

Second quarter results 2017

Kenneth Hamnes, CEO
Sigmund Toth, CFO

16 August 2017



Arcus

Q2-2017 highlights

Revenue:

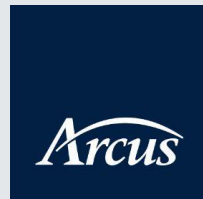
- 647,4 MNOK, +2,0 %
- Organic growth +2,3 %
- Growth for Wine and Distribution, Spirits flat

EBITDA (adj.):

- 71,1 MNOK, +0,9 %
- Significant improvement for Distribution



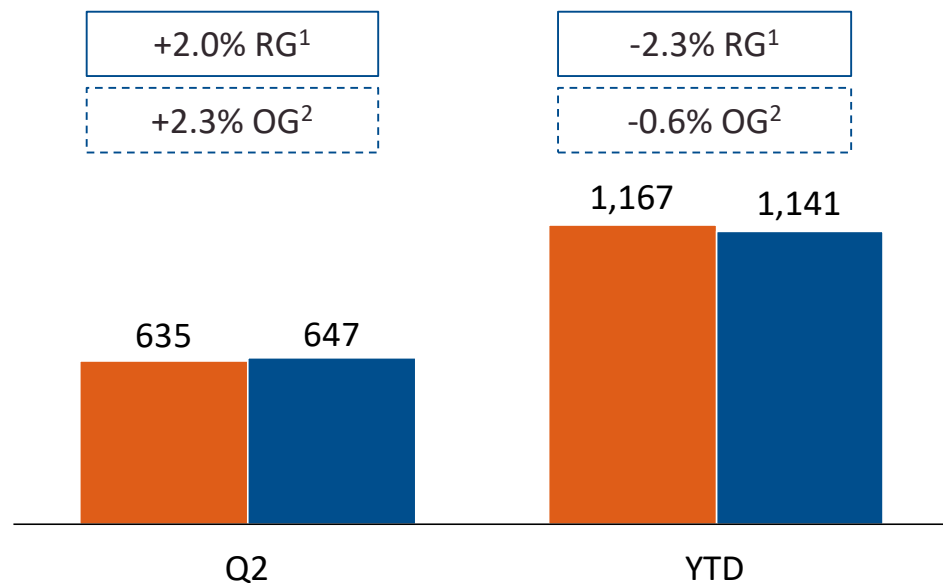
Q2: Top-line growth



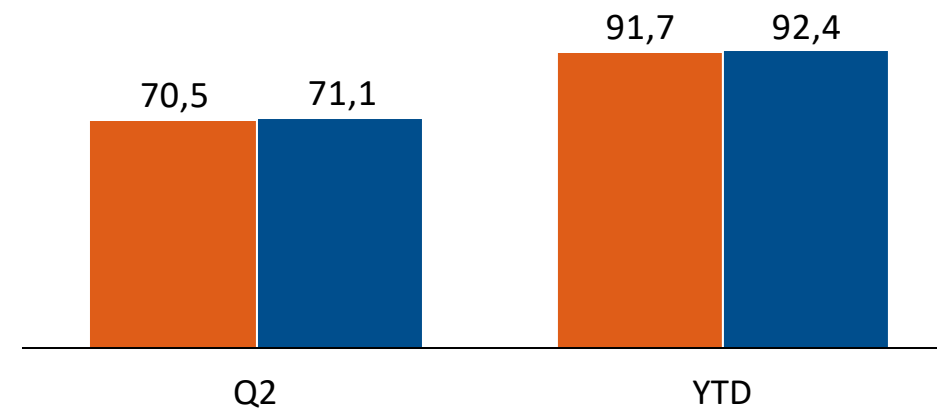
Amounts in NOK million

2016 2017

Operating Revenues



Adjusted EBITDA



- **Spirits:** Increased external sales, 'other revenue' down
- **Wine:** Increased market share in Norway and Finland, decrease in Sweden
- **Distribution:** Fifth quarter in row with year-on-year growth

¹Reported growth;

