.2 %	10.1 %	9.4 %	15.7 %

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

## OPERATING REVENUE

Total operating revenue for Spirits in Q3 2019 was 224.1 MNOK, compared to 208.6 MNOK for the same period last year, an increase of 7.5 percent. Organic growth was 7.6 percent<sup>1</sup>. Compared to Q3 last year, sales increased in all major markets.

Sales grew in Norway, but at a slower pace than the market, leading to a slight decrease in market shares.

Sales grew in Denmark, with contributions both from successful launches of new Arcus products and new agency products.

In Sweden and Finland, sales growth was stronger than the market growth, driven primarily by new agency products in the portfolio.

Sales to Duty Free Travel Retail and other international markets increased during the quarter. Revenues from Germany and the US decreased slightly.

## EBITDA

The adjusted EBITDA margin for Spirits was 13.9 percent for Q3 2019, compared to 12.2 percent Q3 2018.

Total indirect costs in the period were flat, which combined with the growing operating income contributed positively to the EBITDA margin. Lower scrapping costs contributed positively in the period, while strong growth in sales of lower-margin agency products reduced the margin.

## 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.*

<sup>1</sup> Calculated on external spirits sales

## Logistics: Volume growth and increased efficiency

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
<b>Total operating revenue</b>	<b>79.3</b>	<b>72.7</b>	<b>229.6</b>	<b>215.7</b>	<b>307.7</b>
Gross profit <sup>1)</sup>	79.3	72.7	229.6	215.7	307.7
Gross margin <sup>1)</sup>	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA <sup>1)</sup>	5.0	2.4	3.6	2.4	12.4
EBITDA adjusted <sup>1)</sup>	5.0	2.5	4.8	2.5	12.7
EBITDA margin <sup>1)</sup>	6.3 %	3.3 %	1.6 %	1.1 %	4.0 %
EBITDA margin adjusted <sup>1)</sup>	6.3 %	3.4 %	2.1 %	1.2 %	4.1 %

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

### VOLUME

Distributed volume in the third quarter was 12.3 million liters, an increase of 0.6 million liters from the same quarter last year. This equals an increase of 5.0 percent, while Vinmonopolet's total volume in the third quarter was up 2.3 percent. By the end of the second quarter, Vectura had a 51.6 percent share of the volume delivered to Vinmonopolet, compared to 49.5 percent last year.

Distributed volume in the horeca-channel grew by 4.1 percent, due to increased orders to existing customers, new agencies won by existing importers and increased dropsize for existing customers.

Sales to other wholesalers increased by 5.0 percent compared to third quarter last year.

### OPERATING REVENUE

Operating revenue increased by 9.2 percent to 79.3 MNOK in the quarter, compared to 72.7 MNOK in

the same period last year. Organic growth was 9.2 percent in Q3 and 6.4 percent year to date. The increase in Q3 is mainly volume-driven, as other income was at similar levels as last year.

### EBITDA

Adjusted EBITDA in the third quarter was 5.0 MNOK, an increase of 2.5 MNOK compared to the same quarter last year.

Increased volume in a relatively low-volume season allowed efficient production, reducing costs per liter.

### LOGISTICS

*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

## CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q3 2019 was 279.9 MNOK, compared to 123.6 MNOK in Q3 2018 (change of 156.3 MNOK), the change was 133.1 MNOK when adjusted for effects from IFRS 16 .

The cash flow is positively impacted by lower net working capital at the end of the quarter versus the level at the end of Q2, as is normal for the season.

This effect was larger this year because last year's receivables were inflated when month-end fell on a Sunday, resulting in two days of invoices were received in the first banking day of Q4 2018.

Net interest bearing debt was 1,832.9 MNOK, but 705.6 MNOK if adjusted for IFRS 16 effects, compared to 858.3 MNOK as at the end of Q3 2018. The higher cash flow in the period increased the cash position and reduced net debt compared to last year.

# Environmental, Social and Governance (ESG)

ESG is of increasing importance for Arcus. From now on, we want to highlight Arcus' initiatives and achieved results within this area.

As focus on ESG within society in general and the financial market is increasing, we will from now on report on our major initiatives and results.

## **THINNER PLASTIC**

Recently, Arcus has switched to a thinner plastic for securing goods during transport. By doing so, the annual plastic consumption in this process will be reduced by approx. 40 percent, equivalent to 3.5 tonnes per year. This is better for environment, increase efficiency and reduce costs.

## **"THE PLASTIC PLEDGE" (PLASTLØFTET)**

Arcus is committed to "The Plastic Pledge" (Plastløftet), a promise that will contribute to a more

circular economy. As part of this, Arcus has promised to reduce its plastic usage by 30 percent by 2025.

## **RENEWABLE ENERGY**

At head-office and production facility at Gjelleråsen, Arcus uses renewable energy for all heating/cooling, light and electricity. Ca 70 percent of the energy is from our own geothermal energy, 30 percent is external electricity guaranteed from a renewable source.

## **GENDER BALANCE**

Since first time participating in the SHE Index, measuring gender balance at management level at large Norwegian companies, Arcus has climbed 4 pts to 57 pts in October. The average score October was 58 pts, while the average for «Consumer products and retail» was 49 pts.

# Other information

## SEGMENT NAME CHANGE

From this quarter we have renamed our “Distribution” segment to “Logistics”. This is more accurate as a description and avoids confusion as Arcus’ other subsidiaries are often referred to as distributors of international brands in the Nordics.

## NEW CEO VECTURA

As of 1 November Roar Ødelien took on the position as new CEO for Vectura, replacing Christian Granlund who has accepted a new position outside Arcus and Norway. Ødelien has wide experience from logistics, with senior management positions at Nortura, Norske Skog, Ringnes and Carlsberg.

## VINMONOPOLET

Vinmonopolet has made a lab-service agreement with Arcus for analyzing part of their product portfolio. Arcus’ laboratory is certified to the ISO 17025 standard, confirming high level of competency.

# Group consolidated accounts

The interim financial statement has not been audited.

