

Arcus

Quarterly Report

Q1 2018



THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

Arcus

Contents

Message from the CEO	3
Highlights Q1 2018	4
Wine: Revenue growth, stable margins	5
Spirits: Growth driven by acquisitions	6
Distribution: Increased revenue and market share.....	7
Financial position and other information	8
Group consolidated accounts	9
Notes	14
Contact information	29

Message from the CEO

Increased revenue driven by early Easter and like-for-like growth in Wine and Distribution

We are pleased to see an increase in reported revenue for all three business segments in Q1 2018, traditionally the smallest quarter of the year due to seasonality. Reported revenue growth was 12.9¹ percent, while organic growth was 7.7 percent. For the four-month period January to April, organic growth was 6.2 percent compared to the same period last year.

Wine. The wine businesses in Sweden and Norway had strong growth during Q1, partly driven by Easter. In Norway, Arcus captured market share. In Sweden, most of the wine companies reported increased sales thanks to new listings and price adjustments. Margins on the Swedish wine business came under pressure from very unfavourable exchange rates for the SEK versus EUR. This pressure may continue; the next price adjustment opportunity at Systembolaget and Vinmonopolet is September 1.

Spirits. Sales in Norway and Sweden benefitted from early Easter and brands acquired in Q4 2017 (Vanlig and Hot n' Sweet). In Denmark, a weak Easter reduced sales in one of the year's traditional high seasons, but we increased market share in the important aquavit category.

Distribution. The progress for the segment continued in Q1, taking market share to its highest level since 2013. The main reasons are new customers, wider demand among existing customers and a better product mix. Higher personnel and maintenance costs reduced profitability.

Kenneth Hamnes
Group CEO

Key figures Q1 2018

CONSOLIDATED GROUP FIGURES

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	556.9	493.5	556.9	493.5	2 575.1
Gross profit ¹⁾	241.2	224.9	241.2	224.9	1 166.5
EBITDA ¹⁾	16.9	21.1	16.9	21.1	347.6
EBITDA adjusted ¹⁾	22.1	21.3	22.1	21.3	360.8
Pre-tax profit	-5.8	-1.4	-5.8	-1.4	258.7
Earnings per share, parentcompany shareholders (NOK)	-0.13	-0.04	-0.13	-0.04	2.66
Key figures					
Gross margin ¹⁾	43.3 %	45.6 %	43.3 %	45.6 %	45.3 %
EBITDA margin ¹⁾	3.0 %	4.3 %	3.0 %	4.3 %	13.5 %
EBITDA margin adjusted ¹⁾	4.0 %	4.3 %	4.0 %	4.3 %	14.0 %
Equity ratio ¹⁾	39.7 %	39.7 %	39.7 %	39.7 %	36.8 %
Financial position					
Total equity	1 642.5	1 505.6	1 642.5	1 505.6	1 669.4
Net interest bearing debt (cash) ¹⁾	849.3	841.2	849.3	841.2	821.4

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

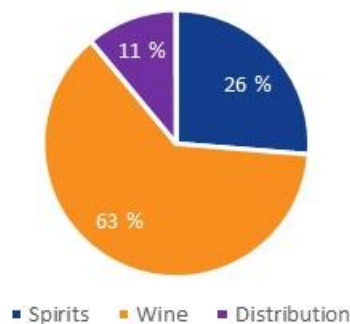
¹⁾ The application of IFRS15 had a positive effect of 8.8 MNOK on reported revenue in the quarter (+1.6%); cf. Note 2

Highlights Q1 2018

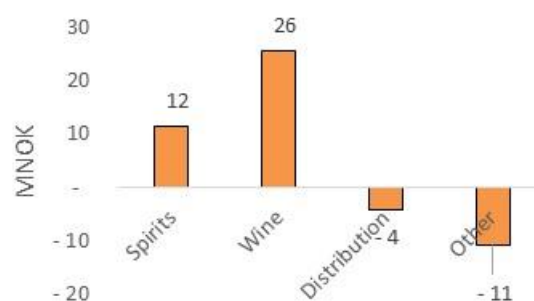
- **Operating revenue** for Q1 2018 was 556.9 MNOK, compared to 493.5 MNOK in Q1 last year (+12.9 percent)³, in what is traditionally the smallest quarter of the year due to seasonality. Operating revenue increased for all business segments. Organic growth for Q1 was 7.7 percent and 6.2 percent for April YTD
- **Adjusted EBITDA** for Q1 was 22.1 MNOK, compared to 21.3 MNOK Q1 last year (+3.8 percent). The somewhat lower margins were mainly due to increased A&P investments, higher personnel costs in Distribution and one-offs in Spirits (inventory revaluation etc.)
- **Wine** revenues amounted to 343.9 MNOK, compared to 305.1 MNOK in Q1 last year (+12.7 percent). Organic growth was 10.6 percent. Adjusted EBITDA margin was 7.5 percent for Q1 2018, compared to 7.3 percent in Q1 last year.
- **Spirits** revenues amounted to 178.7 MNOK, compared to 170.4 MNOK in Q1 last year (+4.9 percent). Organic growth was negative 0.4 percent⁴. Adjusted EBITDA margin was 6.5 percent for Q1, compared to 9.6 percent in Q1 last year.
- **Distribution** revenues amounted to 65.5 MNOK compared to 58.7 MNOK in Q1 last year (+11.6 percent). Adjusted EBITDA for Q1 2018 was -4.2 MNOK, compared to -4.5 MNOK in Q1 2017.



Operating revenue per segment¹



Adj. EBITDA pr segment^{1,2}



¹ Figures for Q1 2018; ² Adjusted EBITDA is EBITDA adjusted for non-recurring effects, but is not corrected for foreign exchange effects. See separate chapter/note on APM for reconciliation. "Other" segment represents HQ and eliminations; ³ The application of IFRS15 had a positive effect of 8.8 MNOK on reported revenue in the quarter (+1.6%); cf. Note 2; ⁴ Calculated on external spirits sales

Wine: Revenue growth, stable margins

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	343.9	305.1	343.9	305.1	1 540.9
Gross profit ¹⁾	80.8	72.4	80.8	72.4	386.5
Gross margin ¹⁾	23.5 %	23.7 %	23.5 %	23.7 %	25.1 %
EBITDA ¹⁾	21.3	22.2	21.3	22.2	186.5
EBITDA adjusted ¹⁾	25.7	22.2	25.7	22.2	191.7
EBITDA margin ¹⁾	6.2 %	7.3 %	6.2 %	7.3 %	12.1 %
EBITDA margin adjusted ¹⁾	7.5 %	7.3 %	7.5 %	7.3 %	12.4 %

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

OPERATING REVENUE

Total operating revenue for Wine was 343.9 MNOK for the first quarter, compared to 305.1 MNOK Q1 last year. Reported growth was 12.7 percent, while organic growth was 10.6 percent. Stronger FX (SEK/EUR) than last year boosted reported revenues by 6.7 MNOK.