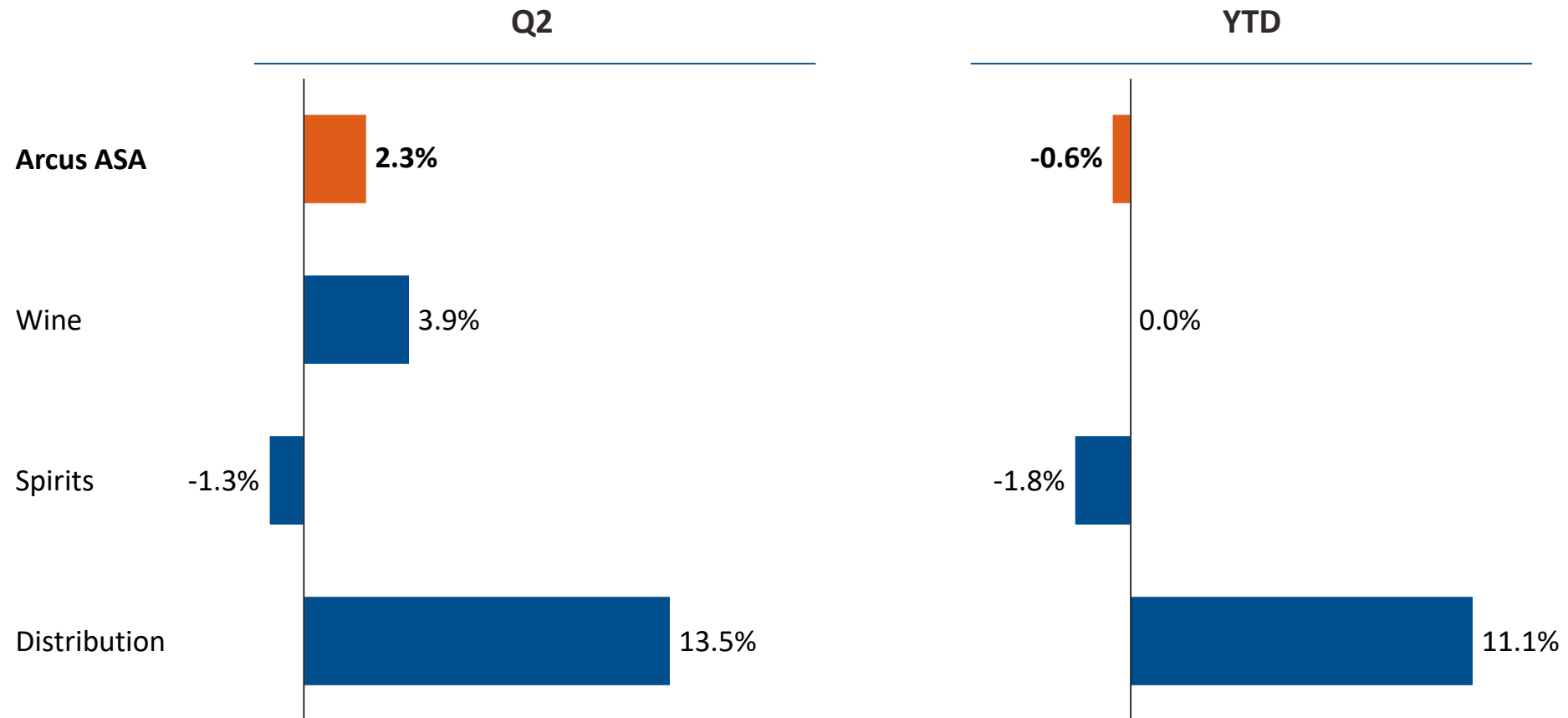
²Reported growth adjusted for currency translation effects and structural changes



Q2: Improved overall organic growth



Organic growth¹ overall and by reporting segment Percent



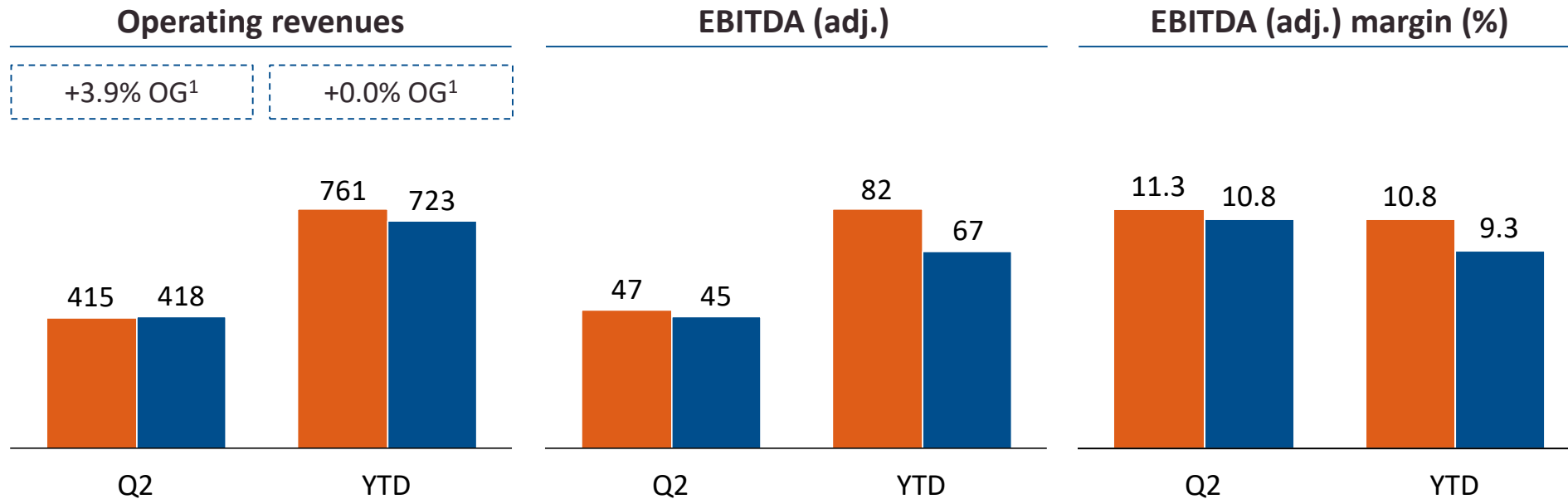
¹Reported growth adjusted for currency translation effects and structural changes