## CONDENSED STATEMENT OF INCOME

MNOK		Third quarter		Year to date		Full Year
	Note	2019	2018	2019	2018	2018
Sales	2,9	639.7	635.4	1 867.2	1 839.8	2 672.6
Other revenue	2	11.1	9.5	33.8	35.3	50.6
<b>Total operating revenue</b>	2,9	<b>650.8</b>	<b>644.9</b>	<b>1 901.0</b>	<b>1 875.1</b>	<b>2 723.2</b>
Cost of goods		-386.2	-384.2	-1 118.1	-1 098.2	-1 577.3
<b>Gross Profit</b>		<b>264.6</b>	<b>260.7</b>	<b>782.8</b>	<b>776.9</b>	<b>1 145.9</b>
Gain on sale of fixed assets		0.1	0.1	0.1	0.2	0.4
Salaries and personnel cost		-97.6	-92.4	-318.9	-308.9	-426.6
Advertising & Promotion expenses (A&P)		-27.0	-28.8	-83.2	-93.6	-122.5
Other operating expenses		-43.3	-63.3	-155.7	-212.6	-286.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		-0.4	0.5	0.0	-1.6	2.3
Other income and expenses	3	-2.0	-6.3	-15.0	-1.8	-5.3
<b>EBITDA</b>		<b>94.4</b>	<b>70.5</b>	<b>210.1</b>	<b>158.6</b>	<b>307.3</b>
Depreciation	5,6	-34.3	-10.7	-83.7	-31.6	-42.3
Amortisations	5,6	-1.9	-1.9	-5.8	-5.8	-7.7
<b>Operating profit (EBIT)</b>		<b>58.2</b>	<b>57.8</b>	<b>120.6</b>	<b>121.3</b>	<b>257.3</b>
Financial income	12	6.8	3.3	17.3	8.7	14.5
Financial expenses	7,10,12	-19.9	-15.3	-82.1	-39.4	-50.6
<b>Pre-tax profit</b>		<b>45.1</b>	<b>45.9</b>	<b>55.9</b>	<b>90.5</b>	<b>221.2</b>
Tax		-9.3	-11.6	-12.1	-22.9	-56.8
<b>Profit/loss for the year</b>		<b>35.8</b>	<b>34.3</b>	<b>43.8</b>	<b>67.6</b>	<b>164.4</b>
Profit/loss for the year attributable to parent company shareholders		34.5	32.5	40.4	63.8	158.5
Profit/loss for the year attributable to non-controlling interests		1.4	1.7	3.4	3.7	6.0
Earnings per share, continued operations		0.51	0.48	0.59	0.94	2.33
Diluted earnings per share, continued operations		0.48	0.46	0.57	0.91	2.25

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

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK		Third quarter		Year to date		Full Year
	Note	2019	2018	2019	2018	2018
<b>Profit/loss for the year</b>		<b>35.8</b>	<b>34.3</b>	<b>43.8</b>	<b>67.6</b>	<b>164.4</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	9.9
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-2.3
<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>7.6</b>
<b>Items that may be reclassified against the statement of income</b>						
Translating differences in translation of foreign subsidiaries		24.7	-1.6	1.2	-36.1	7.0
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>24.7</b>	<b>-1.6</b>	<b>1.2</b>	<b>-36.1</b>	<b>7.0</b>
<b>Total other comprehensive income</b>		<b>24.7</b>	<b>-1.6</b>	<b>1.2</b>	<b>-36.1</b>	<b>14.6</b>
<b>Total comprehensive income for the year</b>		<b>60.5</b>	<b>32.7</b>	<b>45.0</b>	<b>31.4</b>	<b>179.0</b>
Total comprehensive income for the year attributable to parent company shareholders		59.1	31.0	42.7	29.3	173.8
Total comprehensive income for the year attributable to non-controlling interests		1.4	1.7	2.2	2.1	5.2

## CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Third quarter		Full Year
		30.09.2019	30.09.2018	31.12.2018
Intangible assets	6	1 869.1	1 838.8	1 883.9
Tangible assets	5	1 416.5	317.8	315.8
Deferred tax asset		113.3	132.7	110.4
Financial assets		61.6	55.7	63.1
<b>Total fixed assets</b>		<b>3 460.4</b>	<b>2 345.0</b>	<b>2 373.2</b>
Inventories		505.9	482.6	441.1
Accounts receivables and other receivables		932.7	942.6	1 340.7
Cash and cash equivalents		150.5	90.7	282.6
<b>Total current assets</b>		<b>1 589.1</b>	<b>1 515.9</b>	<b>2 064.4</b>
<b>Total assets</b>		<b>5 049.5</b>	<b>3 860.9</b>	<b>4 437.6</b>
Paid-in equity		772.1	772.1	772.1
Retained earnings		808.6	736.9	879.0
Non-controlling interests		3.2	2.3	3.0
<b>Total equity</b>		<b>1 583.9</b>	<b>1 511.3</b>	<b>1 654.0</b>
Non-current liabilities to financial institutions	8	691.3	685.5	723.5
Non-current liabilities at fair value through profit or loss	7,10	69.3	69.6	74.2
Non-current finance lease liabilities	8	1 221.9	153.5	151.4
Pension obligations		21.4	30.7	21.1
Deferred tax liability		102.3	97.3	102.0
Other non-current liabilities		0.4	0.2	0.7
<b>Total non-current liabilities</b>		<b>2 106.7</b>	<b>1 036.8</b>	<b>1 073.0</b>
Bank Overdraft	8	0.0	87.6	0.0
Current finance lease liabilities	8	66.7	17.4	18.1
Accounts payable and other payables		1 292.2	1 207.8	1 692.5
<b>Total current liabilities</b>		<b>1 358.9</b>	<b>1 312.8</b>	<b>1 710.6</b>
<b>Total equity and liabilities</b>		<b>5 049.5</b>	<b>3 860.9</b>	<b>4 437.6</b>

## CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		30.09.2019			30.09.2018		
		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		1 651.1	3.0	1 654.0	1 650.6	18.8	1 669.4
Total comprehensive income for the period		42.7	2.2	45.0	29.3	2.1	31.4
Dividends		-112.9	-3.3	-116.2	-112.9	-5.8	-118.7
Re-purchase of own shares		-0.5	0.0	-0.5	-1.2	0.0	-1.2
Sharebased payments	10,11	1.5	0.0	1.5	4.5	0.0	4.5
Change in non-controlling interest		0.0	0.1	0.1	-61.5	-12.6	-74.1
Transfer from minority to majority at end of period		-1.2	1.2	0.0	0.3	-0.3	0.0
<b>Equity at the end of period</b>		<b>1 580.7</b>	<b>3.2</b>	<b>1 583.9</b>	<b>1 508.9</b>	<b>2.3</b>	<b>1 511.3</b>

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 are recognized as though they are owned by the Group, 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, but are not stated in the equity. At period end, the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period, are reclassified from non-controlling interest to the majority's share of equity.

The presented remaining non-controlling interest in the equity is non-controlling interests where there are no put-options associated.

