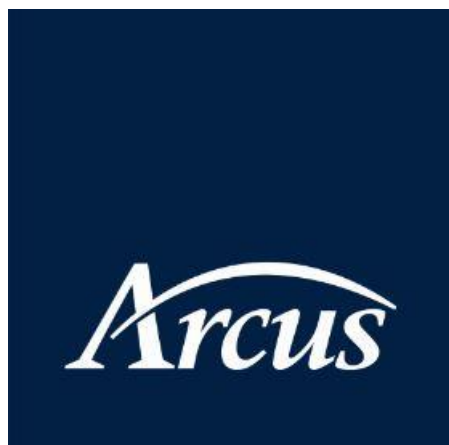


# Second quarter results 2018

Kenneth Hamnes, Group CEO  
Sigmund Toth, CFO

16 August 2018



## Q2: Highlights

### Revenue:

- 673.2 MNOK, +4.0 % vs Q2 '17, organic growth + 3.6 %
- Growth for 2 of 3 three business segments

### EBITDA (adj.):

- 61.6 MNOK, -13.4 % vs Q2 '17
- FX and soft Spirits performance reduced EBITDA (adj.)

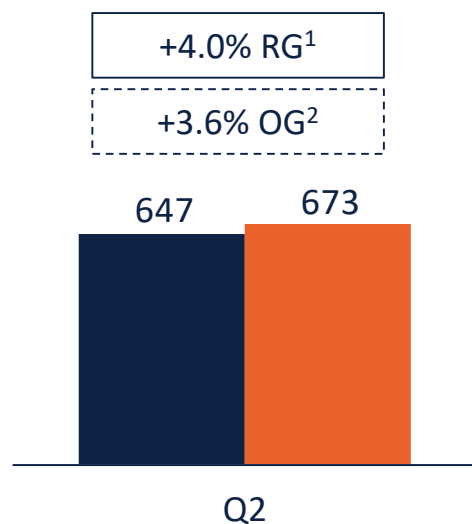


## Q2: Continued growth for Wine and Distribution

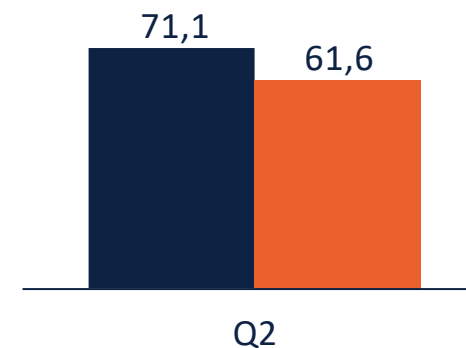
Amounts in NOK million

2017 2018

### Operating Revenues



### EBITDA (adj.)



- **Wine:** Revenue growth, negative FX-effect
- **Spirits:** Flat revenue, lower margins
- **Distribution:** Increased revenue and market share
- **EBITDA (adj.):** Reduced margin due to FX (Wine), personnel costs (Distr.) and negative sales mix (Spirits)

<sup>1</sup>Reported growth. The application of IFRS 15 had a positive effect of 7.2 MNOK on reported revenue in the quarter (+1.1 %)

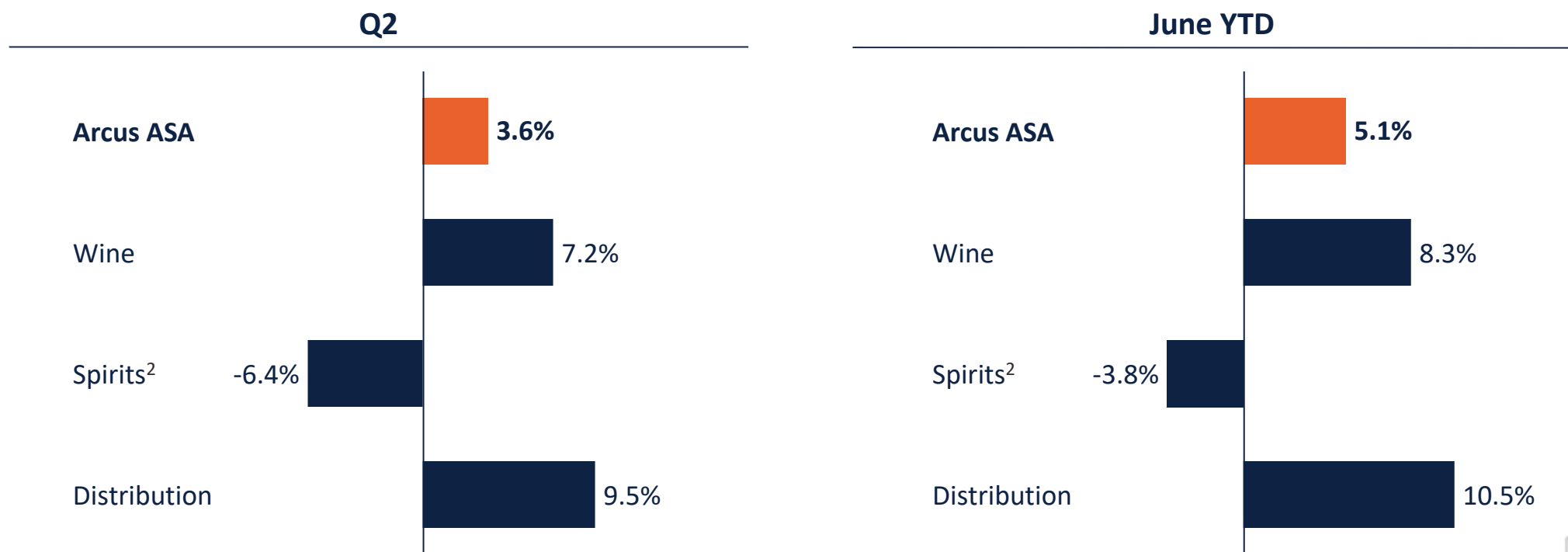
<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes.



## Q2: Organic growth driven by Wine and Distribution



### Organic growth<sup>1</sup> overall and by reporting segment Percent



<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes

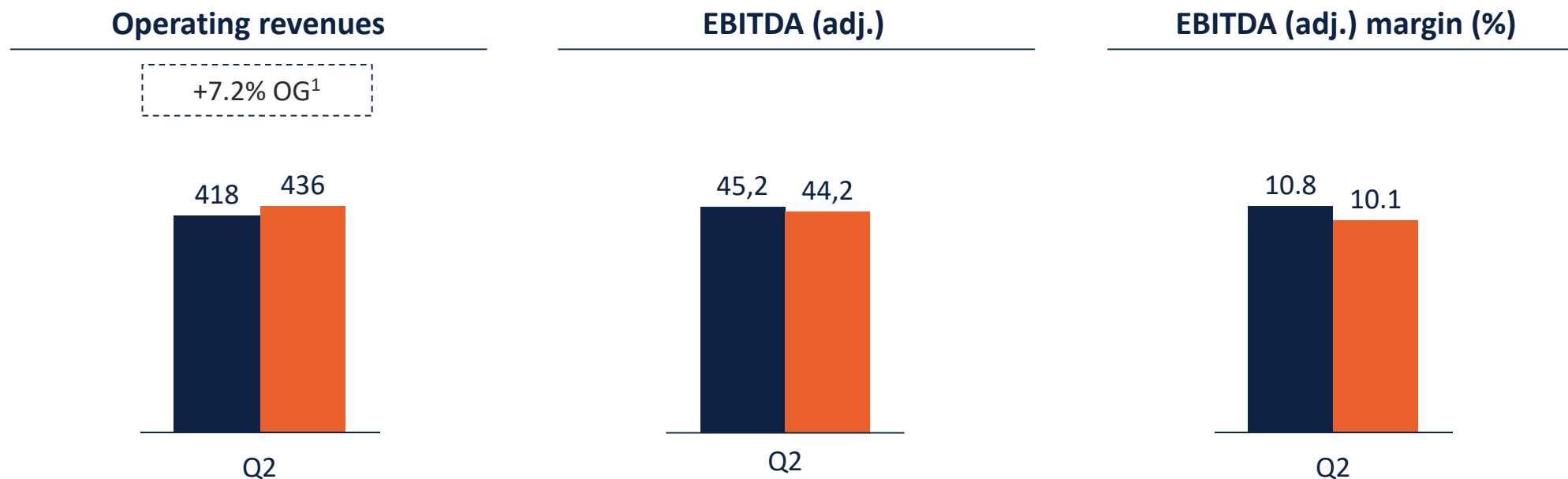
<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



