



Quarterly Report

Q4 2018



THINK BEFORE
YOU DRINK. MAKE
GREAT MOMENTS
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Message from the CEO

Arcus strengthened its market positions in two out of three business segments in Q4. The strong organic growth continued for Wine and Distribution. Weak Spirits sales towards the end of Q4 pulled our overall results below our targets.

Wine

The positive sales trend continued in Q4. Market shares increased in Sweden and in Norway, driven by strengthened portfolios within the growing categories of white wine, sparkling and rosé. Tender wins throughout 2018 and redesign of best-sellers strengthened sales and increased market shares in both markets. Price increases effected on Sep 1 improved gross margins vs. previous quarters, partly compensating for the weak SEK/EUR. Wine carry a positive momentum going into 2019.

Spirits

In Norway and Sweden, sales in October and November were stable, but a weak end of December reduced revenues for the quarter. In Denmark, revenues were down compared to last year, in a weak aquavit market. Sales in Germany were down, mainly due to this year's Aldi Christmas campaign failing to fully match the success of 2017. Driven by the addition of the new Liviko agency portfolio, sales in Finland increased. Sales in Duty Free Travel Retail were stable. Gross margin was lower than Q4 last year, mainly due to unfavorable country and product mix. Effects from the newly won Proximo agency will come into effect from January 1st.

Distribution

The revenue growth for Distribution continued in Q4, driven by increased distribution volume and by higher income from other services. High operational costs reduced profitability, but several initiatives have been implemented to improve profitability and are expected to give effects going forward.



Kenneth Hamnes
Group CEO

Key figures Q4 2018

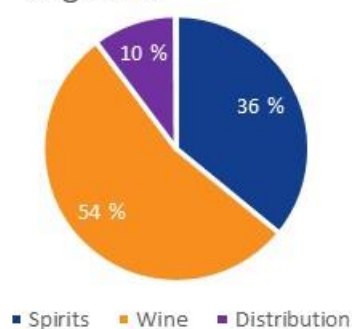
CONSOLIDATED GROUP FIGURES

MNOK	Fourth quarter		Full Year		Full Year
	2018	2017	2018	2017	2017
Total operating revenue	848.1	831.1	2 723.2	2 575.1	2 575.1
Gross profit ¹⁾	369.0	386.8	1 145.9	1 166.5	1 166.5
EBITDA ¹⁾	148.7	166.0	307.3	347.6	347.6
EBITDA adjusted ¹⁾	152.1	166.8	312.6	360.8	360.8
Pre-tax profit	130.7	139.7	221.2	258.7	258.7
Earnings per share, parentcompany shareholders (NOK)	1.39	1.40	2.33	2.66	2.66
Key figures					
Gross margin ¹⁾	43.5 %	46.5 %	42.1 %	45.3 %	45.3 %
EBITDA margin ¹⁾	17.5 %	20.0 %	11.3 %	13.5 %	13.5 %
EBITDA margin adjusted ¹⁾	17.9 %	20.1 %	11.5 %	14.0 %	14.0 %
Equity ratio ¹⁾	37.3 %	36.8 %	37.3 %	36.8 %	36.8 %
Financial position					
Total equity	1 654.0	1 669.4	1 654.0	1 669.4	1 669.4
Net interest bearing debt (cash) ¹⁾	615.1	821.4	615.1	821.4	821.4

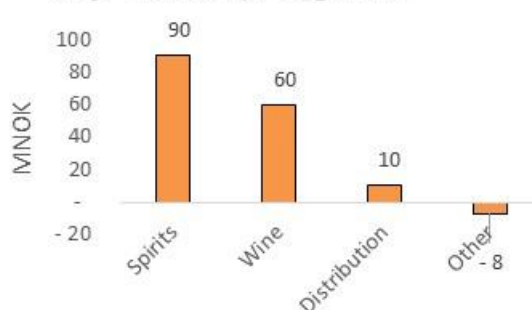
¹⁾ Alternative Performance Measure (APM) – see separate chapter for definition and reconciliation.