## CONDENSED STATEMENT OF CASHFLOW

MNOK		Third quarter		Year to date		Full Year
	Note	2019	2018	2019	2018	2018
Pre-tax profit		45.1	45.9	55.9	90.5	221.2
Depreciation and amortisations	5,6	36.3	12.6	89.5	37.4	50.0
Received dividend from associated companies		0.0	0.0	0.4	0.4	0.4
Net interest in period		12.9	9.5	66.2	26.2	37.4
Other items without cash effect		6.6	2.5	-2.3	-3.1	10.9
Change in inventories		-9.7	-8.0	-64.7	-71.8	-30.4
Change in receivables		246.5	216.0	421.5	583.9	182.4
Change in payables		-57.8	-154.9	-398.4	-523.2	-37.4
<b>Cash flow from operating activities before tax</b>		<b>279.9</b>	<b>123.6</b>	<b>168.0</b>	<b>140.4</b>	<b>434.5</b>
Tax paid		-9.6	-9.1	-29.1	-29.1	-40.0
<b>Cash flow from operating activities</b>		<b>270.2</b>	<b>114.5</b>	<b>138.8</b>	<b>111.3</b>	<b>394.5</b>
Proceeds from sale of tangible & intangible fixed assets		0.1	0.1	0.1	0.2	0.4
Payments on acquisition of tangible & intangible fixed assets	5,6	-4.9	-5.3	-12.1	-16.8	-23.0
Payments on acquisition of Brands	6	-0.3	0.0	-0.3	0.0	0.0
Payments on acquisition of operations		0.0	-0.1	0.0	-0.1	0.0
Other investments		0.0	0.0	0.0	0.0	-0.1
<b>Cash flows from investment activities</b>		<b>-5.0</b>	<b>-5.3</b>	<b>-12.2</b>	<b>-16.8</b>	<b>-22.8</b>
Payments - co-investment program	7.12	0.0	0.0	-2.1	0.0	0.0
Repayment debt to financial institutions	8	-25.4	-4.3	-49.4	-12.9	-17.4
Change other long term loans		0.0	0.1	1.0	0.2	-0.4
Interest paid in period		-12.9	-9.5	-66.0	-26.2	-37.3
Paid dividend and Group contributions		-0.3	-0.7	-116.2	-118.7	-118.7
Other financing payments		0.8	-1.3	-2.9	-7.4	-14.5
<b>Cash flow from financing activities</b>		<b>-37.8</b>	<b>-15.6</b>	<b>-235.7</b>	<b>-165.1</b>	<b>-188.2</b>
Cash flow from discontinued operations		0.0	0.0	0.0	0.0	0.0
<b>Total cash flow</b>		<b>227.4</b>	<b>93.5</b>	<b>-109.1</b>	<b>-70.6</b>	<b>183.5</b>
Holdings of cash and cash equivalents at the beginning of period		-81.9	-96.4	282.6	111.7	111.7
Effect of exchange rate changes on cash and cash equivalents		5.0	6.0	-23.0	-38.1	-12.6
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>150.5</b>	<b>3.1</b>	<b>150.5</b>	<b>3.1</b>	<b>282.6</b>

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

Cash and cash equivalents at the end of the period	150.5	90.7	150.5	90.7	282.6
Overdraft cashpool system at the end of the period	0.0	-87.6	0.0	-87.6	0.0
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>150.5</b>	<b>3.1</b>	<b>150.5</b>	<b>3.1</b>	<b>282.6</b>

# 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 31.12.2018.

The Board approved the consolidated financial statement for the year 2018 on March 20th 2019.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2018, except for the adoption of new standards effective as of 1 January 2019. The Group has not early adopted any other standard that has been issued but is not yet effective.

### ***New accounting standards***

#### ***IFRS 16 Leases***

IFRS 16 Leases replaced the existing IFRS standards for leases from 1.1.2019. The new standard concerning leases has entailed a significant change in the accounting policy, as all significant leasing agreements now are capitalised. This has given an right-of-use asset on the asset side of the balance sheet, and an equivalent lease liability on the liability side.

#### **Right-of-use asset**

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease commitments. The cost of right-of-use assets includes the amount of lease liabilities recognized, and initial direct costs incurred. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

#### **Lease Liabilities**

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate that is known and measurable, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. Lease Liabilities falling due within 12 months are classified as current liabilities and remaining liabilities are classified as non-current.

On the implementation of IFRS 16, the Group had two implementation options: the full retrospective method or the modified retrospective method. The Group has chosen to implement IFRS 16 using the modified retrospective method, which means that the effects calculated on the implementation date were based on the remaining period of the lease as from 1.1.2019, and there was no adjustment to equity at the date of implementation.

The Group, as lessee, had a number of options concerning the use of simplifications. The Group has chosen to use these simplification options, so that:

- Software licences has not been included in the calculation basis.
- Short-term lease agreements expected to be for shorter terms than 12 months has not been included in the calculation basis.
- Insignificant lease agreements (annual charge under TEUR 5) has not been included in the calculation basis.
- Any service elements in the lease charge has not been separated from the annual lease charge in the calculation basis.

For further information about leasing agreements, please see the annual statement of 2018 note 16.

The Group adopted IFRS 16 using the modified retrospective method of adoption.

The accounting effects YTD for the Group is significant, and has effected in an increase of fixed assets of 1,166 MNOK YTD, and reduced by depreciations during Q1, Q2 and Q3, the fixed asset balance is 1,115.2 MNOK higher at the of end Q3 2019 compared to end of Q3 2018. Correspondingly, the leasing liability increased by 1,163 MNOK YTD, and reduced by leasing payments during Q1, Q2 and Q3, the leasing debt is 1,127.3 MNOK higher at end of Q3 2019 compared to end of Q3 2018 due to this.

The effect on income statement has also been significant, and EBITDA has increased by 23.2 MNOK in Q3 2019, due to the restatement of leasing cost.

During Q3, the company has changed the interest rate in a lease term for the first and second quarters to be consistent with requirements in IFRS 16, B5c. Due to this, 1.1.19 assets and liabilities has increased with 242 MNOK (total assets increased with 239 MNOK Q1 and 235 MNOK Q2 compared to reported figures). There are no changes to revenue or EBITDA for the group or segments, or profit and loss from segments in Q1 and Q2. Profit after tax for the group for the three months periods, Q1 and Q2, has increased with approx. 1 MNOK (depreciations increased with 3 MNOK and interest expense reduced with approx. 4 MNOK for Q1 and Q2).