Q2 Wine: Growth in Norway and Finland

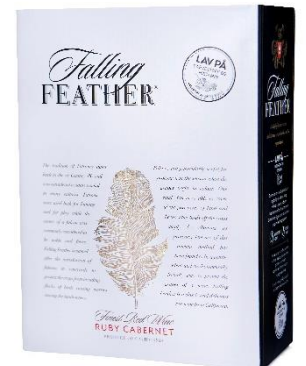


Amounts in NOK million

2016 2017



- Increased sales of both agency and Arcus brands
- Unfavourable product mix in Sweden
- Weak SEK vs EUR had negative impact on profitability



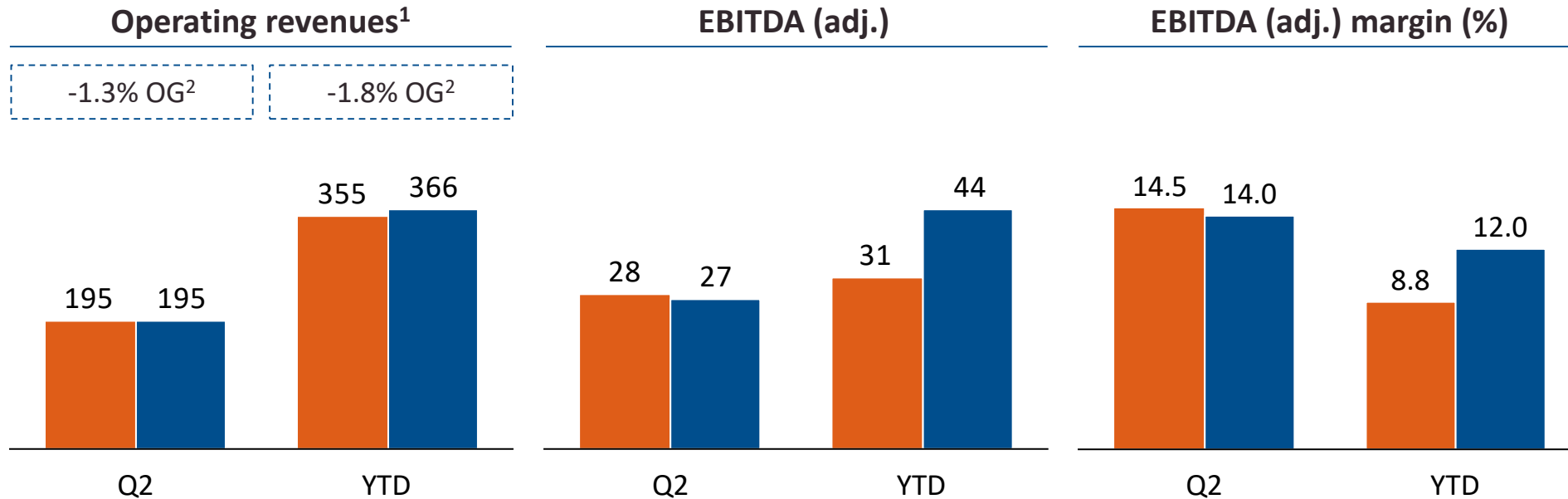
¹Reported growth adjusted for currency translation effects and structural changes

Q2 Spirits: Acquisition-driven growth



Amounts in NOK million

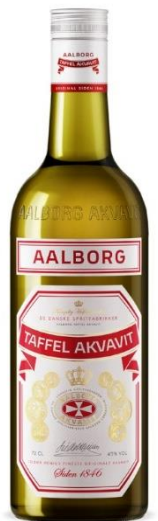
2016 2017



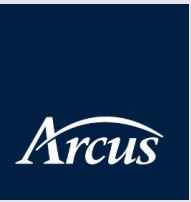
- Previous acquisitions of the Dworek brand and DDSK strengthen sales
- Underlying sales somewhat down due to weaker sales in Denmark
- Increased sales in Sweden and Norway, partly helped by positive Easter

¹Reported growth includes both external spirits sales and other revenue (internal and external bottling). Reported sales of spirits increased to 160 MNOK in Q2 '17 vs. 150 MNOK in Q2 '16