# Q2 Wine: Stronger portfolios have increased market shares

Amounts in NOK million

2017 2018



- **Norway and Sweden:** Increased sales and market shares, FX reduces EBITDA (adj.) significantly
- **Finland:** Increased alcohol tax led to reduced sales at Alko, market share slightly down in Q2
- **Own brands:** Further growth and distribution in Sweden, Finland and in the Duty Free Travel Retail-channels

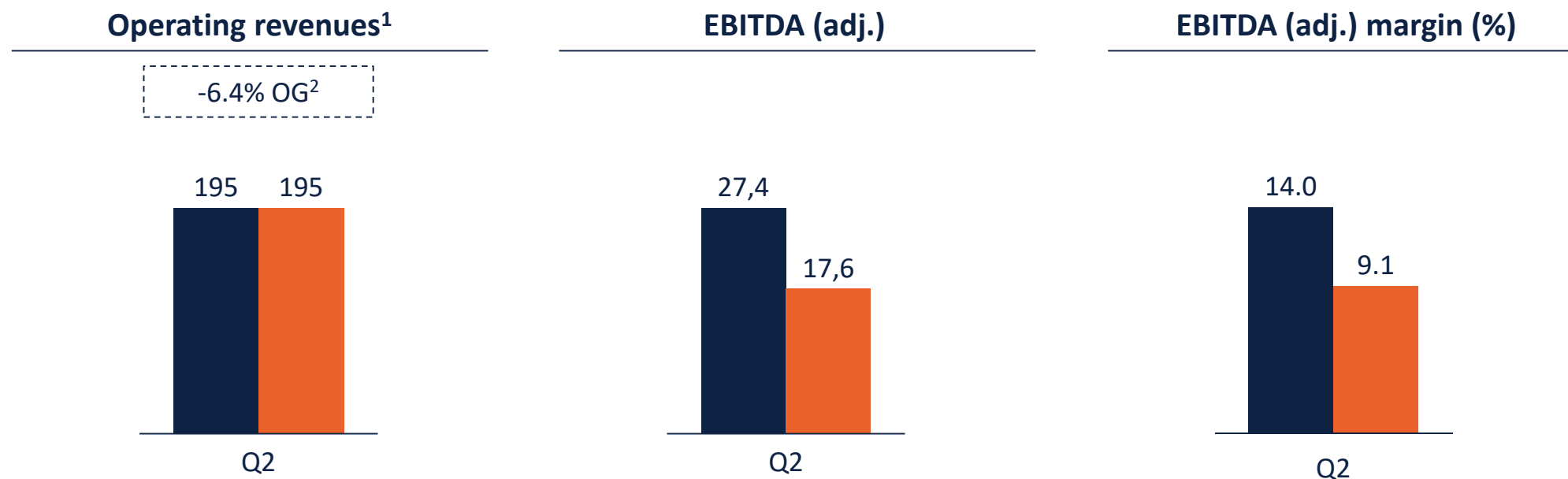
<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes



# Q2 Spirits: Flat sales, but negative mix reduced EBITDA (adj.)

Amounts in NOK million

2017 2018



- **Germany:** Destocking and lower consumer off-take than Q2 last year
- **Denmark:** Weak spirits market, but Arcus continued to take market share in the aquavit category
- **Norway:** Slightly reduced market share, no Easter-effect Q2 this year

<sup>1</sup>Reported growth includes both external spirits sales and other revenue (internal and external bottling)

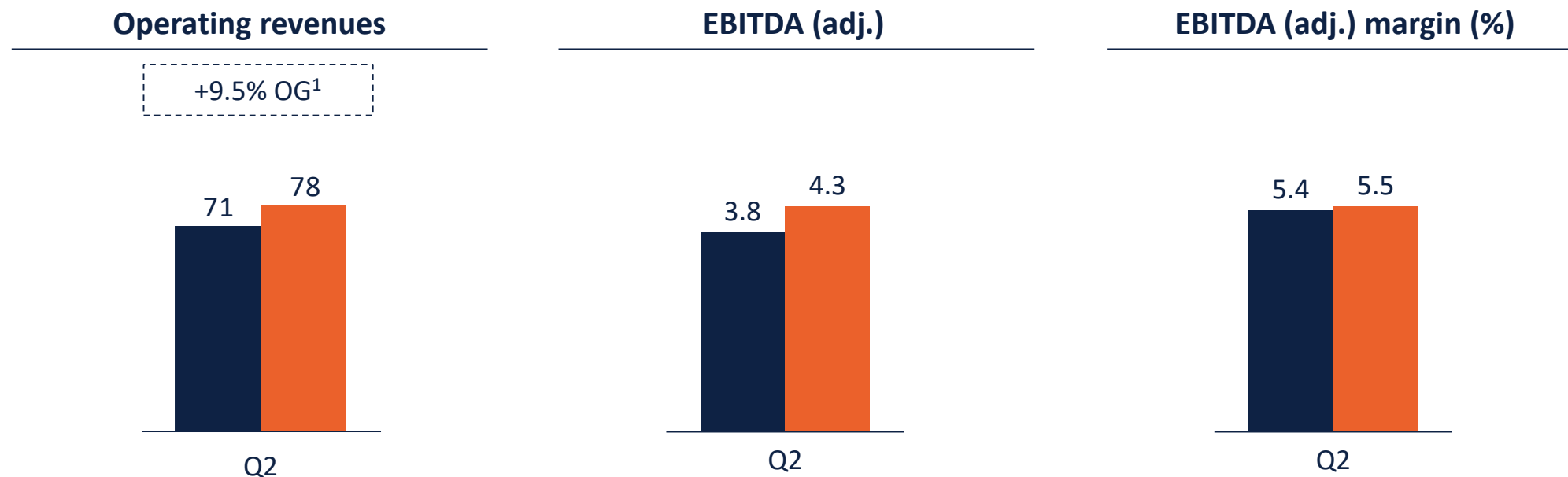
<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



# Q2 Distribution: Continued growth in revenue and market share

Amounts in NOK million

2017 2018



- Volume increased by 7.5 % vs Q2 '17, driven by new customers and growth for existing customers
- Market share increased to 47.6 % end Q2 vs 43.9 % same period last year<sup>2</sup>
- Increased volumes led to higher use of overtime and temps, and higher external distribution costs