Operating revenue per segment¹



Adj. EBITDA pr segment^{1,2}



¹ Figures for Q4 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;

Highlights Q4 2018

OVERALL PERFORMANCE

- **Operating revenue** for Q4 2018 was 848.1 MNOK, compared to 831.1 MNOK in Q4 last year (+2.0 percent)¹. Operating revenue increased for the Wine and Distribution segments, but was slightly down for the Spirits segment. Organic growth for Q4 was 1.6 percent, with an estimated negative currency effect of ca 14 MNOK.
- **Adjusted EBITDA** for Q4 was 152.1 MNOK, compared to 166.8 MNOK Q4 last year (-8.8 percent). The lower margin was due to somewhat lower gross margins in Wine (currency effects not fully compensated by pricing, lower margins on new products), unfavourable country- and product-mix in Spirits, and higher costs in Distribution.

BUSINESS SEGMENTS

- **Wine** revenues amounted to 450.8 MNOK, compared to 440.9 MNOK in Q4 last year (+2.2 percent). Organic growth was 5.3 percent. Adjusted EBITDA margin was 13.3 percent for Q4 2018, compared to 14.4 percent in Q4 last year. Sales and market share increased due to an improved portfolio adjusted towards growing categories (light, white and rosé), as well as tender wins and successful redesign of the best-seller Falling Feather.
- **Spirits** revenues amounted to 337.7 MNOK, compared to 340.4 MNOK in Q4 last year (-0.8 percent). Organic revenue was down 5.6 percent². Adjusted EBITDA margin was 26.6 percent for Q4, compared to 29.7 percent in Q4 last year, as unfavourable country and product mix reduced margins.
- **Distribution** revenues amounted to 92.0 MNOK compared to 87.0 MNOK in Q4 last year (+5.8 percent). Adjusted EBITDA for Q4 2018 was 10.2 MNOK, compared to 11.0 MNOK in Q4 2017 (-7.2 percent). Higher personell and external distribution costs reduced the EBITDA-impact of the incremental revenues.

¹ The application of IFRS15 had a positive effect of 11.7 MNOK on reported revenue in the quarter (+1.4%); cf. Note 2

² Calculated on external spirits sales

Wine: Revenue growth, increased market shares

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenue	450.8	440.9	1 624.7	1 540.9
Gross profit ¹⁾	107.5	112.5	380.4	386.5
Gross margin ¹⁾	23.9 %	25.5 %	23.4 %	25.1 %
EBITDA ¹⁾	58.3	58.6	169.7	186.5
EBITDA adjusted ¹⁾	59.8	63.5	181.5	191.7
EBITDA margin ¹⁾	12.9 %	13.3 %	10.4 %	12.1 %
EBITDA margin adjusted ¹⁾	13.3 %	14.4 %	11.2 %	12.4 %

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

OPERATING REVENUE

Total operating revenue for Wine was 450.8 MNOK for the fourth quarter, compared to 440.9 MNOK in Q4 last year. Reported growth was 2.2 percent, while organic growth was 5.3 percent as weaker SEK vs. NOK reduced reported revenues.

In Sweden, Arcus' sales at Systembolaget increased more than the market growth of 7.7 percent, resulting in increased market shares. The continued growth is explained by a well-positioned portfolio within the growing categories of white wine, sparkling and rosé, together with new tender wins and increased sale of own brands.

In Norway, sales at Vinmonopolet grew by 5.0 percent. Arcus experienced strong growth for both own brands and agency wines, resulting in significantly increased market shares in the period. Arcus' sales were again driven by a strengthened portfolio adjusted towards growing categories, together with increased volume from new products and the redesign of former best-sellers.

In Finland, Alko experienced a 2.4 percent drop in sales. The negative development continues after the increase in alcohol taxes and change in alcohol legislation to allow the sale of products of up to 5.5 percent alcohol strength in regular retail stores. Arcus' sales to Alko in the period decreased more than the decline in overall sales of wine at Alko. Arcus' efforts to renew our portfolio in faster growing, more profitable segments did not yet fully

compensate for the decline in more mature segments.

Arcus' wine brands continued to grow across all markets, including the Duty Free Travel Retail channel.

EBITDA

The adjusted EBITDA-margin for Wine was 13.3 percent in the fourth quarter compared to 14.4 percent in the same period last year.