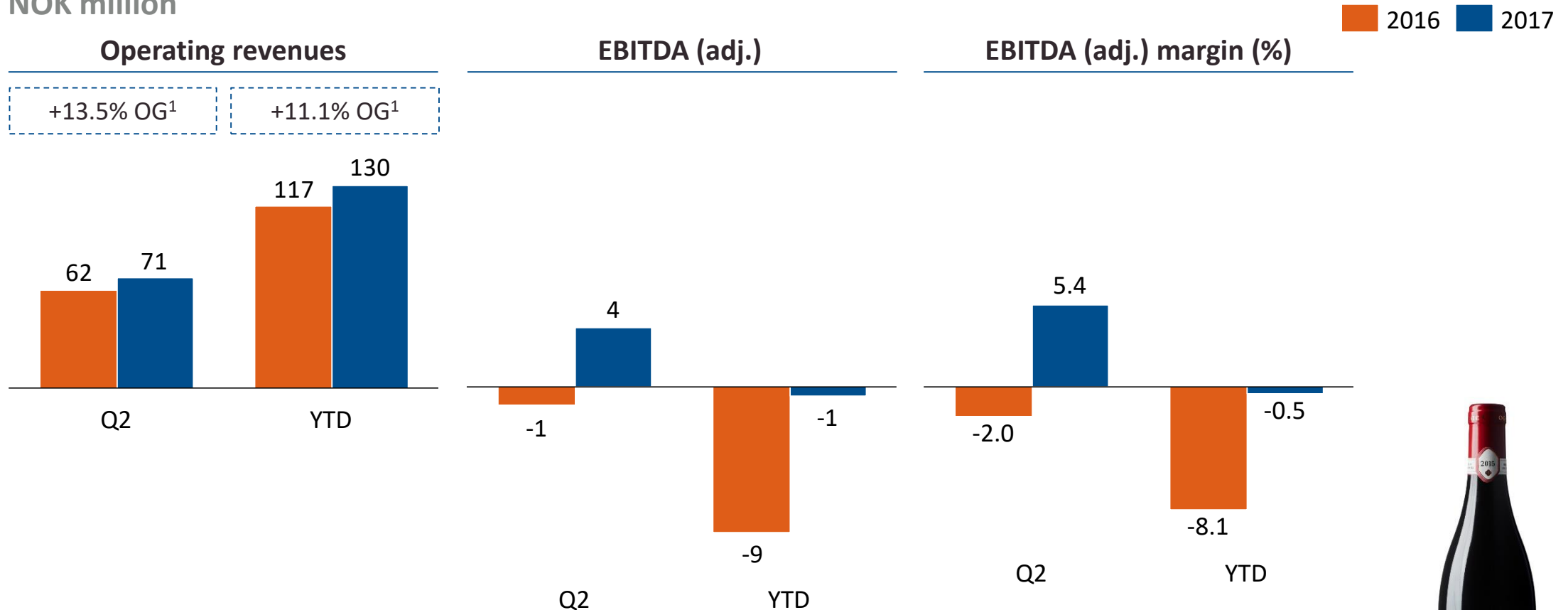
²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



Q2 Distribution: Increased revenue, improved efficiency



Amounts in NOK million



- Revenue growth due to increased sales to Vinmonopolet, new contracts won 2016
- Operating costs per litre reduced by 4,1 %



¹Reported growth adjusted for currency translation effects and structural changes

Increasing international attention for aquavit

Norway's craft spirit revolution

Norway's mixologists and artisan makers are banging the drum for the glories of aquavit



Image: Chris Burke

-The aquavit with tonic as a substitute to Gin & Tonic, is a great start for consumers.

-Arcus stole the show with some truly outstanding products (International Spirits Challenge 2017).

-This may be the start of Aquavit being seriously considered and drunk outside the Nordics.

Financial performance

Sigmund Toth, CFO



Q2 Group EBITDA (adj.): Slight increase (0,6 MNOK/+0,9%) versus 2016, driven by good results in Distribution