Below is a reconciliation which shows the changes in Q3 and year to date 2019;

MNOK		Third quarter			
	Note	2019 as reported, new IFRS 16 standard	2019 IFRS 16 restatement	2019 restated, using old IAS 17 standard	2018
Sales	2,9	639.7	0.0	639.7	635.4
Other revenue	2	11.1	0.0	11.1	9.5
<b>Total operating revenue</b>	2,9	<b>650.8</b>	<b>0.0</b>	<b>650.8</b>	<b>644.9</b>
Cost of goods		-386.2	0.0	-386.2	-384.2
<b>Gross Profit</b>		<b>264.6</b>	<b>0.0</b>	<b>264.6</b>	<b>260.7</b>
Gain on sale of fixed assets		0.1	0.0	0.1	0.1
Salaries and personnel cost		-97.6	0.0	-97.6	-92.4
Advertising & Promotion expenses (A&P)		-27.0	0.0	-27.0	-28.8
Other operating expenses		-43.3	23.2	-66.5	-63.3
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		-0.4	0.0	-0.4	0.5
Other income and expenses	3	-2.0	0.0	-2.0	-6.3
<b>EBITDA</b>		<b>94.4</b>	<b>23.2</b>	<b>71.3</b>	<b>70.5</b>
Depreciation	5,6	-34.3	-23.5	-10.9	-10.7
Amortisations	5,6	-1.9	0.0	-1.9	-1.9
<b>Operating profit (EBIT)</b>		<b>58.2</b>	<b>-0.3</b>	<b>58.5</b>	<b>57.8</b>
Financial income	12	6.8	0.0	6.8	3.3
Financial expenses	7,10,12	-19.9	-2.4	-17.5	-15.3
<b>Pre-tax profit</b>		<b>45.1</b>	<b>-2.7</b>	<b>47.8</b>	<b>45.9</b>
Tax		-9.3	0.6	-9.9	-11.6
<b>Profit/loss for the year</b>		<b>35.8</b>	<b>-2.1</b>	<b>37.9</b>	<b>34.3</b>

MNOK		Year to date			
	Note	2019 as reported, new IFRS 16 standard	2019 IFRS 16 restatement	2019 restated, using old IAS 17 standard	2018
Sales	2,9	1 867.2	0.0	1 867.2	1 839.8
Other revenue	2	33.8	0.0	33.8	35.3
<b>Total operating revenue</b>	2,9	<b>1 901.0</b>	<b>0.0</b>	<b>1 901.0</b>	<b>1 875.1</b>
Cost of goods		-1 118.1	0.0	-1 118.1	-1 098.2
<b>Gross Profit</b>		<b>782.8</b>	<b>0.0</b>	<b>782.8</b>	<b>776.9</b>
Gain on sale of fixed assets		0.1	0.0	0.1	0.2
Salaries and personnel cost		-318.9	0.0	-318.9	-308.9
Advertising & Promotion expenses (A&P)		-83.2	0.0	-83.2	-93.6
Other operating expenses		-155.7	69.7	-225.4	-212.6
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		0.0	0.0	0.0	-1.6
Other income and expenses	3	-15.0	0.0	-15.0	-1.8
<b>EBITDA</b>		<b>210.1</b>	<b>69.7</b>	<b>140.4</b>	<b>158.6</b>
Depreciation	5,6	-83.7	-51.5	-32.2	-31.6
Amortisations	5,6	-5.8	0.0	-5.8	-5.8
<b>Operating profit (EBIT)</b>		<b>120.6</b>	<b>18.2</b>	<b>102.4</b>	<b>121.3</b>
Financial income	12	17.3	0.0	17.3	8.7
Financial expenses	7,10,12	-82.1	-33.8	-48.3	-39.4
<b>Pre-tax profit</b>		<b>55.9</b>	<b>-15.6</b>	<b>71.4</b>	<b>90.5</b>
Tax		-12.1	3.4	-15.5	-22.9
<b>Profit/loss for the year</b>		<b>43.8</b>	<b>-12.2</b>	<b>55.9</b>	<b>67.6</b>

The Group's ability to fulfil the loan terms is not affected by the introduction of IFRS 16, as the loan agreement with SEB specifies that the loan terms must be calculated according to GAAP measures as of before introduction of IFRS 16. Further information on how the new standard will affect the Group is presented in note 15 in the Group's annual statement for 2018.

There are no other material changes with significant accounting effects since the annual statement of 2018.

As of 30.09.2019, 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
		2019	2018	2018
EUR average rate	Income statement items	9.7726	9.5932	9.6033
EUR closing rate	Balance sheet items	9.9394	9.4829	9.9448
SEK average rate	Income statement items	0.9251	0.9377	0.9365
SEK closing rate	Balance sheet items	0.9264	0.9208	0.9711
DKK average rate	Income statement items	1.3092	1.2877	1.2885
DKK closing rate	Balance sheet items	1.3313	1.2716	1.3319

## NOTE 2 REVENUES

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

<b>Group</b>					
MNOK	Third quarter		Year to date		Full Year
Total operating revenues	2019	2018	2019	2018	2018
Norway	264.9	243.9	754.8	720.3	1 076.4
Sweden	255.3	277.0	788.3	809.1	1 105.4
Denmark	27.6	26.2	88.1	80.7	145.0
Finland	54.0	49.9	153.6	154.7	225.5
Germany	13.6	15.8	26.8	26.6	55.7
USA	0.5	1.5	2.5	5.1	6.8
DFTR <sup>1)</sup>	33.0	29.6	83.7	75.9	104.3
Other	2.0	1.0	3.2	2.6	4.2
<b>Total operating revenues</b>	<b>650.8</b>	<b>644.9</b>	<b>1 901.0</b>	<b>1 875.1</b>	<b>2 723.2</b>

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

<b>Spirits</b>					
MNOK	Third quarter		Year to date		Full Year
Total operating revenues	2019	2018	2019	2018	2018
Norway	104.7	101.3	287.8	288.7	451.3
Sweden	34.2	28.8	99.4	89.4	129.7
Denmark	27.2	25.9	86.9	79.6	143.1
Finland	11.1	7.2	29.9	20.6	34.3
Germany	13.6	15.8	26.8	26.6	55.7
USA	0.5	1.5	2.5	5.1	6.8
DFTR <sup>1)</sup>	30.8	27.1	77.4	69.3	94.6
Other	2.0	1.0	3.2	2.6	4.2
<b>Total operating revenues</b>	<b>224.1</b>	<b>208.6</b>	<b>613.8</b>	<b>581.9</b>	<b>919.6</b>

<b>Wine</b>					
MNOK	Third quarter		Year to date		Full Year
Total operating revenues	2019	2018	2019	2018	2018
Norway	124.5	110.9	357.8	337.5	479.9
Sweden	213.7	238.8	667.6	698.7	948.2
Finland	42.4	41.7	122.6	131.0	186.9
DFTR <sup>1)</sup>	2.2	2.5	6.3	6.7	9.7
<b>Total operating revenues</b>	<b>382.8</b>	<b>393.9</b>	<b>1 154.5</b>	<b>1 174.0</b>	<b>1 624.7</b>

<b>Logistics</b>					
MNOK	Third quarter		Year to date		Full Year
Total operating revenues	2019	2018	2019	2018	2018
Norway	79.3	72.7	229.6	215.7	307.7
<b>Total operating revenues</b>	<b>79.3</b>	<b>72.7</b>	<b>229.6</b>	<b>215.7</b>	<b>307.7</b>

<sup>1)</sup> 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 Q3 are mainly related to termination payment agreements.