Continued renewal of the wine portfolio temporarily puts pressures on margins. Gross margins are typically lower during the introduction phase, but improve as volume increase, listings are secured and prices can be adjusted.

Indirect costs were stable compared to last year. Price adjustments from September 1 only partly compensated for a significantly stronger EUR vs. SEK in Sweden. Further price adjustments will be effective from 1st January in Norway and 1st March in Sweden. The gap against comparable exchange rates is reduced, and the negative FX-effect is lower than previous quarters.

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: Soft in core markets

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Sales	295.6	307.0	762.4	763.4
Other revenue	42.1	33.4	157.2	149.9
Total operating revenue	337.7	340.4	919.6	913.3
Gross profit ¹⁾	173.4	190.6	471.6	508.4
Gross margin ¹⁾	51.3 %	56.0 %	51.3 %	55.7 %
EBITDA ¹⁾	89.6	100.4	142.8	175.6
EBITDA adjusted ¹⁾	89.9	101.0	144.6	182.8
EBITDA margin ¹⁾	26.5 %	29.5 %	15.5 %	19.2 %
EBITDA margin adjusted ¹⁾	26.6 %	29.7 %	15.7 %	20.0 %

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

OPERATING REVENUE

Total operating revenue for Spirits fourth quarter 2018 was 337.7 MNOK, compared to 340.4 MNOK for the same period last year, a decrease of 0.8 percent. Organic growth was negative 5.6 percent¹⁾, with 6.9 MNOK of contribution from acquisitions in the period and a negative currency effect of 2.1 MNOK.

Sales in Norway and Sweden were almost flat thanks to gains from Hot n'Sweet (acquired January 2018) and Vanlig (acquired November 2017), while underlying organic sales development was negative. Total aquavit sales volumes at Vinmonopolet were down by 1 percent vs. last year. In addition, Arcus category shares also declined due to competitive pressure from increased number of local brands and continued price competition in the value segment. The decline in category shares were lower than in previous quarters.

Sales in Finland increased, driven partly by the portfolio of Liviko products, effective October 2018.

Revenues declined in Denmark, in a still weak aquavit market. Arcus' market shares were slightly down, while Arcus' market share in aquavit was flat. To address this, the 2019 plan focuses more on "consumer interaction" with sampling programs, recruitment activities and trade promotions.

Sales in Germany were down due to destocking, reorganized sales team at Arcus' German importer Eggers & Franke, and inefficient campaign execution.

Going into 2019, Arcus staff in Germany has been increased to ensure stronger local execution.

Underlying sales in Duty Free Travel Retail were flat. Sales to the US and other international markets increased.

EBITDA

The adjusted EBITDA margin for Spirits was 26.6 percent for Q4 2018, compared to 29.7 percent Q4 2017.

The most important reasons for the margin decline were negative country and product mix with weak aquavit sales in December. Spirits' bottling for the Wine segment is done at competitive prices, and Spirits margins were reduced due to low-margin wine bottling make up a larger share of the total bottling volume. A&P expenditure was lower than Q4 last year, and in line with last year for the full-year. Other indirect costs were unchanged.

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.

¹⁾ Calculated on external spirits sales

Distribution: Increased revenue

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenue	92.0	87.0	307.7	284.4
Gross profit ¹⁾	92.0	87.0	307.7	284.4
Gross margin ¹⁾	100.0 %	100.0 %	100.0 %	100.0 %
EBITDA ¹⁾	10.0	10.7	12.4	13.5
EBITDA adjusted ¹⁾	10.2	11.0	12.7	14.1
EBITDA margin ¹⁾	10.9 %	12.3 %	4.0 %	4.7 %
EBITDA margin adjusted ¹⁾	11.1 %	12.6 %	4.1 %	5.0 %

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

VOLUME

Distributed volume in the fourth quarter was 14.1 million liters, an increase of 0.6 million liters from the same quarter last year. This equals an increase of 4.3 percent, while Vinmonopolet's total volume in the fourth quarter was up 1.3 percent from last year. The volume growth was mainly driven by increased activity for existing customers, but also by increased sales to hotels and restaurants (horeca).

By the end of the fourth quarter, Distribution had a 50.0 percent share of volume delivered to Vinmonopolet, compared to 46.7 percent last year. Distributed volume in the horeca-channel had a growth of 7.7 percent compared to last year.