Amounts in NOK million

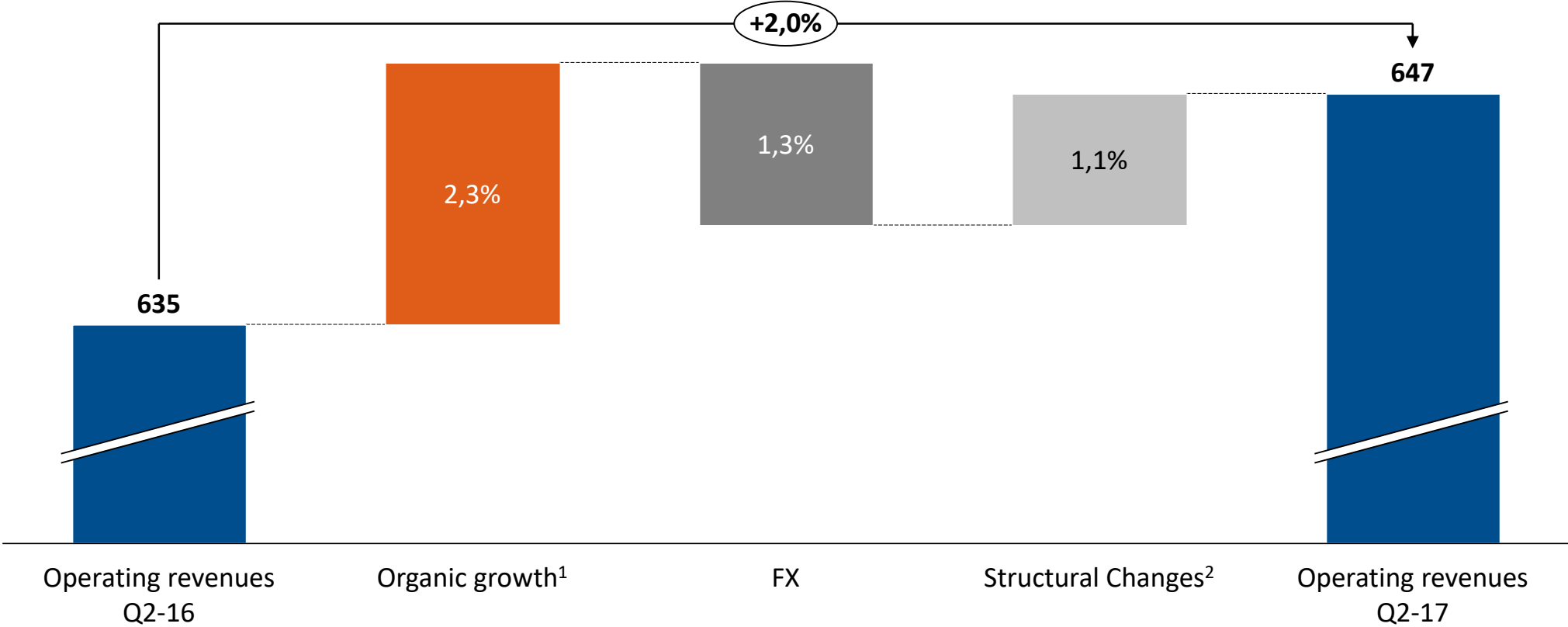
Profit and Loss	Q2-17	Q2-16	YTD-17	YTD-16
Operating revenues	647,4	634,8	1 140,9	1 167,3
EBITDA (adj.)	71,1	70,5	92,4	91,7
Depreciation, Amortization and Write-downs	-12,9	-12,9	-26,3	-25,6
EBIT (adj.)	58,2	57,6	66,1	66,1
Other income and expenses	-3,2	-2,3	-3,3	-2,6
EBIT	55,1	55,3	62,8	63,5
Net financials and other	-7,8	-26,1	-16,9	-49,4
Pre-tax profit	47,3	29,2	45,9	14,1
Tax	-12,3	-9,1	-12,4	-3,6
Profit/loss for the year	35,0	20,1	33,5	10,5
EPS (NOK)	0,50	0,34	0,46	0,10

Q2 Sales growth of 2,0% was driven by organic growth and structural changes, partly off-set by FX