A significant portion of the growth is related to Easter, which was in March this year (mid-April last year). For the four-month period January to April, organic growth was 8.5 percent compared to the same period last year.

In Sweden, Arcus' sales to Systembolaget increased almost in line with the market growth of 9.9 percent, leaving market shares largely unchanged. Growth from new listings and price adjustments more than compensated for lower sales of red wine best-sellers.

In Norway, sales at Vinmonopolet grew by 11.4 percent. Arcus' sales increased more than the market and increased its market share in the period, with significant growth for both own wine brands and agency wines.

In Finland, a 13 percent increase in alcohol tax on wine from 1 January, led to a nearly flat market, despite the positive effect of Easter. Arcus' sales to Alko decreased slightly compared to last year.

Own wine brands experienced further growth and increased distribution in Sweden, Finland and in the Duty Free Travel Retail-channel.

EBITDA

The adjusted EBITDA-margin for Wine was 7.5 percent in the first quarter compared to 7.3 percent in the same period last year.

Price adjustments, stable indirect costs and lower horeca rebates compensated for the stronger EUR and increased A&P spending in Sweden.

WINE

Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the third largest in Finland. Arcus imports and markets agency wines, as well as Arcus brands.

Spirits: Growth driven by acquisitions

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Sales	141.5	131.6	141.5	131.6	763.4
Other revenue	37.2	38.8	37.2	38.8	149.9
Total operating revenue	178.7	170.4	178.7	170.4	913.3
Gross profit ¹⁾	97.3	96.2	97.3	96.2	508.4
Gross margin ¹⁾	54.4 %	56.5 %	54.4 %	56.5 %	55.7 %
EBITDA ¹⁾	11.2	16.1	11.2	16.1	175.6
EBITDA adjusted ¹⁾	11.5	16.3	11.5	16.3	182.8
EBITDA margin ¹⁾	6.3 %	9.4 %	6.3 %	9.4 %	19.2 %
EBITDA margin adjusted ¹⁾	6.5 %	9.6 %	6.5 %	9.6 %	20.0 %

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

OPERATING REVENUE

Total operating revenue for Spirits first quarter 2018 was 178.7 MNOK, compared to 170.4 MNOK for the same period last year, a growth of 4.9 percent.

Organic growth was negative 0.4 percent³, as Q4 '17 acquisitions contributed 6.6 MNOK in the period and there was a 3.7 MNOK currency gain.

For the four-month period January to April, organic growth was negative 0.4 percent³ compared to the same period last year.

Organic revenues increased in Norway and Sweden, driven by Easter sales, while market shares were slightly down in both countries when adjusting for acquisitions.

Organic revenues in Denmark were lower than in the first quarter last year, partly explained by the weak Easter in Danish retail. In a weak market, Arcus' market shares increased both in spirits as a whole and in the aquavit category.

Sales to Germany were lower than last year, driven by destocking after Christmas and slightly lower consumer off-take.

Sales to the US and other markets increased.

Sales in the Duty Free Travel Retail-channel were down, mainly due to phasing of shipments.

EBITDA

The adjusted EBITDA-margin for Spirits was 6.5 percent for Q1 2018, compared to 9.6 percent Q1 2017.

The main reasons for the lower margin in the quarter were increased investment in A&P, annual inventory revaluation, temporarily higher IP protection costs, and a reduction in the internal transfer price for bottling services.

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.

³ Calculated on external spirits sales

Distribution: Increased revenue and market share

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenue	65.5	58.7	65.5	58.7	284.4
Gross profit ¹⁾	65.5	58.7	65.5	58.7	284.4
Gross margin ¹⁾	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA ¹⁾	-4.3	-4.5	-4.3	-4.5	13.5
EBITDA adjusted ¹⁾	-4.2	-4.5	-4.2	-4.5	14.1
EBITDA margin ¹⁾	-6.5 %	-7.6 %	-6.5 %	-7.6 %	4.7 %
EBITDA margin adjusted ¹⁾	-6.4 %	-7.6 %	-6.4 %	-7.6 %	5.0 %

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

VOLUME

Distributed volume in the first quarter was 10.4 million liters, an increase of 1.4 million liters from the same quarter last year. This equals an increase of 15.8 percent, which is 6.5 percentage points higher than Vinmonopolet's overall growth in the same period. New customers, and growth for existing customers, are the main reasons for the increased volume during Q1.

Sales to the horeca-market were flat during the quarter.

In March, Distribution had a market share of 48.5 percent of volume delivered to Vinmonopolet, compared to 42.3 percent in the same period last year and 46.7 percent for December 2017.

OPERATING REVENUE

Operating revenue increased by 11.6 percent to 65.5 MNOK in the quarter, compared to 58.7 MNOK in the same period last year. The main reasons are increased volume, and increased revenue from

storage and other services. For the four-month period January to April, organic growth was 11.9 percent compared to the same period last year.

EBITDA

Adjusted EBITDA in the fourth quarter was -4.2 MNOK, compared to -4.5 MNOK same quarter last year. Personell costs were higher as higher volumes and peaks in volumes led to increased use of overtime and temps, while operating costs were affected by increased maintenance and repairs and. We are working to improve productivity so that increased volumes can be handled without a corresponding increase in costs.

DISTRIBUTION

Vectura is the leading integrated logistics service provider for alcoholic beverages in Norway. Vectura serves both Arcus-Gruppen AS and external customers. Vectura is located next to Arcus' production facility at Gjelleråsen, outside Oslo.

Financial position and other information

CASH FLOW AND FINANCIAL POSITION

Reported net cash flow from operations before tax in Q1 2018 was -18.3 MNOK, compared to -85.4 MNOK in Q1 2017 (+67.1 MNOK), in a quarter that is traditionally the weakest of the year due to seasonality.