OPERATING REVENUE

Operating revenue increased by 5.8 percent to 92.0 MNOK in the quarter, compared to 87.0 MNOK in the same period last year. Approximately half of the increase is due to increased distributed volumes. The other half is related to higher income from pallet storage, subletting of office space and sales of other services.

EBITDA

Adjusted EBITDA in the fourth quarter was 10.2 MNOK, 0.8 MNOK lower than same quarter last year.

Limited inventory in Vinmonopolet's stores demands a high delivery frequency from distributors. Two fewer shipment days in December caused further strain on the value chain. Higher use of overtime and higher share of deliveries handled by external logistics partners to meet Vinmonopolet's service level requirements drove costs up. This more than offset the positive effects from the increased revenue.

Several initiatives (e.g. improved planning) have been implemented to increase productivity, ensure lower usage of temps/overtime and to maximize utilization of own distribution, but did not yet deliver results in Q4.

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 Q4 2018 was 294.3 MNOK, compared to 140.4 MNOK in Q4 2017 (+153.9 MNOK).

The higher cash flow (vs. the same period last year) was driven mainly by a larger reduction in net working capital during the quarter than last year, somewhat off-set by lower adjusted EBITDA.

A reduction in net working capital, as seen in 2018, is an expected seasonal effect for the quarter. Last year this effect was offset by an overdue receivable against Vinmonopolet paid on the first banking day in 2018, which inflated working capital at the end of 2017.

Net interest bearing debt was 615.1 MNOK, compared to 821.4 MNOK as at the end of Q4 2017. A lower opening cash position were more than compensated by the higher cash flow during the

quarter, which reduced net debt compared to last year. The long-term bank loan is SEK-denominated and the lower balance sheet SEK/NOK currency rate reduced the NOK-value of the loan, also contributing to reduced net interest bearing debt (cf. Note 8).

The Board proposes a dividend of 113 MNOK, equal to 1.66 NOK/share. This corresponds to around 69 percent of the profit/loss for the year, and is at the upper end of the 50-70 percent dividend target.

OTHER INFORMATION

SHARE PURCHASE PROGRAM

In connection with Arcus' share purchase program for employees, the company has since 27 August 2018 purchased 222,617 shares at an average price of NOK 42.66 per share. As pr 2 January, the company holds 195,873 shares to be distributed to employees.

Group consolidated accounts

The interim financial statement has not been audited.

CONDENSED STATEMENT OF INCOME

MNOK	Note	Fourth quarter		Full Year	
		2018	2017	2018	2017
Sales	2,9	832.8	820.0	2 672.6	2 530.1
Other revenue	2	15.3	11.1	50.6	44.9
Total operating revenue	2,9	848.1	831.1	2 723.2	2 575.1
Cost of goods		-479.1	-444.3	-1 577.3	-1 408.5
Gross Profit		369.0	386.8	1 145.9	1 166.5
Gain on sale of fixed assets		0.1	0.0	0.4	0.0
Salaries and personnel cost		-117.8	-117.3	-426.6	-417.4
Advertising & Promotion expenses (A&P)		-28.9	-35.1	-122.5	-122.7
Other operating expenses		-74.2	-71.0	-286.8	-269.0
Share of profit from AC ¹⁾ and JCE ²⁾		3.9	3.4	2.3	3.3
Other income and expenses	3	-3.5	-0.8	-5.3	-13.2
EBITDA		148.7	166.0	307.3	347.6
Depreciation	5,6	-10.7	-10.7	-42.3	-44.2
Amortisations	5,6	-1.9	-1.9	-7.7	-7.4
Impairment		0.0	-22.7	0.0	-22.7
Operating profit (EBIT)		136.0	130.7	257.3	273.3
Financial income	12	10.3	20.6	14.5	25.9
Financial expenses	7,10,12	-15.6	-11.6	-50.6	-40.4
Pre-tax profit		130.7	139.7	221.2	258.7
Tax		-33.8	-42.0	-56.8	-70.5
Profit/loss for the year		96.9	97.8	164.4	188.2
Profit/loss for the year attributable to parent company shareholders		94.7	95.3	158.5	181.3
Profit/loss for the year attributable to non-controlling interests		2.2	2.5	6.0	6.9
Earnings per share, continued operations		1.39	1.40	2.33	2.66
Diluted earnings per share, continued operations		1.34	1.37	2.25	2.62