<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes

<sup>2</sup>Volume delivered to Vinmonopolet





Financial performance

Sigmund Toth, CFO





## Q2 Group P&L: Increased revenues

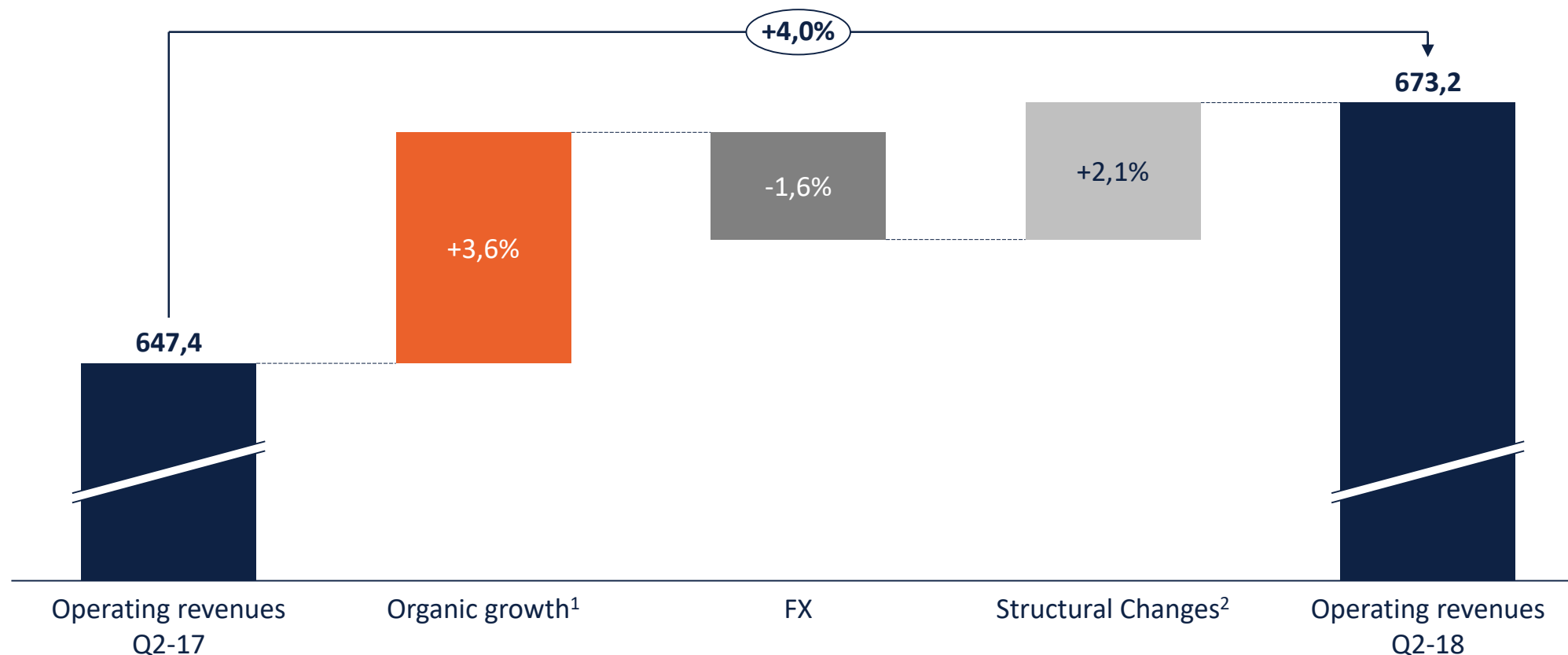


Amounts in NOK million

Profit and Loss	Q2-18	Q2-17	YTD-18	YTD-17
Operating revenues	673,2	647,4	1 230,2	1 140,9
EBITDA (adj.)	61,6	71,1	83,7	92,4
Depreciation, Amortization and Write-downs	-12,4	-12,9	-24,7	-26,3
EBIT (adj.)	49,2	58,2	59,0	66,1
Other income and expenses	9,7	-3,2	4,5	-3,3
EBIT	58,9	55,1	63,5	62,8
Net financials and other	-8,5	-7,8	-18,8	-16,9
Pre-tax profit	50,4	47,3	44,6	45,9
Tax	-10,9	-12,3	-11,3	-12,4
Profit/loss for the year	39,6	35,0	33,3	33,5
EPS (NOK)	0,56	0,50	0,46	0,46