Cash flow from operations was boosted by the receipt of an overdue receivable from Vinmonopolet (50 MNOK) that had a due date in the last weekend of 2017 and was paid on the first banking day in 2018

More generally, cash flow from operations in Q1 was negatively impacted by higher net working capital at the end of the quarter versus the low level at year-end. This increase in net working capital, which occurs every year in Q1, is driven by the settlement of alcohol tax and VAT payables related to high Christmas sales. However, strong Easter sales this year partly compensated for this effect as new alcohol tax and VAT payables related to Easter sales were generated.

Net interest bearing debt was 849.3 MNOK, almost the same as at the end of Q1 2017 (841.2 MNOK).

OTHER INFORMATION

DIVIDEND

The General Meeting 11 April 2018 approved a dividend of 113 MNOK, equal to 1.66 NOK per share. This corresponds to 60 percent of the profit for the year 2017, and is at the mid-range of the 50-70 percent dividend target. For 2016 the dividend per share was 1.47 NOK per share.

PAN-NORDIC SALES AND DISTRIBUTION AGREEMENT

The Estonian spirits producer Liviko has appointed Arcus as Nordic distributor from June 1 2018. Liviko has 120 years history and very strong presence in the Baltic states and Finland. Liviko has an extensive portfolio of premium brands, with the iconic Vana Tallinn as the jewel. In 2017 Liviko's sales in the Finnish market amounted to approximately 10 MNOK. Liviko is an important addition to Arcus' Finnish operation, and represents an opportunity in Norway, Sweden and Denmark.

Group consolidated accounts

The interim financial statement has not been audited.

CONDENSED STATEMENT OF INCOME

MNOK	Note	First quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Sales	2,9	545.8	482.9	545.8	482.9	2 530.1
Other revenue	2	11.1	10.6	11.1	10.6	44.9
Total operating revenue	2,9	556.9	493.5	556.9	493.5	2 575.1
Cost of goods		-315.7	-268.6	-315.7	-268.6	-1 408.5
Gross Profit		241.2	224.9	241.2	224.9	1 166.5
Gain on sale of fixed assets		0.0	0.0	0.0	0.0	0.0
Salaries and personnel cost		-110.1	-105.2	-110.1	-105.2	-417.4
Advertising & Promotion expenses (A&P)		-31.1	-25.8	-31.1	-25.8	-122.7
Other operating expenses		-76.0	-72.7	-76.0	-72.7	-269.0
Share of profit from AC ¹⁾ and JCE ²⁾		-1.9	0.1	-1.9	0.1	3.3
Other income and expenses	3	-5.2	-0.2	-5.2	-0.2	-13.2
EBITDA		16.9	21.1	16.9	21.1	347.6
Depreciation	5,6	-10.4	-11.6	-10.4	-11.6	-44.2
Amortisations	5,6	-1.9	-1.8	-1.9	-1.8	-7.4
Write downs		0.0	0.0	0.0	0.0	-22.7
Operating profit (EBIT)		4.5	7.7	4.5	7.7	273.3
Financial income	12	2.1	1.4	2.1	1.4	25.9
Financial expenses	7,10,12	-12.5	-10.6	-12.5	-10.6	-40.4
Pre-tax profit		-5.8	-1.4	-5.8	-1.4	258.7
Tax		-0.5	-0.1	-0.5	-0.1	-70.5
Profit/loss for the year		-6.2	-1.6	-6.2	-1.6	188.2
Profit/loss for the year attributable to parent company shareholders		-7.1	-2.5	-7.1	-2.5	181.3
Profit/loss for the year attributable to non-controlling interests		0.9	0.9	0.9	0.9	6.9
Earnings per share, continued operations		-0.13	-0.04	-0.13	-0.04	2.66
Diluted earnings per share, continued operations		-0.13	-0.04	-0.13	-0.04	2.62

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK	Note	First quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Profit/loss for the year		-6.2	-1.6	-6.2	-1.6	188.2
Items that will not be reclassified against the statement of income						
Change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	4.4
Tax on change in actuarial gains and losses pensions		0.0	0.0	0.0	0.0	-1.1
Total items that will not be reclassified against the statement of income		0.0	0.0	0.0	0.0	3.4
Items that may be reclassified against the statement of income						
Translating differences in translation of foreign subsidiaries		-22.0	6.9	-22.0	6.9	73.2
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0	0.0
Total items that may be reclassified against the statement of income		-22.0	6.9	-22.0	6.9	73.2
Total other comprehensive income		-22.0	6.9	-22.0	6.9	76.6
Total comprehensive income for the year		-28.2	5.4	-28.2	5.4	264.8
Total comprehensive income for the year attributable to parent company shareholders		-28.1	4.3	-28.1	4.3	256.7
Total comprehensive income for the year attributable to non-controlling interests		-0.1	1.1	-0.1	1.1	8.1

CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Year to date		Year end
		2018	2017	2017
Intangible assets	6	1 858.2	1 734.0	1 891.4
Tangible assets	5	327.0	343.9	329.8
Deferred tax asset		140.9	177.2	136.8
Financial assets		56.9	49.5	60.1
Total fixed assets		2 383.0	2 304.6	2 418.1
Inventories		447.9	413.7	410.8
Accounts receivables and other receivables		1 130.3	944.3	1 519.1
Cash and cash equivalents		175.6	126.0	184.4
Total current assets		1 753.7	1 484.1	2 114.2
Total assets		4 136.7	3 788.6	4 532.4
Paid-in equity		772.1	772.1	772.1
Retained earnings		852.6	720.2	878.5
Non-controlling interests		17.8	13.3	18.8
Total equity		1 642.5	1 505.6	1 669.4
Non-current liabilities to financial institutions	8	697.8	712.4	742.8
Non-current finance lease liabilities	8	167.4	178.9	166.4
Pension obligations		30.4	34.2	30.6
Deferred tax liability		98.7	93.4	101.0
Other non-current provisions		0.3	0.6	0.3
Total non-current liabilities		994.7	1 019.4	1 041.1
Bank Overdraft	8	141.6	51.8	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	-0.1	2.1
Accounts payable and other payables		1 345.9	1 181.5	1 729.6
Total current liabilities		1 499.5	1 263.6	1 821.8
Total equity and liabilities		4 136.7	3 788.6	4 532.4