Q2 17 Operating revenue growth

Percent; NOK Million

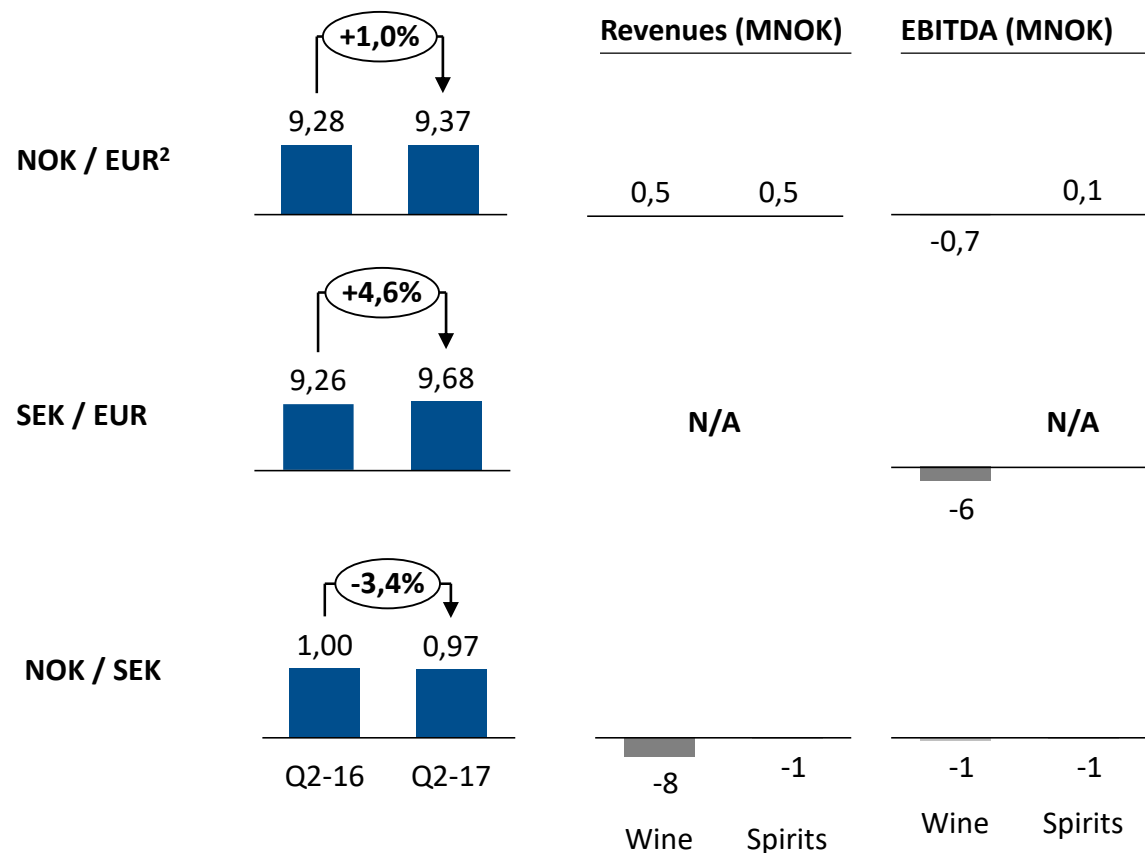


¹Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

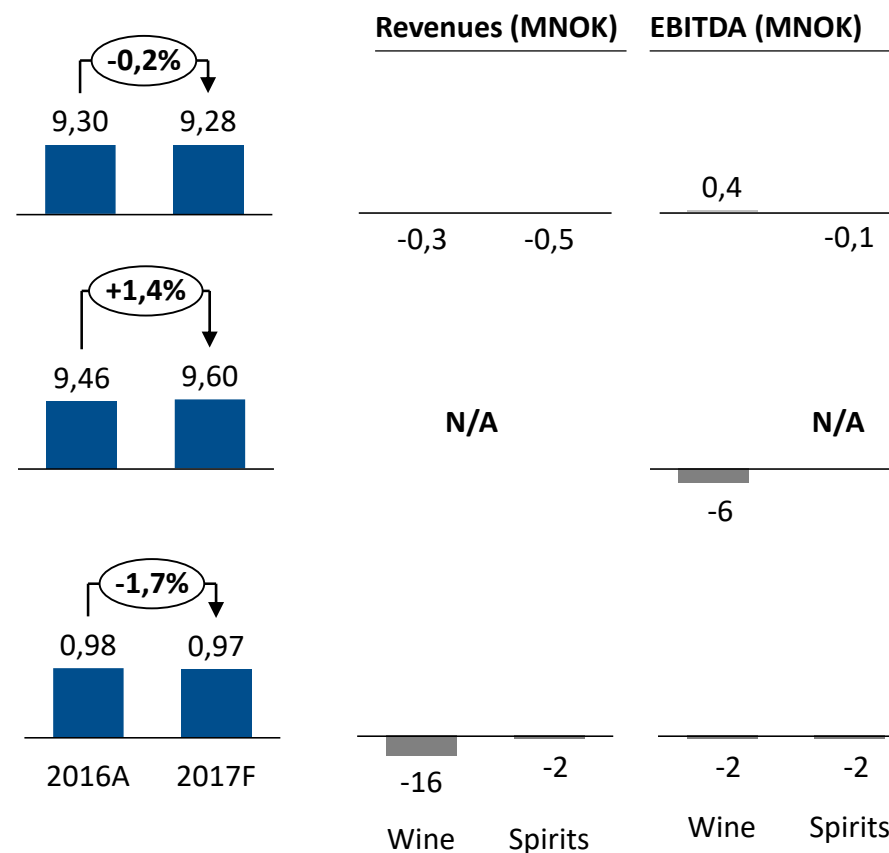
Foreign exchange reduced reported revenues and EBIDTA in Q2 compared to LY. 2017 outlook more neutral



Currency rate effects¹ (Q2 2017 actuals vs. Q2 2016 actuals)