# Organic growth and positive effects from structural changes, negative FX

## Q2-18 Operating revenue growth Percent; NOK million

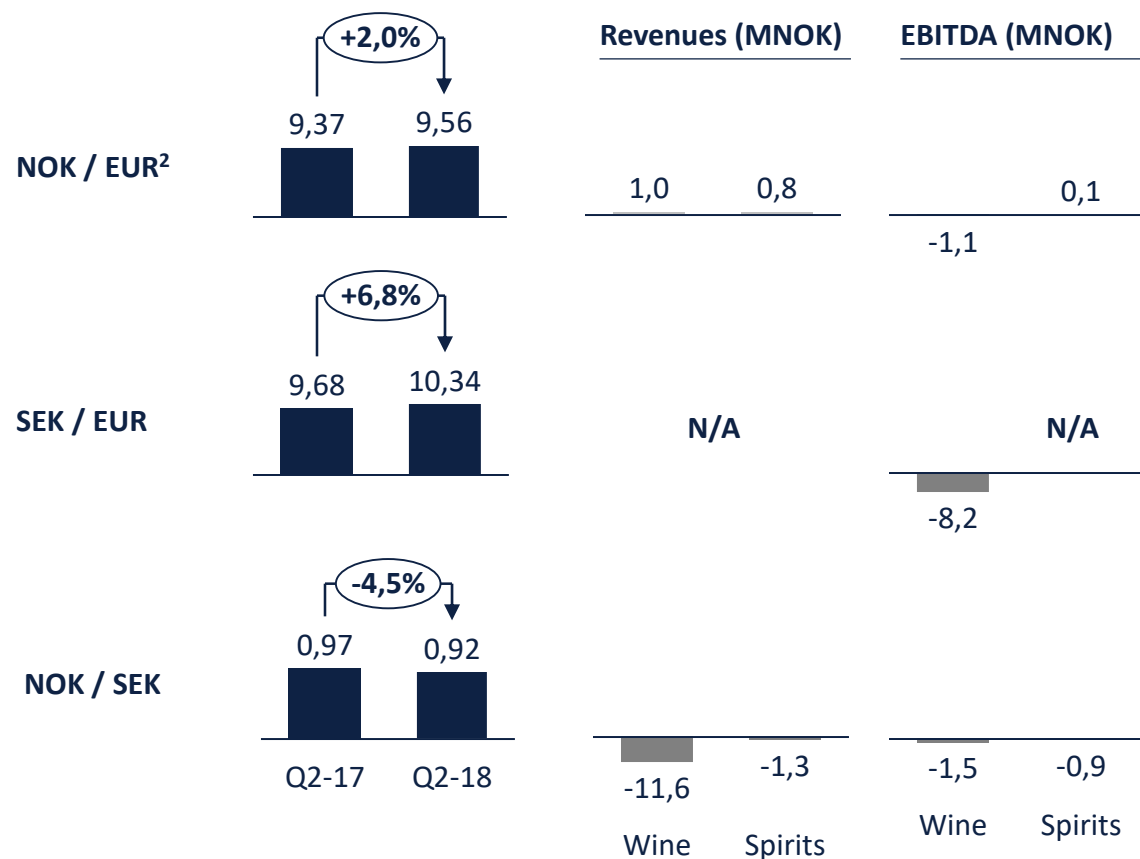


<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

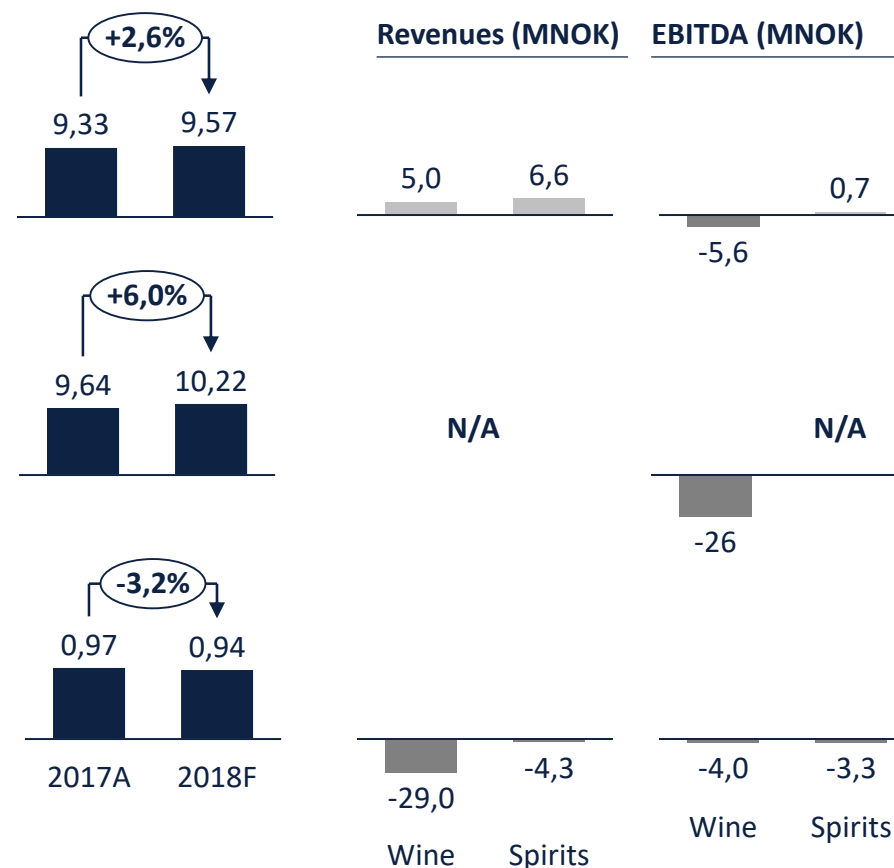
<sup>2</sup>The application of IFRS 15 had a positive effect of +1.1 %

# Negative FX effects both in Q2 and estimated for the full year

Currency rate effects<sup>1</sup> (Q2 2018 actuals vs. Q2 2017 actuals)



Currency rate effects<sup>1</sup> (2018F currency rate<sup>3</sup> vs. 2017 actuals)



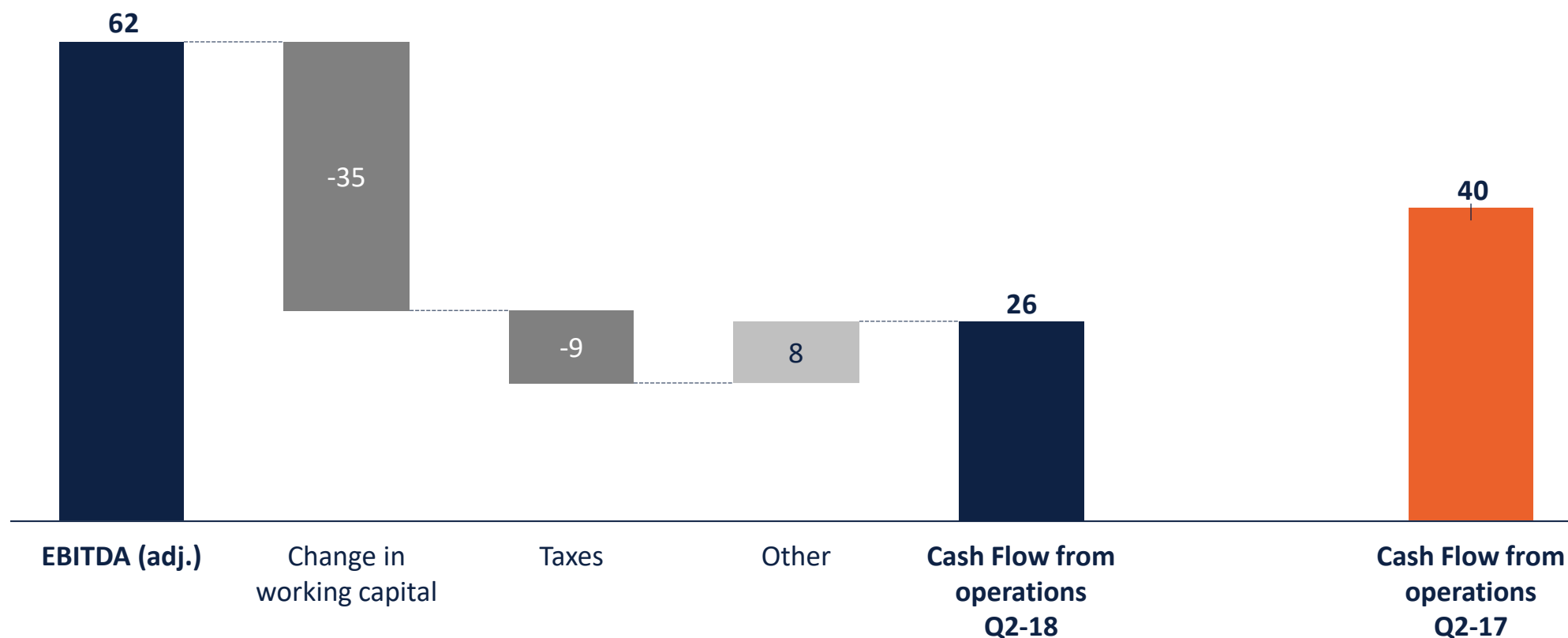
1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include NOK / USD (Revenues) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy 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) 2018F currency rate is estimated as weighted average of accumulated YTD average rate and current rate as of Aug 1st 2018