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		31.03.2018			31.03.2017		
		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		1 650.6	18.8	1 669.4	1 488.7	13.9	1 502.6
Total comprehensive income for the period		-28.1	-0.1	-28.2	4.3	1.1	5.4
Dividends		0.0	-0.9	-0.9	0.0	-1.4	-1.4
Sharebased payments	10,11	2.2	0.0	2.2	1.8	0.0	1.8
Change in non-controlling interest		0.0	0.0	0.0	-2.5	-0.3	-2.7
Equity at the end of period		1 624.7	17.8	1 642.5	1 492.3	13.3	1 505.6

CONDENSED STATEMENT OF CASHFLOW

MNOK	Note	First quarter		Year to date		Year end
		2018	2017	2018	2017	2017
Pre-tax profit		-5,8	-1,4	-5,8	-1,4	258,8
Depreciation and amortisations	5,6	12,3	13,4	12,3	13,4	74,3
Net interest in period		7,6	7,4	7,6	7,4	31,5
Other items without cash effect		-2,8	6,1	-2,8	6,1	12,1
Change in inventories		-37,1	-35,0	-37,1	-35,0	-31,8
Change in receivables		391,7	533,5	391,7	533,5	-50,0
Change in payables		-384,2	-609,3	-384,2	-609,3	-61,6
Cash flow from operating activities before tax		-18,3	-85,4	-18,3	-85,4	233,2
Tax paid		-10,5	-12,7	-10,5	-12,7	-33,2
Cash flow from operating activities		-28,9	-98,1	-28,9	-98,1	199,9
Payments on acquisition of tangible & intangible fixed assets	5,6	-6,5	-2,7	-6,5	-2,7	-22,2
Payments on acquisition of Brands	6	0,0	-4,0	0,0	-4,0	-118,6
Payments on acquisition of operations		0,0	1,2	0,0	1,2	-2,8
Other investments		0,0	0,0	0,0	0,0	-0,4
Cash flows from investment activities		-6,6	-5,5	-6,6	-5,5	-144,0
Repayment debt to financial institutions	8	-4,3	-4,1	-4,3	-4,1	-15,7
Change other long term loans		0,0	0,0	0,0	0,0	0,1
Interest paid in period		-7,6	-7,4	-7,6	-7,4	-31,5
Paid dividend and Group contributions		-0,9	-1,4	-0,9	-1,4	-103,5
Other financing payments		-0,2	-13,2	-0,2	-13,2	-12,9
Cash flow from financing activities		-13,0	-26,1	-13,0	-26,1	-163,5
Total cash flow		-48,4	-129,6	-48,4	-129,6	-107,6
Holdings of cash and cash equivalents at the beginning of period		111,7	199,4	111,7	199,4	199,4
Effect of exchange rate changes on cash and cash equivalents		-29,3	4,5	-29,3	4,5	19,9
Holdings of cash and cash equivalents at the end of period		34,0	74,2	34,0	74,2	111,7
Specification of cash and cash equivalents at the end of the period						
Cash and cash equivalents at the end of the period		175,6	126,0	175,6	126,0	184,4
Overdraft cashpool system at the end of the period		-141,6	-51,8	-141,6	-51,8	-72,7
Holdings of cash and cash equivalents at the end of period		34,0	74,2	34,0	74,2	111,7

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 31.12.2017.

The Board approved the consolidated financial statement for the year 2017 on March 15th 2018.

The accounting principles used in the Group's interim reporting are consistent with the principles presented in the approved financial statement for 2017, except for the adoption of new standards effective as of 1 January 2018. The Group has not early adopted any other standard that has been issued but is not yet effective.

New accounting standards

IFRS 15 Revenue recognition

The Group applies from 2018 for the first time, IFRS 15 Revenue from contracts with customers. The nature and effect of these changes are disclosed in note 2 Revenues.

IFRS 16 Leases

IFRS 16 Leases will replace the existing IFRS standards for leases from 1.1.2019. The accounting effects for the Group will be rather significant. Further information on how the new standard will effect the Group is presented under the chapter accounting policies in the Group's annual statement for 2017.

As of 31.03.2018, 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
		2018	2017	2017
EUR average rate	Income statement items	9.6357	8.9855	9.3326
EUR closing rate	Balance sheet items	9.6049	9.1668	9.8510
SEK average rate	Income statement items	0.9672	0.9452	0.9684
SEK closing rate	Balance sheet items	0.9384	0.9601	0.9992
DKK average rate	Income statement items	1.2940	1.2085	1.2546
DKK closing rate	Balance sheet items	1.2892	1.2324	1.3231

NOTE 2 REVENUES

New accounting standard – IFRS 15 Revenue from contracts with customers

The new standard have been implemented as of January 1 2018 and establishes a five-step model to account for revenue arising from contracts with customers. As mentioned in the Annual Report, the Group's IFRS 15 analysis did not reveal significant changes from existing principles, hence there are no material effects of implementing the new standard as of January 1 2018.

A codensed presentation of the new accounting principles for IFRS 15 are presented in the following.

Performance obligations and timing;

The Group's contracts with customers for the sale of wine and spirits and distribution services include one performance obligation, and the revenue are recognised at the point in time when control of the products are transferred to the customer, generally on delivery of the products.

Variable and fixed considerations;

Some contracts include variable and fixed considerations like discounts, bonuses or other promotional allowances to customers. Such variable considerations are based on actual sales and expected discounts, and are accounted for in the same period where the sales actually happened.

Presentation;

Until 2017, the Group has accounted for outgoing freight costs as reduced revenues. The new IFRS 15 concludes that the accounting of outgoing freight costs as reduced revenues or as a cost should be based on a consideration if the wine or spirits companies in practice are principals or agents regarding freightservices. The Group's considerations on this matter concluded that the wine and spirits companies are principals, as most contracts with customers include delivery on the customer's warehouse. Based on this, the Group has changed its accounting principle from 2018 regarding outgoing freight, from being accounted for as reduced revenues to being accounted for as cost of sales. The Gross Profit will be unchanged from this change of accounting principle, but revenues are increased with a corresponding increase in cost of sales.

NOTE; The changes of accounting principle from IFRS 15 has only been made at Group level. The segment reporting is still showing freight costs as reduced revenues, which corresponds with the Group's internal reporting.