**Group**

MNOK	Third quarter		Year to date		Full Year
Other income and expenses	2019	2018	2019	2018	2018
Salary & personnel cost	0.0	-5.6	-8.5	-12.4	-14.5
Other operating expenses	-2.0	-0.8	-6.5	10.6	9.2
<b>Other income and expenses</b>	<b>-2.0</b>	<b>-6.3</b>	<b>-15.0</b>	<b>-1.8</b>	<b>-5.3</b>

**Spirits**

MNOK	Third quarter		Year to date		Full Year
Other income and expenses	2019	2018	2019	2018	2018
Salary & personnel cost	0.0	-0.2	-0.1	-0.7	-1.7
Other operating expenses	0.0	-0.3	-0.9	-0.8	-0.1
<b>Other income and expenses</b>	<b>0.0</b>	<b>-0.5</b>	<b>-1.0</b>	<b>-1.5</b>	<b>-1.8</b>

**Wine**

MNOK	Third quarter		Year to date		Full Year
Other income and expenses	2019	2018	2019	2018	2018
Salary & personnel cost	0.0	-4.8	-6.1	-10.1	-10.6
Other operating expenses	-0.1	-0.2	-1.1	-0.2	-1.2
<b>Other income and expenses</b>	<b>-0.1</b>	<b>-5.0</b>	<b>-7.2</b>	<b>-10.3</b>	<b>-11.8</b>

**Logistics**

MNOK	Third quarter		Year to date		Full Year
Other income and expenses	2019	2018	2019	2018	2018
Salary & personnel cost	0.0	-0.1	-1.2	-0.2	-0.4
<b>Other income and expenses</b>	<b>0.0</b>	<b>-0.1</b>	<b>-1.2</b>	<b>-0.2</b>	<b>-0.4</b>

**Other**

MNOK	Third quarter		Year to date		Full Year
Other income and expenses	2019	2018	2019	2018	2018
Salary & personnel cost	0.0	-0.5	-1.1	-1.5	-1.9
Other operating expenses	-1.9	-0.2	-4.5	11.6	10.6
<b>Other income and expenses</b>	<b>-1.9</b>	<b>-0.7</b>	<b>-5.5</b>	<b>10.1</b>	<b>8.7</b>

## NOTE 4 SEGMENT INFORMATION

MNOK	Third quarter		Year to date		Full Year
External sales	2019	2018	2019	2018	2018
Spirits	183.9	170.7	502.4	469.8	766.8
Wine	377.4	389.1	1 138.5	1 157.8	1 603.3
Logistics	68.2	61.9	196.4	182.5	261.1
Other	10.2	13.7	29.9	29.8	41.5
<b>Total external sales</b>	<b>639.7</b>	<b>635.4</b>	<b>1 867.2</b>	<b>1 839.8</b>	<b>2 672.6</b>

MNOK	Third quarter		Year to date		Full Year
Sales between segments	2019	2018	2019	2018	2018
Spirits	0.0	-1.0	-0.8	-2.9	-4.3
Wine	0.9	0.4	1.7	1.6	1.5
Logistics	2.6	2.9	7.8	8.4	11.3
Eliminations	-3.5	-2.3	-8.6	-7.0	-8.4
<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	Third quarter		Year to date		Full Year
External other revenue	2019	2018	2019	2018	2018
Spirits	2.3	1.9	6.2	4.8	8.3
Wine	3.4	2.2	10.1	12.6	17.2
Logistics	4.8	4.9	15.5	16.9	23.6
Other	0.6	0.4	1.8	0.9	1.5
<b>Total external other revenue</b>	<b>11.1</b>	<b>9.5</b>	<b>33.8</b>	<b>35.3</b>	<b>50.6</b>

MNOK	Third quarter		Year to date		Full Year
Other revenue between segments	2019	2018	2019	2018	2018
Spirits	37.9	37.0	106.0	110.2	148.9
Wine	1.1	2.1	4.2	2.1	2.8
Logistics	3.8	3.0	9.8	7.9	11.8
Other	44.1	43.8	132.5	131.1	175.1
Eliminations	-86.9	-85.9	-252.6	-251.3	-338.6
<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	Third quarter		Year to date		Full Year
EBITDA	2019	2018	2019	2018	2018
Spirits	31.0	24.9	61.2	53.2	142.8
Wine	41.0	46.8	104.6	111.4	169.7
Logistics	5.0	2.4	3.6	2.4	12.4
Other	-5.7	-3.7	-28.9	-8.3	-17.5
Eliminations	23.1	0.0	69.6	0.0	0.0
<b>Total EBITDA</b>	<b>94.4</b>	<b>70.5</b>	<b>210.1</b>	<b>158.6</b>	<b>307.3</b>

MNOK	Third quarter		Year to date		Full Year
EBIT	2019	2018	2019	2018	2018
Spirits	24.7	18.6	42.3	34.6	118.1
Wine	40.2	46.1	102.4	109.5	167.1
Logistics	2.2	-0.4	-4.7	-6.0	1.1
Other	-7.3	-5.2	-33.5	-12.9	-23.8
Eliminations	-1.7	-1.3	14.2	-3.9	-5.2
<b>Total EBIT</b>	<b>58.2</b>	<b>57.8</b>	<b>120.6</b>	<b>121.3</b>	<b>257.3</b>

MNOK	Third quarter		Year to date		Full Year
Total profit for the year	2019	2018	2019	2018	2018
Spirits	41.8	12.7	19.1	-23.8	89.0
Wine	28.6	28.7	73.2	76.9	116.3
Logistics	1.9	-0.6	-3.2	-4.7	-3.1
Other	-8.5	-6.7	-31.4	-12.7	-30.7
Eliminations	-3.3	-1.4	-12.7	-4.3	7.5
<b>Total profit for the year</b>	<b>60.5</b>	<b>32.7</b>	<b>45.0</b>	<b>31.4</b>	<b>179.0</b>