# Cash flow negatively impacted by higher net working capital at end of Q2



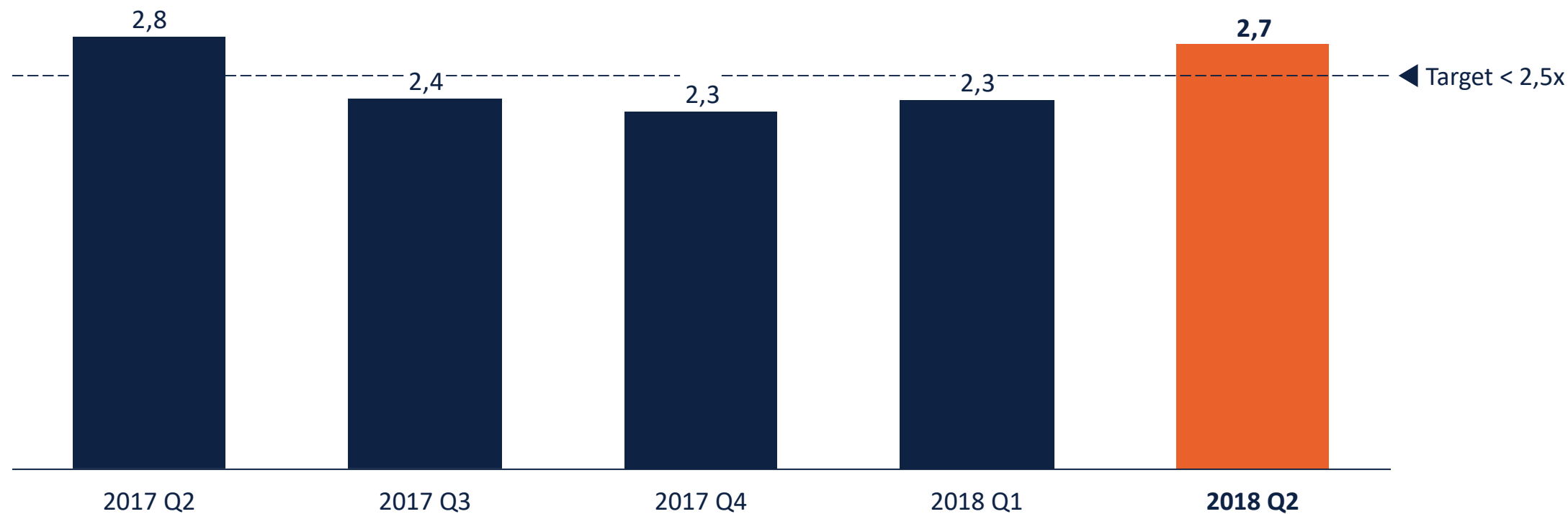
## Q2-18 Cash Flow from Operations

Amounts in NOK million



# Gearing slightly above target at the end of Q2 due to seasonal effects

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





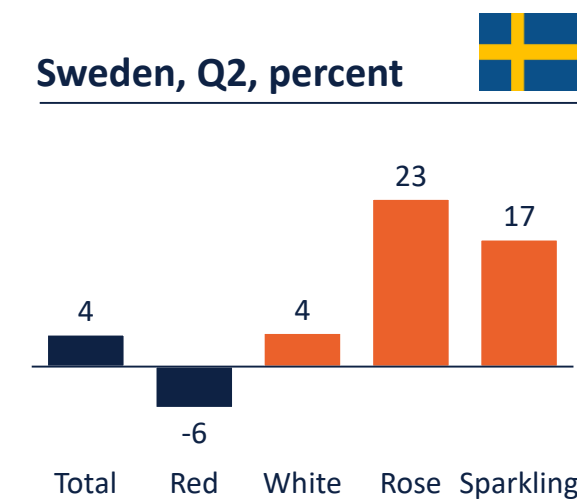
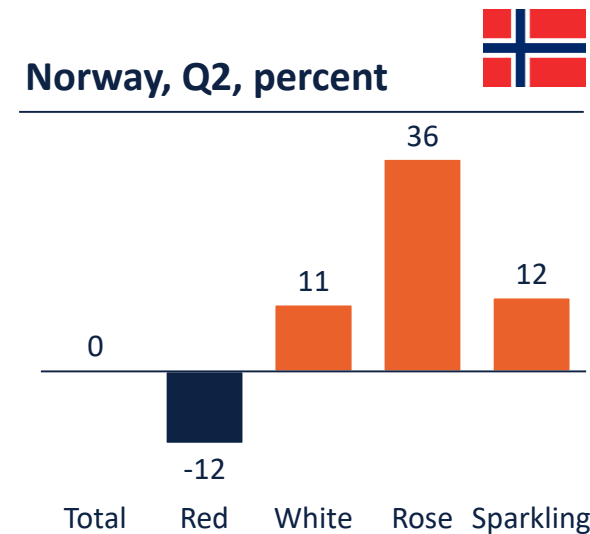
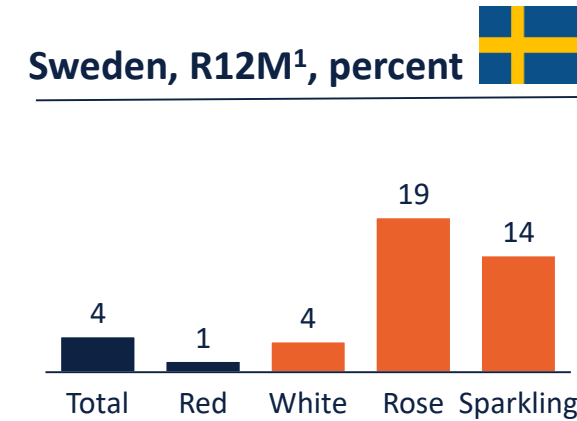
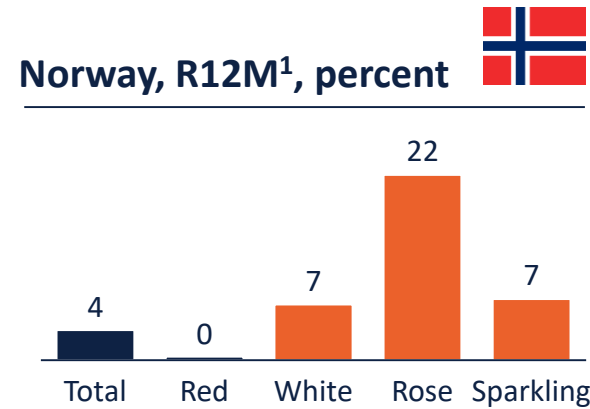
Kenneth Hamnes, Group CEO



# White wine, rosé and sparkling drive the growth

## Monopoly sales growth vs. last year

Percent



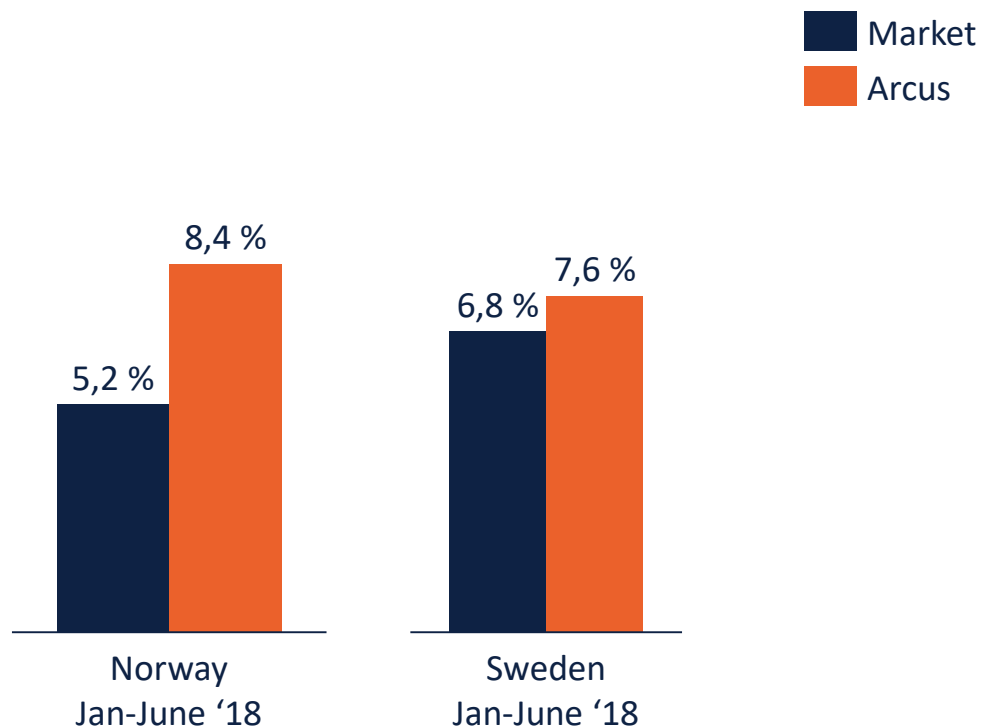
<sup>1</sup>R12M = Rolling 12 months per June 2018  
Source: Vinmonopolet and Systembolaget