The Group adopted IFRS 15 using the modified retrospective method of adoption. Below is a reconciliation which show the changes in Q1 2018;

Group		First quarter		
MNOK		IFRS 15 (new standard)	IAS 18 (Old standard)	Change
Total operating revenues				
Total operating revenue		556.9	548.1	8.8
Cost of goods		-315.7	-306.9	-8.8
Gross Profit		241.2	241.2	0.0
Gross margin		43.3 %	44.0 %	-0.7 %

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

Group		First quarter		Year to date		Year end
MNOK		2018	2017	2018	2017	2017
Total operating revenues						
Norway		219.5	193.2	219.5	193.2	1 020.6
Sweden		236.1	202.7	236.1	202.7	1 019.5
Denmark		31.4	29.2	31.4	29.2	146.1
Finland		44.5	41.8	44.5	41.8	226.0
Germany		3.2	5.1	3.2	5.1	61.4
USA		2.7	1.5	2.7	1.5	3.8
DFTR		18.7	18.7	18.7	18.7	94.9
Other		0.8	1.2	0.8	1.2	2.7
Total operating revenues		556.9	493.5	556.9	493.5	2 575.1

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

Spirits

MNOK	First quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	89.2	84.2	89.2	84.2	442.9
Sweden	28.5	25.0	28.5	25.0	131.9
Denmark	30.9	29.2	30.9	29.2	146.1
Finland	6.3	6.2	6.3	6.2	33.0
Germany	3.2	5.1	3.2	5.1	61.4
USA	2.7	1.5	2.7	1.5	3.8
DFTR	17.2	18.1	17.2	18.1	91.4
Other	0.8	1.2	0.8	1.2	2.7
Total operating revenues	178.7	170.4	178.7	170.4	913.3

Wine

MNOK	First quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	104.1	90.6	104.1	90.6	448.8
Sweden	200.9	178.2	200.9	178.2	895.6
Finland	37.3	35.7	37.3	35.7	193.0
DFTR	1.5	0.7	1.5	0.7	3.5
Other	0.0	0.0	0.0	0.0	0.0
Total operating revenues	343.9	305.1	343.9	305.1	1 540.9

Distribution

MNOK	First quarter		Year to date		Year end
Total operating revenues	2018	2017	2018	2017	2017
Norway	65.5	58.7	65.5	58.7	284.4
Total operating revenues	65.5	58.7	65.5	58.7	284.4

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 Q1 are related to termination payment agreements, and the share matching incentive program.

Group

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Other income and expenses					
Salary & personnel cost	-5.2	1.1	-5.2	1.1	-4.9
Other operating expenses	0.0	-1.3	0.0	-1.3	-8.2
Other income and expenses	-5.2	-0.2	-5.2	-0.2	-13.2

Spirits

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Other income and expenses					
Salary & personnel cost	-0.3	0.0	-0.3	0.0	-1.1
Other operating expenses	0.0	-0.3	0.0	-0.3	-6.1
Other income and expenses	-0.3	-0.3	-0.3	-0.3	-7.1

Wine

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Other income and expenses					
Salary & personnel cost	-4.4	0.0	-4.4	0.0	-5.2
Other income and expenses	-4.4	0.0	-4.4	0.0	-5.2

Distribution

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Other income and expenses					
Salary & personnel cost	-0.1	0.0	-0.1	0.0	-0.6
Other income and expenses	-0.1	0.0	-0.1	0.0	-0.6

Other

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Other income and expenses					
Salary & personnel cost	-0.5	1.1	-0.5	1.1	2.0
Other operating expenses	0.0	-1.0	0.0	-1.0	-2.2
Other income and expenses	-0.5	0.1	-0.5	0.1	-0.2

NOTE 4 SEGMENT INFORMATION

MNOK	First quarter		Year to date		Year end
External sales	2018	2017	2018	2017	2017
Spirits	142.5	132.4	142.5	132.4	767.6
Wine	339.2	301.5	339.2	301.5	1 521.5
Distribution	55.3	49.0	55.3	49.0	241.0
Other	8.8	0.0	8.8	0.0	0.0
Total external sales	545.8	482.9	545.8	482.9	2 530.1

MNOK	First quarter		Year to date		Year end
Sales between segments	2018	2017	2018	2017	2017
Spirits	-1.0	-0.8	-1.0	-0.8	-4.2
Wine	0.6	0.0	0.6	0.0	1.2
Distribution	2.6	2.3	2.6	2.3	10.3
Other	0.0	0.0	0.0	0.0	0.0
Eliminations	-2.2	-1.5	-2.2	-1.5	-7.3
Total sales revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	First quarter		Year to date		Year end
External other revenue	2018	2017	2018	2017	2017
Spirits	1.6	1.7	1.6	1.7	6.7
Wine	4.1	3.6	4.1	3.6	15.1
Distribution	5.3	5.3	5.3	5.3	22.7
Other	0.1	0.0	0.1	0.0	0.5
Total external other revenue	11.1	10.6	11.1	10.6	44.9

MNOK	First quarter		Year to date		Year end
Other revenue between segments	2018	2017	2018	2017	2017
Spirits	35.7	37.1	35.7	37.1	143.2
Wine	0.0	0.0	0.0	0.0	3.1
Distribution	2.3	2.1	2.3	2.1	10.3
Other	43.8	43.5	43.5	43.4	173.6
Eliminations	-81.7	-82.7	-81.4	-82.6	-330.2
Total other revenue between segments	0.0	0.0	0.0	0.0	0.0

MNOK	First quarter		Year to date		Year end
EBITDA	2018	2017	2018	2017	2017
Spirits	11.2	16.1	11.2	16.1	175.6
Wine	21.3	22.2	21.3	22.2	186.5
Distribution	-4.3	-4.5	-4.3	-4.5	13.5
Other	-11.4	-12.7	-11.4	-12.7	-28.0
Eliminations	0.0	0.0	0.0	0.0	0.0
Total EBITDA	16.9	21.1	16.9	21.1	347.6