## NOTE 5 FIXED ASSETS

MNOK	Third quarter		Year to date		Full Year
Fixed Assets	2019	2018	2019	2018	2018
Purchase cost at beginning of period	1 577.7	651.1	658.0	643.7	643.7
Additions tangible fixed assets	4.7	4.7	10.8	14.8	19.8
Additions tangible fixed assets via financial lease	247.8	0.0	1 167.9	0.0	3.1
Transferred from assets under construction	0.0	0.0	-0.3	-0.8	-2.0
Reclassifications	0.4	0.0	0.0	0.0	0.0
Purchase price, disposed assets	-0.1	-3.2	-4.8	-3.9	-6.1
Translation differences	0.8	0.3	-0.3	-1.0	-0.4
<b>Purchase cost at end of period</b>	<b>1 831.3</b>	<b>652.8</b>	<b>1 831.3</b>	<b>652.8</b>	<b>658.0</b>
Accumulated depreciation at beginning of period	-382.1	-329.2	-342.2	-313.8	-313.8
Accumulated depreciation, disposed assets	0.0	3.2	4.7	3.9	6.1
Ordinary depreciation in period	-32.5	-8.8	-78.2	-26.0	-34.8
Reclassifications	-0.4	0.0	0.0	0.0	0.0
Translation differences	0.2	-0.2	0.8	0.9	0.4
<b>Accumulated depreciation at end of period</b>	<b>-414.8</b>	<b>-335.0</b>	<b>-414.8</b>	<b>-335.0</b>	<b>-342.2</b>
<b>Book Value at end of period</b>	<b>1 416.5</b>	<b>317.8</b>	<b>1 416.5</b>	<b>317.8</b>	<b>315.8</b>

*Specification of fixed assets*

MNOK	Third quarter		Year to date		Full Year
Fixed Assets	2019	2018	2019	2018	2018
Land, buildings and other real estate	1 106.9	0.0	1 106.9	0.0	0.0
Machinery and equipment	284.5	293.6	284.5	293.6	293.3
Fixtures and fittings, tools, office equipment etc.	17.9	17.6	17.9	17.6	17.7
Assets under construction	7.3	6.6	7.3	6.6	4.9
<b>Book Value at end of period</b>	<b>1 416.5</b>	<b>317.8</b>	<b>1 416.5</b>	<b>317.8</b>	<b>315.8</b>

Fixed assets are significantly influenced by the new IFRS 16 standard. The addition of tangible assets via financial lease, is all due calculated leasing rights, based on the new accounting principles from the new standard.

The most significant lease agreement is the leasing of property at Gjelleråsen, which is depreciated over 19 years (until end of 2037). The other right-of-use assets are depreciated over 1-33 years.

## NOTE 6 INTANGIBLE ASSETS

MNOK	Third quarter		Year to date		Full Year
Intangible assets	2019	2018	2019	2018	2018
<b>Purchase cost at beginning of period</b>	2 046.2	2 022.7	2 074.1	2 066.4	2 066.4
Addition of intangible assets	0.4	0.5	1.5	2.1	3.2
Transferred from assets under construction	0.0	0.0	0.3	0.8	2.0
Translation differences	23.9	1.6	-5.5	-44.3	2.4
<b>Purchase cost at end of period</b>	<b>2 070.4</b>	<b>2 024.9</b>	<b>2 070.4</b>	<b>2 024.9</b>	<b>2 074.1</b>
Acc. depreciation and amortizations at beginning of period	-197.7	-182.3	-190.2	-175.0	-175.0
Depreciation in period	-1.8	-1.9	-5.6	-5.5	-7.5
Amortisations in period	-1.9	-1.9	-5.8	-5.8	-7.7
Translation differences	0.1	-0.1	0.1	0.1	0.0
<b>Acc. depreciation and amortizations at end of period</b>	<b>-201.4</b>	<b>-186.1</b>	<b>-201.4</b>	<b>-186.1</b>	<b>-190.2</b>
<b>Book Value at end of period</b>	<b>1 869.1</b>	<b>1 838.8</b>	<b>1 869.1</b>	<b>1 838.8</b>	<b>1 883.9</b>

*Specification of intangible assets*

MNOK	Third quarter		Year to date		Full Year
Intangible assets	2019	2018	2019	2018	2018
Goodwill	1 037.3	1 016.9	1 037.3	1 016.9	1 042.1
Brands	809.1	795.7	809.1	795.7	815.0
Software	22.6	26.1	22.6	26.1	26.8
<b>Book Value at end of period</b>	<b>1 869.1</b>	<b>1 838.8</b>	<b>1 869.1</b>	<b>1 838.8</b>	<b>1 883.9</b>

## NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Third quarter		Year to date		Full Year
Liabilities at fair value through profit and loss	2019	2018	2019	2018	2018
Book value at beginning of period	68.0	67.9	74.2	0.0	0.0
Additions in period	0.0	0.0	0.0	67.9	67.9
Changes in value during period	0.8	0.9	-2.4	0.9	2.6
Interest during period	0.0	0.0	0.1	0.0	0.1
Translation differences	0.5	0.7	-2.6	0.7	3.7
<b>Book value at end of period</b>	<b>69.3</b>	<b>69.5</b>	<b>69.3</b>	<b>69.5</b>	<b>74.2</b>
<i>From this;</i>					
Current liability	0.0	0.0	0.0	0.0	0.0
Non-current liability	69.3	69.5	69.3	69.5	74.2
<b>Total liabilities through profit and loss</b>	<b>69.3</b>	<b>69.5</b>	<b>69.3</b>	<b>69.5</b>	<b>74.2</b>

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 DEBT TO FINANCIAL INSTITUTIONS

Liabilities to financial institutions, including financial leasing

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
<b>Debt to financial institutions</b>					
Debt at beginning of period	1 753.6	856.0	897.8	933.2	933.2
New debt in period	247.6	0.0	1 167.9	0.0	3.1
Repayments in period	-25.3	-4.3	-49.4	-12.9	-17.4
Translation differences	7.6	9.8	-32.9	-58.8	-21.1
<b>Debt to financial institutions at end of period</b>	<b>1 983.4</b>	<b>861.4</b>	<b>1 983.4</b>	<b>861.4</b>	<b>897.8</b>
Capitalized borrowing costs at beginning of period	-3.9	-5.4	-4.8	-6.5	-6.5
Amortized borrowing costs during period	0.4	0.4	1.2	1.2	1.6
Translation differences	0.0	0.0	0.1	0.3	0.1
<b>Capitalized borrowing costs at end of period</b>	<b>-3.5</b>	<b>-5.0</b>	<b>-3.5</b>	<b>-5.0</b>	<b>-4.8</b>
<b>Book value debt to financial institutions at end of period</b>	<b>1 979.9</b>	<b>856.4</b>	<b>1 979.9</b>	<b>856.4</b>	<b>893.0</b>

Current liabilities to financial institutions, including financial leasing and bank overdraft

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
<b>Liabilities to financial institutions</b>					
Current portion of non-current loans	0.0	0.0	0.0	0.0	0.0
Current portion of non-current financial leasing	66.7	17.4	66.7	17.4	18.1
Bank overdraft	0.0	87.6	0.0	87.6	0.0
<b>Current liabilities to financial institutions at end of period</b>	<b>66.7</b>	<b>105.0</b>	<b>66.7</b>	<b>105.0</b>	<b>18.1</b>

New debt in the period is all due to calculated leasing liabilities, based on the new accounting principles from the new IFRS 16 standard.