# Arcus Wine outgrows the Norwegian and Swedish markets 1H18

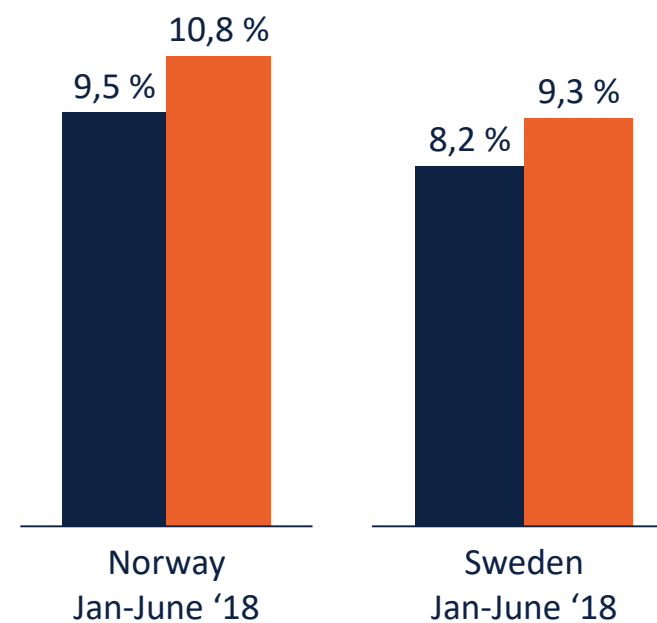


Sales growth vs. last year  
Percent

Arcus outgrows the market ...

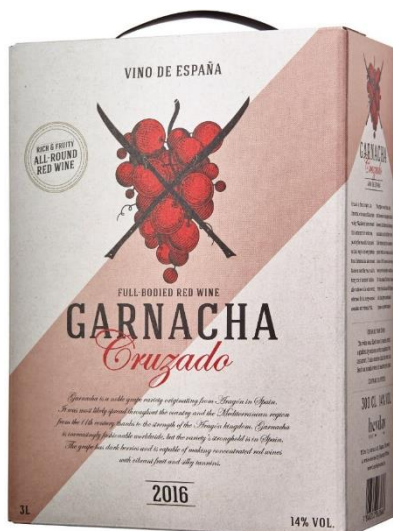


... also in the “light category”<sup>1</sup>



<sup>1</sup>White wine, rosé and sparkling  
Source: Vinmonopolet and Systembolaget

# Constant revitalizing of the portfolio necessary to grow



## Test listing

Permanent listing after only 6 months of test. Meets increasing interest for fruity, dry wine styles. Benefits from lack of innovation in the Spanish category, and positivity towards contemporary design.

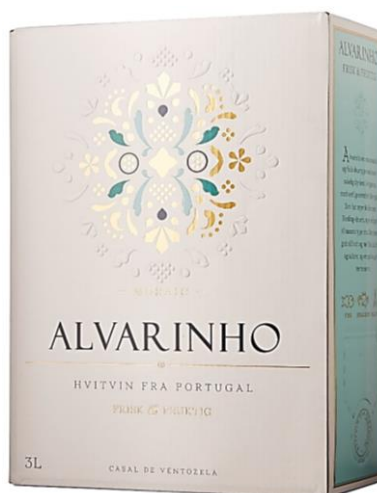
## Line extension

Continuously cultivating Les Fumées Blanches Rosé has turned the French rosé into Swedish success, expanding from 10' litres in 2011 to 795' litres YTD 2018. Performs strongly in Norway too.



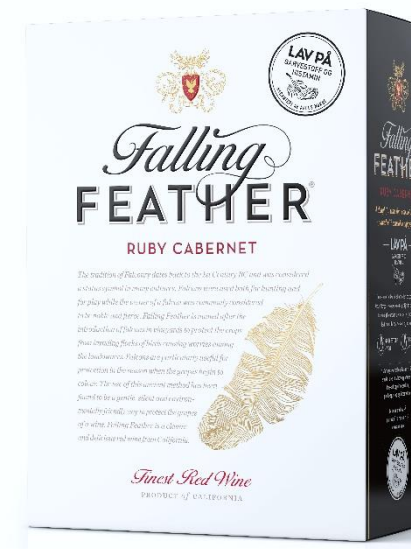
## Tender win

Launched in May, and in July the 8th most sold white wine in Norway. Frequent re-purchases. Successful design, popular grape variety and high quality wine.



## Product update

2nd most sold red wine in Norway YTD. New design and blend with less sugar has made the wine one of very few top selling red bag-in-boxes that are growing.

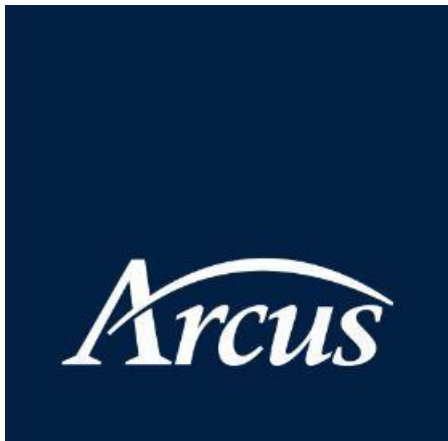




# Q&A

Kenneth Hamnes, Group CEO

Sigmund Toth, CFO





# Condensed statement of income

MNOK	Note	Second quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Sales	2,9	658.6	633.4	1 204.4	1 116.3	2 530.1
Other revenue	2	14.6	14.0	25.8	24.5	44.9
<b>Total operating revenue</b>	2,9	<b>673.2</b>	<b>647.4</b>	<b>1 230.2</b>	<b>1 140.9</b>	<b>2 575.1</b>
Cost of goods		-398.3	-367.8	-714.0	-636.4	-1 408.5
<b>Gross Profit</b>		<b>274.9</b>	<b>279.6</b>	<b>516.2</b>	<b>504.5</b>	<b>1 166.5</b>
Gain on sale of fixed assets		0.2	0.0	0.2	0.0	0.0
Salaries and personnel cost		-106.3	-103.9	-216.4	-209.1	-417.4
Advertising & Promotion expenses (A&P)		-33.7	-33.1	-64.8	-58.8	-122.7
Other operating expenses		-73.3	-70.8	-149.3	-143.5	-269.0
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		-0.2	-0.7	-2.1	-0.7	3.3
Other income and expenses	3	9.7	-3.2	4.5	-3.3	-13.2
<b>EBITDA</b>		<b>71.3</b>	<b>68.0</b>	<b>88.2</b>	<b>89.0</b>	<b>347.6</b>
Depreciation	5,6	-10.5	-11.1	-20.8	-22.7	-44.2
Amortisations	5,6	-1.9	-1.8	-3.9	-3.6	-7.4
Write downs		0.0	0.0	0.0	0.0	-22.7
<b>Operating profit (EBIT)</b>		<b>58.9</b>	<b>55.1</b>	<b>63.5</b>	<b>62.8</b>	<b>273.3</b>
Financial income	12	3.2	2.7	5.3	4.0	25.9
Financial expenses	7,10,12	-11.7	-10.5	-24.2	-21.0	-40.4
<b>Pre-tax profit</b>		<b>50.4</b>	<b>47.3</b>	<b>44.6</b>	<b>45.9</b>	<b>258.7</b>
Tax		-10.9	-12.3	-11.3	-12.4	-70.5
<b>Profit/loss for the year</b>		<b>39.6</b>	<b>35.0</b>	<b>33.3</b>	<b>33.5</b>	<b>188.2</b>
Profit/loss for the year attributable to parent company shareholders		38.2	33.7	31.0	31.2	181.3
Profit/loss for the year attributable to non-controlling interests		1.4	1.3	2.3	2.2	6.9
Earnings per share, continued operations		0.56	0.50	0.46	0.46	2.66
Diluted earnings per share, continued operations		0.54	0.49	0.44	0.45	2.62