MNOK	First quarter		Year to date		Year end
EBIT	2018	2017	2018	2017	2017
Spirits	5.1	9.9	5.1	9.9	151.5
Wine	20.7	21.9	20.7	21.9	184.7
Distribution	-7.1	-7.9	-7.1	-7.9	0.7
Other	-12.9	-14.9	-12.9	-14.9	-35.7
Eliminations	-1.3	-1.3	-1.3	-1.3	-27.9
Total EBIT	4.5	7.7	4.5	7.7	273.3

MNOK	First quarter		Year to date		Year end
Total profit for the year	2018	2017	2018	2017	2017
Spirits	-27.1	15.4	-27.1	15.4	196.7
Wine	15.8	12.5	15.8	12.5	124.1
Distribution	-5.5	-6.8	-5.5	-6.8	-2.4
Other	-9.6	-14.5	-9.6	-14.5	-34.6
Eliminations	-1.9	-1.3	-1.9	-1.3	-19.0
Total profit for the year	-28.2	5.4	-28.2	5.4	264.8

NOTE 5 FIXED ASSETS

MNOK	First quarter		Year to date		Year end
Fixed Assets	2018	2017	2018	2017	2017
Purchase cost at beginning of period	643.7	628.8	643.7	628.8	628.8
Additions tangible fixed assets	5.9	2.6	5.9	2.6	16.0
Transferred from assets under construction	-0.1	-0.3	-0.1	-0.3	-1.8
Purchase price, disposed assets	-0.7	0.0	-0.7	0.0	0.0
Translation differences	-0.8	0.1	-0.8	0.1	0.7
Purchase cost at end of period	648.1	631.2	648.1	631.2	643.7
Accumulated depreciation at beginning of period	-313.8	-278.5	-313.8	-278.5	-278.5
Accumulated depreciation, disposed assets	0.7	0.0	0.7	0.0	0.0
Ordinary depreciation in period	-8.6	-8.7	-8.6	-8.7	-34.7
Translation differences	0.7	-0.1	0.7	-0.1	-0.6
Accumulated depreciation at end of period	-321.0	-287.3	-321.0	-287.3	-313.8
Book Value at end of period	327.0	343.9	327.0	343.9	329.8

Specification of fixed assets

MNOK	First quarter		Year to date		Year end
Fixed Assets	2018	2017	2018	2017	2017
Machinery and equipment	297.3	319.2	297.3	319.2	304.5
Fixtures and fittings, tools, office equipment etc.	19.1	20.3	19.1	20.3	19.6
Assets under construction	10.7	4.4	10.7	4.4	5.7
Book Value at end of period	327.0	343.9	327.0	343.9	329.8

NOTE 6 INTANGIBLE ASSETS

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Intangible assets					
Purchase cost at beginning of period	2 066.4	1 845.2	2 066.4	1 845.2	1 845.2
Addition of intangible assets	0.7	4.1	0.7	4.1	124.8
Acquisition of business	0.0	15.9	0.0	15.9	20.8
Transferred from assets under construction	0.1	0.3	0.1	0.3	1.8
Translation differences	-30.3	8.2	-30.3	8.2	73.8
Purchase cost at end of period	2 036.8	1 873.7	2 036.8	1 873.7	2 066.4
Acc. depreciation and amortizations at beginning of period	-175.0	-135.2	-175.0	-135.2	-135.2
Depreciation in period	-1.8	-2.8	-1.8	-2.8	-9.6
Amortisations in period	-1.9	-1.8	-1.9	-1.8	-7.4
Write downs in period	0.0	0.0	0.0	0.0	-22.7
Translation differences	0.1	0.0	0.1	0.0	-0.1
Acc. depreciation and amortizations at end of period	-178.6	-139.8	-178.6	-139.8	-175.0
Book Value at end of period	1 858.2	1 734.0	1 858.2	1 734.0	1 891.4

Specification of intangible assets

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Intangible assets					
Goodwill	1 024.6	1 030.7	1 024.6	1 030.7	1 042.6
Brands	805.8	675.0	805.8	675.0	819.7
Software	27.8	28.2	27.8	28.2	29.1
Book Value at end of period	1 858.2	1 734.0	1 858.2	1 734.0	1 891.4

NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Liabilities at fair value through profit and loss					
Book value at beginning of period	0.0	24.1	0.0	24.1	24.1
Paid during period	0.0	-10.5	0.0	-10.5	-10.5
Changes in value during period	0.0	0.1	0.0	0.1	-13.7
Interest during period	0.0	0.0	0.0	0.0	0.0
Book value at end of period	0.0	13.8	0.0	13.8	0.0
<i>From this;</i>					
Current liability	0.0	13.8	0.0	13.8	0.0
Non-current liability	0.0	0.0	0.0	0.0	0.0
Total liabilities through profit and loss	0.0	13.8	0.0	13.8	0.0

Payment in Q1 2017 represents the acquisition of the remaining minority shares of the wine-subsiary, Excellars AS.

NOTE 8 DEBT TO FINANCIAL INSTITUTIONS**Liabilities to financial institutions, including financial leasing**

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Debt to financial institutions					
Debt at beginning of period	933.2	910.8	933.2	910.8	910.8
Repayments in period	-4.3	-4.1	-4.3	-4.1	-15.7
Translation differences	-45.6	8.7	-45.6	8.7	38.1
Debt to financial institutions at end of period	883.3	915.4	883.3	915.4	933.2
Capitalized borrowing costs at beginning of period	-6.5	-8.0	-6.5	-8.0	-8.0
Amortized borrowing costs during period	0.4	0.4	0.4	0.4	1.7
Translation differences	0.2	0.0	0.2	0.0	-0.2
Capitalized borrowing costs at end of period	-5.9	-7.6	-5.9	-7.6	-6.5
Book value debt to financial institutions at end of period	877.3	907.8	877.3	907.8	926.6

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

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Liabilities to financial institutions					
Current portion of non-current loans	0.0	0.0	0.0	0.0	0.0
Current portion of non-current financial leasing	12.0	16.5	12.0	16.5	17.4
Bank overdraft	141.6	51.8	141.6	51.8	72.7
Current liabilities to financial institutions at end of period	153.6	68.3	153.6	68.3	90.1

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:

MNOK	First quarter		Year to date		Year end
Purchase of goods and services	2018	2017	2018	2017	2017
Tiffon SA	9.9	9.7	9.9	9.7	52.7
Hoff SA	6.2	6.3	6.2	6.3	22.4
Gjelleråsen Eiendom AS ¹⁾	0.0	19.8	0.0	19.8	79.2
Destillerveien 11 AS ¹⁾	20.0	0.0	20.0	0.0	0.0
Total purchase transactions	36.1	35.8	36.1	35.8	154.3