## 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	Third quarter		Year to date		Full Year
Purchase of goods and services	2019	2018	2019	2018	2018
Tiffon SA	16.4	11.8	46.6	33.9	45.5
Hoff SA	4.4	4.5	16.3	18.0	21.2
Destilleriveien 11 AS	0.0	0.0	0.0	27.6	27.6
Draav Konsult AB	0.0	0.0	0.0	0.0	0.8
<b>Total purchase transactions</b>	<b>20.8</b>	<b>16.3</b>	<b>62.9</b>	<b>79.5</b>	<b>94.9</b>

MNOK	Third quarter		Year to date		Full Year
Sale of goods and services	2019	2018	2019	2018	2018
Tiffon SA	1.2	1.5	1.2	3.8	5.9
<b>Total sale transactions</b>	<b>1.2</b>	<b>1.5</b>	<b>1.2</b>	<b>3.8</b>	<b>5.9</b>

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

MNOK	30.09.2019	30.09.2018	31.12.2018
<b>Current receivables from related parties</b>			
Tiffon SA	0.0	1.3	2.0
<b>Total current receivables from related parties</b>	<b>0.0</b>	<b>1.3</b>	<b>2.0</b>

MNOK	30.09.2019	30.09.2018	31.12.2018
<b>Non-current receivables from related parties</b>			
Smakeappen AS	0.5	0.0	0.5
<b>Total non-current receivables from related parties</b>	<b>0.5</b>	<b>0.0</b>	<b>0.5</b>

MNOK	30.09.2019	30.09.2018	31.12.2018
<b>Current debt to related parties</b>			
Tiffon SA	8.4	1.3	7.1
Hoff SA	1.8	2.1	0.5
Draav Konsult AB	0.0	0.0	0.0
<b>Total current debt to related parties</b>	<b>10.2</b>	<b>3.4</b>	<b>7.7</b>

## NOTE 10 FINANCIAL INSTRUMENTS

Categorisations of financial assets and liabilities

	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
<b>MNOK</b>				
<b>Assets</b>				
Other investments in shares	0.0	0.2	0.0	0.2
Other long term receivables	0.0	0.5	0.0	0.5
Accounts receivables	0.0	835.3	0.0	835.3
Other receivables <sup>1)</sup>	0.1	64.4	0.0	64.6
Cash and cash equivalents	0.0	150.5	0.0	150.5
<b>Total financial assets as of Third quarter 2019</b>	<b>0.1</b>	<b>1 051.0</b>	<b>0.0</b>	<b>1 051.1</b>
<b>Total financial assets as of Third quarter 2018</b>	<b>0.0</b>	<b>1 009.4</b>	<b>0.0</b>	<b>1 009.4</b>
<b>Liabilities</b>				
Liabilities to financial institutions	0.0	1 979.9	0.0	1 979.9
Liabilities at fair value through profit and loss	69.3	0.0	0.0	69.3
Accounts payable	0.0	447.6	0.0	447.6
Other current debt <sup>2)</sup>	0.0	14.8	0.0	14.8
<b>Total financial liabilities as of Third quarter 2019</b>	<b>69.3</b>	<b>2 442.4</b>	<b>0.0</b>	<b>2 511.7</b>
<b>Total financial liabilities as of Third quarter 2018</b>	<b>70.2</b>	<b>1 297.9</b>	<b>0.0</b>	<b>1 368.2</b>

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

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

Fair value hierarchy

<b>Assets</b>				
<b>MNOK</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Book Value</b>
Currency derivatives	0.0	0.1	0.0	0.1
<b>Total financial assets</b>	<b>0.0</b>	<b>0.1</b>	<b>0.0</b>	<b>0.1</b>
<b>Liabilities</b>				
<b>MNOK</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Book Value</b>
Liabilities at fair value through profit and loss	0.0	0.0	69.3	69.3
<b>Total financial liabilities</b>	<b>0.0</b>	<b>0.0</b>	<b>69.3</b>	<b>69.3</b>

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

Changes financial liabilities, level 3

<b>MNOK</b>	<b>Third quarter</b>		<b>Year to date</b>		<b>Full Year</b>
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2018</b>
Financial liabilities, level 3, at beginning of period	68.0	67.9	74.2	0.0	0.0
Fair value at the first time of recognition	0.0	0.0	0.0	67.9	67.9
Changes in value during the period	0.8	0.9	-2.4	0.9	2.6
Interest during period	0.0	0.0	0.1	0.0	0.1
Translation differences	0.5	0.7	-2.6	0.7	3.7
<b>Financial liabilities, level 3 at end of period</b>	<b>69.3</b>	<b>69.5</b>	<b>69.3</b>	<b>69.5</b>	<b>74.2</b>

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 General Meeting has granted options to the Group Executive Management and a few other key employees. The table below show outstanding options from 2017, 2018 and 2019.

As of end of Q3 2019, the Group Executive Management holds 3,481,558 options. 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	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
<b>Change in number of options:</b>					
Outstanding options beginning of period	4 245 746	2 672 967	2 417 500	1 229 304	1 229 304
Issued during period	0	0	2 195 086	1 484 923	1 484 923
Forfeited during the period	0	-255 467	-366 840	-296 727	-296 727
<b>Outstanding options end of period</b>	<b>4 245 746</b>	<b>2 417 500</b>	<b>4 245 746</b>	<b>2 417 500</b>	<b>2 417 500</b>

Option calculation assumptions:		Options #2017	Options #2018	Options #2019
Grant date		May 4th 2017	April 11th 2018	April 11th 2019
Total outstanding options at end of period:		871 710	1 178 950	2 195 086
Vesting period - Start		May 2017	April 2018	April 2019
Vesting period - End		May 2020	April 2021	April 2022
Redemption period - Start		May 2020	April 2021	April 2022
Redemption period - End		May 2022	April 2023	April 2024
Share price on the allocation date	NOK	40.05	43.70	38.80
Share price on the balance sheet date	NOK	36.80	36.80	36.80
Redemption price - minimum	NOK	51.53	45.22	40.52
Redemption price - maximum	NOK	143.70	131.10	116.40
Risk-free interest rate	%	1.25 %	1.24 %	1.24 %
Volatility	%	20.0 %	20.0 %	20.0 %
Expected dividend	%	3.6 %	3.6 %	3.6 %

## NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Interest income	6.3	3.5	15.0	8.6	12.9
Other financial income	0.5	-0.2	2.4	0.0	1.6
<b>Total financial income</b>	<b>6.8</b>	<b>3.3</b>	<b>17.3</b>	<b>8.7</b>	<b>14.5</b>
Interest cost	-13.7	-9.5	-67.4	-26.2	-37.4
Other financial expenses	-6.2	-5.7	-14.7	-13.2	-13.2
<b>Total financial expenses</b>	<b>-19.9</b>	<b>-15.3</b>	<b>-82.1</b>	<b>-39.4</b>	<b>-50.6</b>
<b>Net financial profit/loss</b>	<b>-13.1</b>	<b>-11.9</b>	<b>-64.8</b>	<b>-30.8</b>	<b>-36.1</b>

The significant increase of interest costs during Q3 2019 is due to calculated interest cost from capitalized leasing rights according to the new leasing standard (IFRS 16).