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

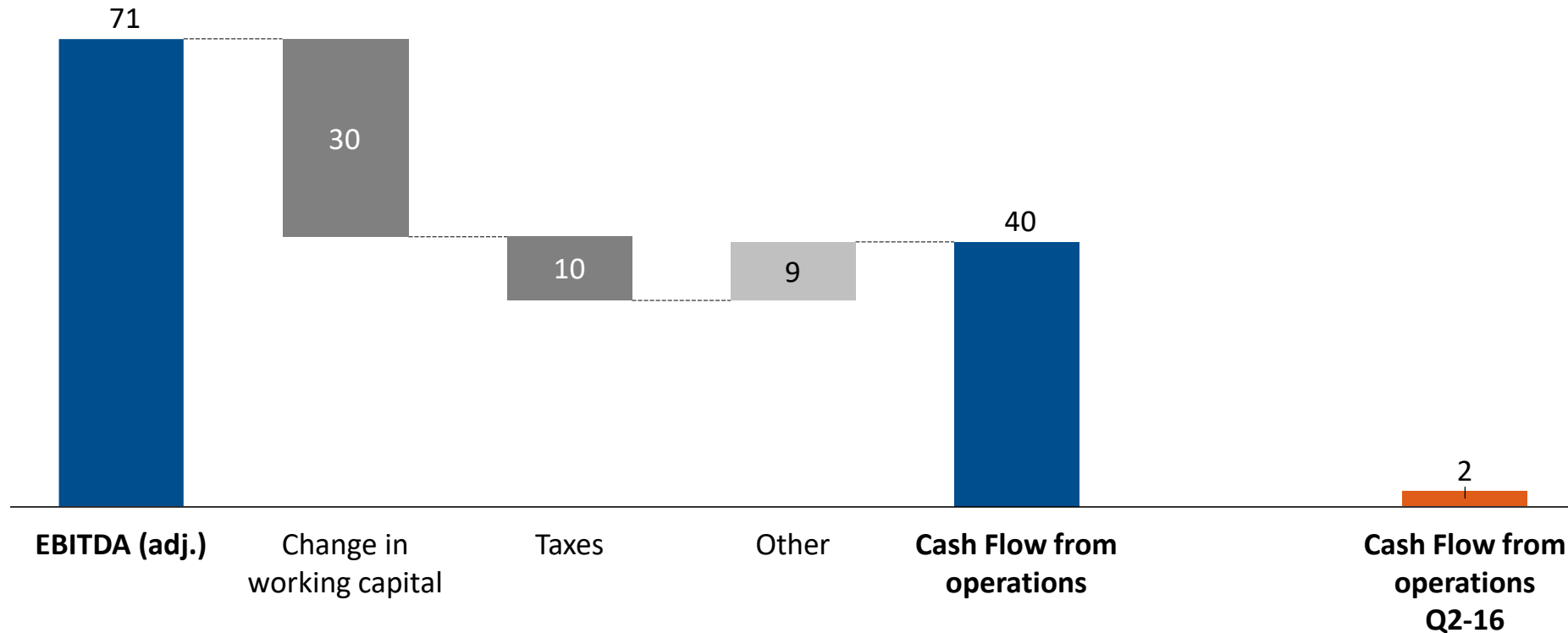


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include NOK / USD (Revenues) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy is to off-set adverse foreign exchange movements through increased prices, though this adjustment might take time. Here effects are shown before any corrective pricing. 2) NOK / EUR includes costs and revenues in DKK as DKK moves within narrow band to the EUR. 3) 2017F currency rate is estimated as weighted average of accumulated YTD average rate and current rate as of Aug 14th 2017

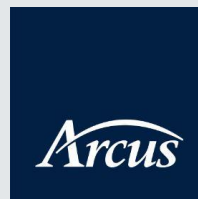
Q2: Cash Flow from operations significantly higher than in Q2 2016 as seasonal increase in working capital lower



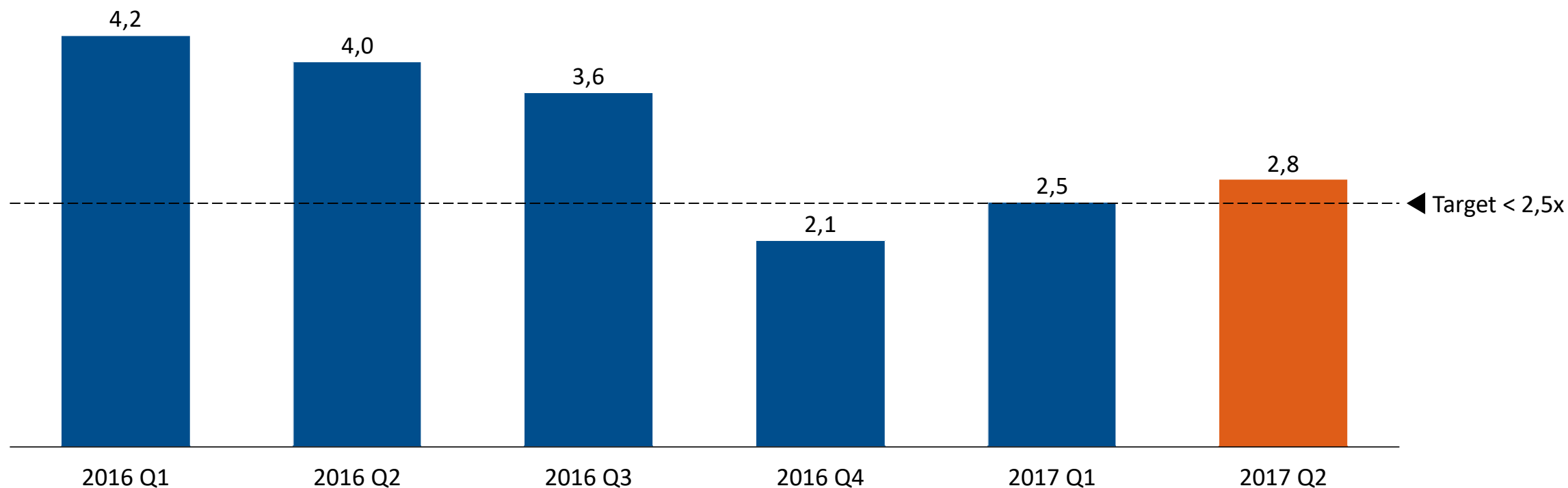
Q2-17 Cash Flow from Operations
Amounts in NOK Million



Gearing reduced through the IPO capital increase, slightly above target at the end of Q2 due to seasonal effects