MNOK	First quarter		Year to date		Year end
Sale of goods and services	2018	2017	2018	2017	2017
Tiffon SA	0.4	2.0	0.4	2.0	3.7
Total sale transactions	0.4	2.0	0.4	2.0	3.7

Receivables and debt at end of period

MNOK	Year to date		Year end
Short term receivables from related parties	2018	2017	2017
Tiffon SA	0.4	1.6	0.2
Total short term receivables from related parties	0.4	1.6	0.2

MNOK	Year to date		Year end
Short term debt to related parties	2018	2017	2017
Tiffon SA	6.1	2.3	10.8
Hoff SA	2.2	6.5	1.1
Total short term debt to related parties	8.3	8.8	12.0

¹⁾ The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destillerveien 11 AS as of January 1st 2018. Both companies are as of Q1 2018 controlled by Canica AS. During Q2 2018, the property was sold from Canica AS to Storebrand, and the rent for the property will from this time not be a related party transaction.

NOTE 10 FINANCIAL INSTRUMENTS

Categorisations of financial assets and liabilities

MNOK	Financial instruments at fair value through profit and loss	Loans and receivables	Assets available for sale	Financial liabilities	Total book value at end of period
Assets					
Other investments in shares	0.0	0.0	0.2	0.0	0.2
Other long term receivables	0.0	1.2	0.0	0.0	1.2
Accounts receivables	0.0	1 041.0	0.0	0.0	1 041.0
Other receivables	0.0	74.2	0.0	0.0	74.2
Cash and cash equivalents	0.0	175.6	0.0	0.0	175.6
Total financial assets as of first quarter 2018	0.0	1 292.0	0.2	0.0	1 292.2
Total financial assets as of first quarter 2017	0.0	1 049.1	0.2	0.0	1 049.3
Liabilities					
Liabilities to financial institutions	0.0	0.0	0.0	877.3	877.3
Liabilities at fair value through profit and loss	0.0	0.0	0.0	0.0	0.0
Other non-current term debt	0.0	0.0	0.0	0.0	0.0
Accounts payable	0.0	0.0	0.0	463.1	463.1
Other current debt	0.2	0.0	0.0	16.9	17.1
Total financial liabilities as of first quarter 2018	0.2	0.0	0.0	1 357.3	1 357.5
Total financial liabilities as of first quarter 2017	14.8	0.0	0.0	1 290.0	1 304.8

Fair value hierarchy**Assets**

MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.0	0.0	0.0	0.0
Total financial assets	0.0	0.0	0.0	0.0

Liabilities

MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.2	0.0	0.0	0.2
Total financial liabilities	0.2	0.0	0.0	0.2

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

Changes financial liabilities, level 3

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Financial liabilities, level 3, at beginning of period	0.0	24.1	0.0	24.1	24.1
Fair value at the first time of recognition	0.0	0.0	0.0	0.0	0.0
Paid during the period	0.0	-10.5	0.0	-10.5	-10.5
Changes in value during the period	0.0	0.1	0.0	0.1	-13.7
Interest during period	0.0	0.0	0.0	0.0	0.0
Financial liabilities, level 3 at end of period	0.0	13.8	0.0	13.8	0.0

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

- Options for the purchase of non-controlling interests in Excellars AS (9.9%).
- Issuance of synthetic options in the share program for selected former and current executives in the Group.

Options for the purchase of non-controlling interests:

The liabilities related to options for the purchase of non-controlling interests is estimated on the basis of pricing mechanisms that underlie the purchase agreement and shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms share value development measured by EBIT (earnings) until the estimated due date, multiplied by a multiple based on the Groups earnings in total. As a basis for EBIT, the Group's budgets and long term plans towards expected maturity date is used.

During Q1 2017, the Group purchased the remaining 9.9% of the shares in subsidiary Excellars AS, increasing shareholding from 90.1% to 100.0%. The balance sheet contains no remaining liability.

Synthetic shares and options in the share program:

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

In relation to Arcus ASA's introduction on the Oslo Stock Exchange during Q4 2016, most of the commitments regarding the synthetic option program was settled. The synthetic options were valued to zero as of 31.12.2017, which resulted in 13.8 MNOK positive value change during Q1 2018.

NOTE 11 OPTIONS

There has been no change in the number of options granted during Q1 2018. The General meeting in April 2018 decided a new grant of options, which will show in the Q2 report. The table below show the granted options from 2017, which were given to the Group Executive Management and a few other key employees.

As of end of Q1 2018, the Group Executive Management holds 915.747 options. The granted options, has a strike price of NOK 51.38. The share options has a vesting period of three years and the options can be exercised during the next two years. The options will expire after five years.

Changes in outstanding options are shown in the table below;

Number of options	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Change in number of options:					
Outstanding options beginning of period	1 229 304	0	1 229 304	0	0
Issued during period	0	0	0	0	1 407 368
Exercised during the period	0	0	0	0	0
Forfeited during the period	0	0	0	0	-178 064
Outstanding options end of period	1 229 304	0	1 229 304	0	1 229 304

Option calculation assumptions:

	# 2017
Grant date	May 4th 2017
Total outstanding options at end of period:	1 229 304
Vesting period	May 2017-May 2020
Redemption period	May 2020-May 2022
Share price on the allocation date	NOK 47.90
Share price on the balance sheet date	NOK 44.00
Redemption price - minimum	NOK 51.53
Redemption price - maximum	NOK 143.70
Risk-free interest rate	% 1.1 %
Volatility	% 25.0 %
Expected dividend	% 3.1 %

NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Interest income	2.1	1.4	2.1	1.4	6.7
Other financial income	0.0	0.0	0.0	0.0	19.2
Total financial income	2.1	1.4	2.1	1.4	25.9
Interest cost	-7.6	-7.4	-7.6	-7.4	-31.5
Other financial expenses	-4.9	-3.2	-4.9	-3.2	-9.0
Total financial expenses	-12.5	-10.6	-12.5	-10.6	-40.4
Net financial profit/loss	-10.3	-9.2	-10.3	-9.2	-14.6

Other financial expenses during Q1 is mainly consisting of amortized borrowing costs and agio effects.