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

# Condensed statement of financial position

MNOK		Year to date		Year end
	Note	2018	2017	2017
Intangible assets	6	1 840.4	1 772.7	1 891.4
Tangible assets	5	321.9	335.4	329.8
Deferred tax asset		135.4	172.9	136.8
Financial assets		55.2	48.8	60.1
<b>Total fixed assets</b>		<b>2 352.9</b>	<b>2 329.7</b>	<b>2 418.1</b>
Inventories		474.6	443.4	410.8
Accounts receivables and other receivables		1 158.2	1 104.5	1 519.1
Cash and cash equivalents		134.7	126.9	184.4
<b>Total current assets</b>		<b>1 767.5</b>	<b>1 674.8</b>	<b>2 114.2</b>
<b>Total assets</b>		<b>4 120.4</b>	<b>4 004.6</b>	<b>4 532.4</b>
Paid-in equity		772.1	772.1	772.1
Retained earnings		706.7	690.5	878.5
Non-controlling interests		1.9	14.9	18.8
<b>Total equity</b>		<b>1 480.6</b>	<b>1 477.5</b>	<b>1 669.4</b>
Non-current liabilities to financial institutions	8	675.4	734.8	742.8
Non-current liabilities at fair value through profit or loss	7,10	67.9	0.0	0.0
Non-current finance lease liabilities	8	163.1	174.7	166.4
Pension obligations		30.6	34.3	30.6
Deferred tax liability		97.3	97.6	101.0
Other non-current provisions		0.2	0.5	0.3
<b>Total non-current liabilities</b>		<b>1 034.6</b>	<b>1 041.9</b>	<b>1 041.1</b>
Bank Overdraft	8	231.1	115.9	72.7
Current liabilities at fair value through profit or loss	7,10	0.0	13.8	0.0
Current finance lease liabilities	8	12.0	16.5	17.4
Tax payable		0.0	0.0	2.1
Accounts payable and other payables		1 362.0	1 338.9	1 729.6
<b>Total current liabilities</b>		<b>1 605.2</b>	<b>1 485.1</b>	<b>1 821.8</b>
<b>Total equity and liabilities</b>		<b>4 120.4</b>	<b>4 004.6</b>	<b>4 532.4</b>

# Condensed statement of cash flow

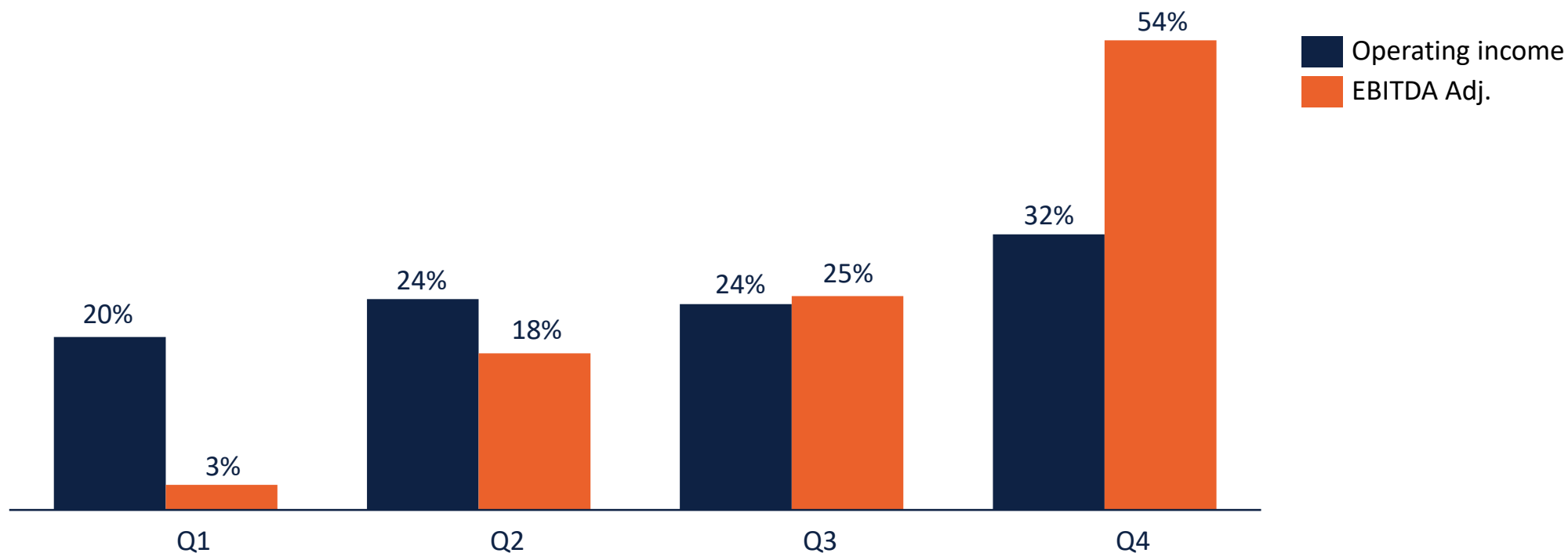
MNOK	Note	Second quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Pre-tax profit		50.4	47.3	44.6	45.9	258.8
Depreciation and amortisations	5,6	12.4	12.9	24.7	26.3	74.3
Received dividend from associated companies		0.4	0.0	0.4	0.0	0.0
Net interest in period		9.2	7.7	16.7	15.1	31.5
Other items without cash effect		-2.7	12.2	-5.5	18.3	12.1
Change in inventories		-26.7	-29.7	-63.8	-64.6	-31.8
Change in receivables		-23.8	-158.4	368.0	375.1	-50.0
Change in payables		15.9	157.9	-368.3	-451.4	-61.6
<b>Cash flow from operating activities before tax</b>		<b>35.1</b>	<b>50.0</b>	<b>16.8</b>	<b>-35.4</b>	<b>233.2</b>
Tax paid		-9.4	-9.6	-20.0	-22.3	-33.2
<b>Cash flow from operating activities</b>		<b>25.7</b>	<b>40.3</b>	<b>-3.2</b>	<b>-57.7</b>	<b>199.9</b>
Proceeds from sale of tangible & intangible fixed assets		0.2	0.0	0.2	0.0	0.0
Payments on acquisition of tangible & intangible fixed assets	5,6	-5.0	-2.8	-11.6	-5.5	-22.2
Payments on acquisition of Brands	6	0.0	0.0	0.0	-4.0	-118.6
Payments on acquisition of operations		0.0	0.0	0.0	1.2	-2.8
Other investments		0.0	0.0	0.0	0.0	-0.4
<b>Cash flows from investment activities</b>		<b>-4.9</b>	<b>-2.7</b>	<b>-11.4</b>	<b>-8.3</b>	<b>-144.0</b>
Repayment debt to financial institutions	8	-4.3	-4.2	-8.6	-8.3	-15.7
Change other long term loans		0.1	0.0	0.1	0.0	0.1
Interest paid in period		-9.2	-7.7	-16.7	-15.1	-31.5
Paid dividend and Group contributions		-117.1	-100.8	-118.0	-102.2	-103.5
Other financing payments		-5.9	0.3	-6.1	-12.9	-12.9
<b>Cash flow from financing activities</b>		<b>-136.4</b>	<b>-112.4</b>	<b>-149.4</b>	<b>-138.5</b>	<b>-163.5</b>
<b>Total cash flow</b>		<b>-115.6</b>	<b>-74.8</b>	<b>-164.0</b>	<b>-204.4</b>	<b>-107.6</b>
Holdings of cash and cash equivalents at the beginning of period		34.0	74.2	111.7	199.4	199.4
Effect of exchange rate changes on cash and cash equivalents		-14.8	11.5	-44.1	16.0	19.9
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>-96.4</b>	<b>11.0</b>	<b>-96.4</b>	<b>11.0</b>	<b>111.7</b>