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



Strategy

Kenneth Hamnes, CEO



Multiple and tangible sources for continued growth

Spirits

- Grow core categories – Aquavit and Bitter
- Develop Nordics and revitalize Germany
- Accelerate Spirits innovation: Addressing new occasions, categories and consumer groups

Wine

- Focus on winning monopoly tenders
- Focus on attracting complementing agencies
- Accelerate and roll-out own brand development
- Leverage our entrepreneurial model, get the right people for start-ups

Distribution

- Continued focus on cost optimization
- Grow top line through winning new contracts

M&A

- Well positioned for selective bolt-on acquisitions

Wine: Competing and co-operating wine companies

Entrepreneurial business model

- Small and flexible companies: 1-6 employees
- Competition and co-operation
- Sharing of best practices
- Shared back-bone supporting scale benefits
- Easy to add entrepreneur driven companies

Sweden

- Vinunic AB
- Wineworld Sweden AB
- The Wineagency Sweden AB
- Valid Wines AB
- Vingaraget AB
- **Quaffable Wines Sweden AB**

Norway

- Arcus Wine Brands AS
- Vinordia AS
- Symposium Wines AS
- Excellars AS
- Vinuniq AS
- **Heyday Wines AS**



Quaffable Wines: Wines you want to enjoy in big sips!



Founded December 2014

- 20 % owned by Daniel Turpeinen
- Awarded «Importer of the Year 2016» by leading Swedish magazine *Allt om Vin*

From entry level to fine wine

- Flexible, entrepreneurial attitude
- Strategic focus: Guaranteed listings
- Fine wine profile with focus on freshness, terroir and elegance

Key figures

Market share:	0,1 %
Volume YTD:	80.000 litres
Volume 2017E	420.000 litres



- Launch: September 2017
- Estimated 12 months sales: 100.000 litres



- Launch: September 2017
- Estimated 12 months sales: 240.000 litres



- Launch: September 2017
- Estimated 12 months sales: 540.000 litres

Heyday Wines AS: Small, genuine and successful



Founded August 2015

- 30% owned by Aina Mee Myhre
- Agency business and development of private brands
- Heyday means 'Period of great success'

Focus on innovation

- Commercial acumen paired with wine expertise
- High-volume tenders, only
- Niche: organic and sustainable packaging formats

Key figures

Market share:	0,5 %
Volume YTD:	138.500 litres
Volume 2017E	295.000 litres



- Launched March 2016
- June 2017: The 2nd most sold French wine bottle at the monopoly



- Launched Nov. 2015
- June 2017: The 8th most sold cava at the monopoly



- Launched Sept. 2016
- June 2017: The 14th most sold white BIB above 400 NOK

Q&A

Kenneth Hamnes, CEO
Sigmund Toth, CFO

16 August 2017



Arcus

Condensed statement of income



MNOK	Note	Second quarter		Year to date		Year end
		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
Total operating revenue		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
Gross Profit		279,6	267,3	504,5	492,5	1 114,5
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 ¹⁾ and JCE ²⁾		-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
EBITDA		68,0	68,3	89,0	89,2	290,5
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
Operating profit (EBIT)		55,1	55,3	62,8	63,5	238,9
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
Pre-tax profit		47,3	29,2	45,9	14,1	2,1
Tax		-12,3	-9,1	-12,4	-3,6	-26,2
Profit/loss for the year		35,0	20,1	33,5	10,5	-24,1
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

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

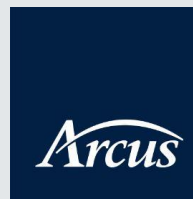
Condensed statement of financial position



MNOK	Note	Second quarter		Year end
		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
Total fixed assets		2 329,7	2 297,4	2 290,7
Inventories		443,4	438,0	378,8
Accounts receivables and other receivables ¹⁾		1 104,5	818,5	1 426,0
Cash and cash equivalents		126,9	89,3	199,4
Total current assets		1 674,8	1 345,7	2 004,2
Total assets		4 004,6	3 643,1	4 294,8
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
Total equity		1 477,5	830,6	1 502,6
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
Total non-current liabilities		1 041,9	1 253,0	1 013,6
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
Total current liabilities		1 485,1	1 559,5	1 778,6
Total equity and liabilities		4 004,6	3 643,1	4 294,8

¹⁾ 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 cash flows



MNOK	Note	Second quarter		Year to date		Year end
		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
Cash flow from operating activities before tax		50,0	14,5	-35,4	-68,4	44,4
Tax paid		-9,6	-12,2	-22,3	-38,0	-46,7
Cash flow from operating activities		40,3	2,3	-57,7	-106,4	-2,3
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
Cash flows from investment activities		-2,7	-3,2	-8,3	-7,0	-46,7
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
Cash flow from financing activities		-112,4	-73,9	-138,5	-105,7	74,9
Total cash flow		-74,8	-74,7	-204,4	-219,0	25,8
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
Holdings of cash and cash equivalents at the end of period		11,0	-37,9	11,0	-37,9	199,4