NOTE 13 OTHER EVENTS**Events after the close of Q1 2018**

No significant other events have occurred between the close of quarter and the date on which Arcus's interim financial statements for Q1 2018 were approved. This applies to events that would have provided knowledge of factors present at the close of Q1 2018, or events concerning matters that have arisen since the close of Q1 2018.

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	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	556.9	493.5	556.9	493.5	2 575.1
Cost of goods	-315.7	-268.6	-315.7	-268.6	-1 408.5
Gross Profit	241.2	224.9	241.2	224.9	1 166.5

Spirits

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	178.7	170.4	178.7	170.4	913.3
Cost of goods	-81.5	-74.2	-81.5	-74.2	-404.9
Gross Profit	97.3	96.2	97.3	96.2	508.4

Wine

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	343.9	305.1	343.9	305.1	1 540.9
Cost of goods	-263.1	-232.7	-263.1	-232.7	-1 154.4
Gross Profit	80.8	72.4	80.8	72.4	386.5

Distribution

MNOK	First quarter		Year to date		Year end
	2018	2017	2018	2017	2017
Total operating revenues	65.5	58.7	65.5	58.7	284.4
Cost of goods	0.0	0.0	0.0	0.0	0.0
Gross Profit	65.5	58.7	65.5	58.7	284.4

Other income and expenses

To provide more information in the Group's consolidated income statement, significant positive and negative non-recurring items and restructuring costs are separated out to a separate line in the statement of income called other income and expenses. Other income and expenses are presented net on this income statement line. See also detailed specifications of what these items include in note 2 relating to the individual line items.

EBITDA and EBITDA Adjusted

EBITDA is defined by Arcus ASA as operating profit before depreciation, write down and amortisation.

EBITDA adjusted is defined by Arcus ASA as operating profit before depreciation, amortisation and other income and expenses.

$EBITDA\text{-margin} = EBITDA / \text{Total operating revenue}$

$EBITDA\text{-margin adjusted} = EBITDA\text{ adjusted} / \text{Total operating revenue}$

Below is a reconciliation from EBIT to EBITDA adjusted:

Group

MNOK	First quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	4.5	7.7	4.5	7.7	273.3
Depreciation, amortisations and write downs	12.3	13.4	12.3	13.4	74.3
EBITDA	16.9	21.1	16.9	21.1	347.6
Other income and expenses	5.2	0.2	5.2	0.2	13.2
EBITDA adjusted	22.1	21.3	22.1	21.3	360.8

Spirits

MNOK	First quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	5.1	9.9	5.1	9.9	151.5
Depreciation, amortisations and write downs	6.1	6.2	6.1	6.2	24.1
EBITDA	11.2	16.1	11.2	16.1	175.6
Other income and expenses	0.3	0.3	0.3	0.3	7.1
EBITDA adjusted	11.5	16.3	11.5	16.3	182.8

Wine

MNOK	First quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	20.7	21.9	20.7	21.9	184.7
Depreciation, amortisations and write downs	0.6	0.4	0.6	0.4	1.8
EBITDA	21.3	22.2	21.3	22.2	186.5
Other income and expenses	4.4	0.0	4.4	0.0	5.2
EBITDA adjusted	25.7	22.2	25.7	22.2	191.7

Distribution

MNOK	First quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	-7.1	-7.9	-7.1	-7.9	0.7
Depreciation, amortisations and write downs	2.8	3.4	2.8	3.4	12.8
EBITDA	-4.3	-4.5	-4.3	-4.5	13.5
Other income and expenses	0.1	0.0	0.1	0.0	0.6
EBITDA adjusted	-4.2	-4.5	-4.2	-4.5	14.1

Parent Company

MNOK	First quarter		Year to date		Year end
EBITDA adjusted	2018	2017	2018	2017	2017
EBIT	-12.9	-14.9	-12.9	-14.9	-35.7
Depreciation, amortisations and write downs	1.5	2.1	1.5	2.1	7.7
EBITDA	-11.4	-12.7	-11.4	-12.7	-28.0
Other income and expenses	0.5	-0.1	0.5	-0.1	0.2
EBITDA adjusted	-10.9	-12.9	-10.9	-12.9	-27.8

Other definitions alternative performance measures shown in key figures table:**Equity ratio**

Equity ratio = Total equity/Total equity and liabilities

Net interest bearing debt

Net interest bearing debt = Liabilities to financial institutions + finance lease liabilities + bank overdraft - Cash and cash equivalents:

MNOK	Year to date		Year end
Net interest bearing debt	2018	2017	2017
Non-current liabilities to financial institutions	697.8	712.4	742.8
Book value of Capitalized arrangement fees	5.9	7.6	6.5
Non-current finance lease liabilities	167.4	178.9	166.4
Bank Overdraft	141.6	51.8	72.7
Current finance lease liabilities	12.0	16.5	17.4
Cash and cash equivalents	-175.6	-126.0	-184.4
Net interest bearing debt	849.3	841.2	821.4

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	First quarter		Year to date	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	556.9	493.5	556.9	493.5
Currency effects	0.0	10.4	0.0	10.4
Structural changes	-14.4	0.0	-14.4	0.0
Baseline organic growth	542.5	503.9	542.5	503.9

Spirits

MNOK	First quarter		Year to date	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	178.7	170.4	178.7	170.4
Currency effects	0.0	3.7	0.0	3.7
Structural changes	-6.6	0.0	-6.6	0.0
Baseline organic growth	172.1	174.1	172.1	174.1

Wine

MNOK	First quarter		Year to date	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	343.9	305.1	343.9	305.1
Currency effects	0.0	6.7	0.0	6.7
Structural changes ¹⁾	1.1	0.0	1.1	0.0
Baseline organic growth	345.0	311.8	345.0	311.8

Distribution

MNOK	First quarter		Year to date	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	65.5	58.7	65.5	58.7
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	65.5	58.7	65.5	58.7

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ANNUAL REPORT

[Annual report 2017](#)

LINKEDIN

Arcus ASA

FACEBOOK:

ArcusGruppen

THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
EVEN BETTER.

The Arcus logo features the word "Arcus" in a white, elegant serif font. A white, curved line arches over the letters, starting above the 'A' and ending above the 's', creating a distinctive graphic element.