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

Cash and cash equivalents at the end of the period	134.7	126.9	134.7	126.9	184.4
Overdraft cashpool system at the end of the period	-231.1	-115.9	-231.1	-115.9	-72.7
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>-96.4</b>	<b>11.0</b>	<b>-96.4</b>	<b>11.0</b>	<b>111.7</b>

# Historic quarterly distribution of top-/bottom-line

2011-2017, average

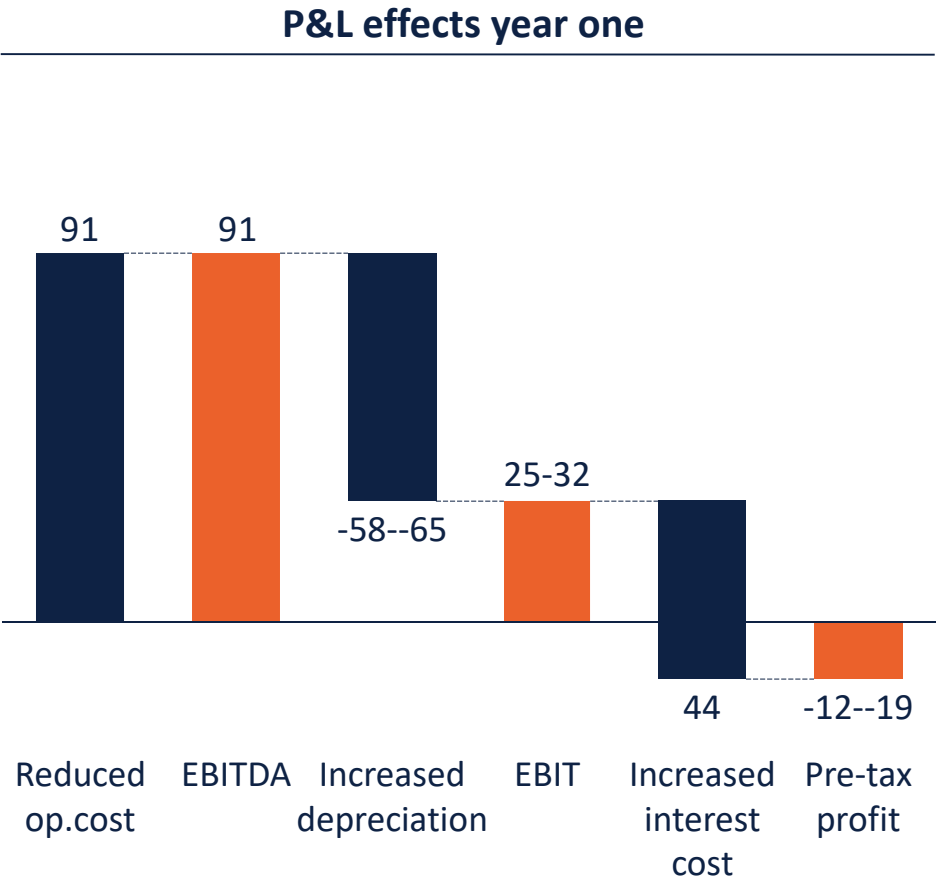
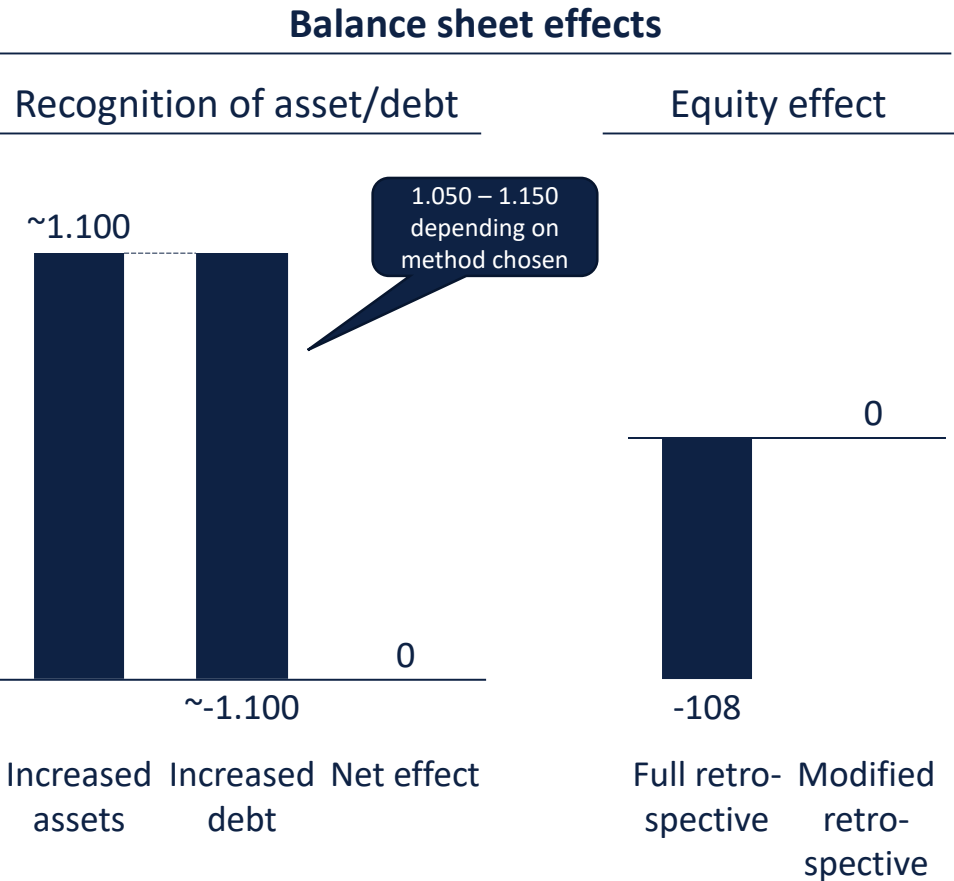


Average 2011 – 2017 Arcus ASA, rounded numbers

# Estimated effects of IFRS 16 are significant, but loan terms will be calculated according to today's model, independently of IFRS 16



Amounts in NOK million, ESTIMATES ONLY<sup>1</sup>



<sup>1</sup>At the end of 2017, the Group made a calculation based on the Group's existing leasing agreements. The estimate shows that if IFRS 16 had been implemented as of 31.12.2017, the Group would. have had an effect on the statement of financial position of between NOK 1,050 and 1,150 million, depending on the method chosen. The negative equity effect on choosing the full retrospective method would have been NOK 108 million and no effect on equity choosing the modified retrospective method. See the 2017 Annual report for further details.



THINK BEFORE  
YOU DRINK. MAKE  
GREAT MOMENTS  
EVEN BETTER.

*Arcus*