Other financial expenses during Q3 is mainly consisting of amortized borrowing costs and agio effects.

## NOTE 13 OTHER EVENTS

## Events after the close of Q3 2019

No significant other events have occurred between the close of Q3 and the date on which Arcus's interim financial statements for Q3 2019 were approved. This applies to events that would have provided knowledge of factors present at the close of Q3 2019, or events concerning matters that have arisen since the close of Q3 2019.

## 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	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Total operating revenues	650.8	644.9	1 901.0	1 875.1	2 723.2
Cost of goods	-386.2	-384.2	-1 118.1	-1 098.2	-1 577.3
<b>Gross Profit</b>	<b>264.6</b>	<b>260.7</b>	<b>782.8</b>	<b>776.9</b>	<b>1 145.9</b>

#### Spirits

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Total operating revenues	224.1	208.6	613.8	581.9	919.6
Cost of goods	-116.6	-107.5	-307.2	-283.6	-448.0
<b>Gross Profit</b>	<b>107.5</b>	<b>101.1</b>	<b>306.7</b>	<b>298.3</b>	<b>471.6</b>

#### Wine

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Total operating revenues	382.8	393.9	1 154.5	1 174.0	1 624.7
Cost of goods	-300.5	-302.1	-896.5	-901.1	-1 244.3
<b>Gross Profit</b>	<b>82.3</b>	<b>91.7</b>	<b>258.0</b>	<b>272.9</b>	<b>380.4</b>

#### Logistics

MNOK	Third quarter		Year to date		Full Year
	2019	2018	2019	2018	2018
Total operating revenues	79.3	72.7	229.6	215.7	307.7
Cost of goods	0.0	0.0	0.0	0.0	0.0
<b>Gross Profit</b>	<b>79.3</b>	<b>72.7</b>	<b>229.6</b>	<b>215.7</b>	<b>307.7</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 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	Third quarter		Year to date		Full Year
EBITDA adjusted	2019	2018	2019	2018	2018
EBIT	58.2	57.8	120.6	121.3	257.3
Depreciation, amortisations and write downs	36.3	12.6	89.5	37.4	50.0
EBITDA	94.4	70.5	210.1	158.6	307.3
Other income and expenses	2.0	6.3	15.0	1.8	5.3
EBITDA adjusted	96.4	76.8	225.1	160.5	312.6

### Spirits

MNOK	Third quarter		Year to date		Full Year
EBITDA adjusted	2019	2018	2019	2018	2018
EBIT	24.7	18.6	42.3	34.6	118.1
Depreciation, amortisations and write downs	6.4	6.4	18.9	18.6	24.7
EBITDA	31.0	24.9	61.2	53.2	142.8
Other income and expenses	0.0	0.5	1.0	1.5	1.8
EBITDA adjusted	31.1	25.5	62.2	54.6	144.6

### Wine

MNOK	Third quarter		Year to date		Full Year
EBITDA adjusted	2019	2018	2019	2018	2018
EBIT	40.2	46.1	102.4	109.5	167.1
Depreciation, amortisations and write downs	0.8	0.7	2.3	1.9	2.6
EBITDA	41.0	46.8	104.6	111.4	169.7
Other income and expenses	0.1	5.0	7.2	10.3	11.8
EBITDA adjusted	41.1	51.8	111.8	121.7	181.5

### Logistics

MNOK	Third quarter		Year to date		Full Year
EBITDA adjusted	2019	2018	2019	2018	2018
EBIT	2.2	-0.4	-4.7	-6.0	1.1
Depreciation, amortisations and write downs	2.8	2.8	8.4	8.4	11.3
EBITDA	5.0	2.4	3.6	2.4	12.4
Other income and expenses	0.0	0.1	1.2	0.2	0.4
EBITDA adjusted	5.0	2.5	4.8	2.5	12.7

### Parent Company

MNOK	Third quarter		Year to date		Full Year
EBITDA adjusted	2019	2018	2019	2018	2018
EBIT	-7.3	-5.2	-33.5	-12.9	-23.8
Depreciation, amortisations and write downs	1.5	1.6	4.6	4.7	6.2
EBITDA	-5.7	-3.7	-28.9	-8.3	-17.5
Other income and expenses	1.9	0.7	5.5	-10.1	-8.7
EBITDA adjusted	-3.9	-2.9	-23.4	-18.4	-26.2

**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	Third quarter		Full Year
<i>Net interest bearing debt</i>	30.09.2019	30.09.2018	31.12.2018
Non-current liabilities to financial institutions	691.3	685.5	723.5
Book value of Capitalized arrangement fees	3.5	5.0	4.8
Non-current finance lease liabilities	1 221.9	153.5	151.4
Bank Overdraft	0.0	87.6	0.0
Current finance lease liabilities	66.7	17.4	18.1
Cash and cash equivalents	-150.5	-90.7	-282.6
<b>Net interest bearing debt</b>	<b>1 832.9</b>	<b>858.3</b>	<b>615.1</b>

The increase of Net Interest Bearing Debt is due to calculated leasing liabilities according to the new leasing standard, IFRS 16.

## 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	Third quarter		Year to date	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	650.8	644.9	1 901.0	1 875.1
Currency effects	0.0	11.3	0.0	-6.0
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>650.8</b>	<b>656.2</b>	<b>1 901.0</b>	<b>1 869.1</b>

### Spirits

MNOK	Third quarter		Year to date	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	224.1	208.6	613.8	581.9
Currency effects	0.0	2.6	0.0	1.3
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>224.1</b>	<b>211.2</b>	<b>613.8</b>	<b>583.2</b>

### Wine

MNOK	Third quarter		Year to date	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	382.8	393.9	1 154.5	1 174.0
Currency effects	0.0	1.9	0.0	-7.0
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>382.8</b>	<b>395.8</b>	<b>1 154.5</b>	<b>1 167.0</b>

### Logistics

MNOK	Third quarter		Year to date	
Total revenues	2019	2018	2019	2018
Reported total operating revenues	79.3	72.7	229.6	215.7
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
<b>Baseline organic growth</b>	<b>79.3</b>	<b>72.7</b>	<b>229.6</b>	<b>215.7</b>

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