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK	Note	Fourth quarter		Full Year	
		2018	2017	2018	2017
Profit/loss for the year		96.9	97.8	164.5	188.2
Items that will not be reclassified against the statement of income					
Change in actuarial gains and losses pensions		9.9	4.4	9.9	4.4
Tax on change in actuarial gains and losses pensions		-2.3	-1.1	-2.3	-1.1
Total items that will not be reclassified against the statement of income		7.6	3.4	7.6	3.4
Items that may be reclassified against the statement of income					
Translating differences in translation of foreign subsidiaries		43.1	49.4	7.0	73.2
Tax on translating differences in translation of foreign subsidiaries		0.0	0.0	0.0	0.0
Total items that may be reclassified against the statement of income		43.1	49.4	7.0	73.2
Total other comprehensive income		50.7	52.8	14.6	76.6
Total comprehensive income for the year		147.6	150.6	179.0	264.8
Total comprehensive income for the year attributable to parent company shareholders		144.5	147.5	173.8	256.7
Total comprehensive income for the year attributable to non-controlling interests		3.1	3.0	5.2	8.1

CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Full Year	
		2018	2017
Intangible assets	6	1 883.9	1 891.4
Tangible assets	5	315.8	329.8
Deferred tax asset		110.4	136.8
Financial assets		63.1	60.1
Total fixed assets		2 373.2	2 418.1
Inventories		441.1	410.8
Accounts receivables and other receivables		1 340.7	1 519.1
Cash and cash equivalents		282.6	184.4
Total current assets		2 064.4	2 114.2
Total assets		4 437.6	4 532.4
Paid-in equity		772.1	772.1
Retained earnings		879.0	878.5
Non-controlling interests		3.0	18.8
Total equity		1 654.0	1 669.4
Non-current liabilities to financial institutions	8	723.5	742.8
Non-current liabilities at fair value through profit or loss	7,10	74.2	0.0
Non-current finance lease liabilities	8	151.4	166.4
Pension obligations		21.1	30.6
Deferred tax liability		102.0	101.0
Other non-current liabilities		0.7	0.3
Total non-current liabilities		1 073.0	1 041.1
Bank Overdraft	8	0.0	72.7
Current finance lease liabilities	8	18.1	17.4
Tax payable		0.0	2.1
Accounts payable and other payables		1 692.5	1 729.6
Total current liabilities		1 710.6	1 821.8
Total equity and liabilities		4 437.6	4 532.4

CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		31.12.2018			31.12.2017		
Statement of changes in equity	Note	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
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		173.8	5.2	179.0	256.7	8.1	264.8
Dividends		-112.9	-5.8	-118.7	-100.0	-3.5	-103.5
Re-purchase of own shares		-8.3	0.0	-8.3	0.0	0.0	0.0
Sharebased payments	10,11	6.7	0.0	6.7	7.9	0.0	7.9
Change in non-controlling interest		-61.6	-12.6	-74.2	-2.7	0.3	-2.4
Transfer from minority to majority at end of period		2.8	-2.8	0.0	0.0	0.0	0.0
Equity at the end of period		1 651.0	3.0	1 654.0	1 650.6	18.8	1 669.4

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		Fourth quarter		Full Year	
	Note	2018	2017	2018	2017
Pre-tax profit		130.7	139.7	221.2	258.8
Depreciation and amortisations	5,6	12.7	35.3	50.0	74.3
Received dividend from associated companies		0.0	0.0	0.4	0.0
Net interest in period		11.2	9.5	37.4	31.5
Other items without cash effect		14.1	-5.5	10.9	12.1
Change in inventories		41.4	35.8	-30.4	-31.8
Change in receivables		-401.5	-615.6	182.4	-50.0
Change in payables		485.8	541.2	-37.4	-61.6
Cash flow from operating activities before tax		294.3	140.4	434.5	233.2
Tax paid		-10.9	-2.1	-40.0	-33.2
Cash flow from operating activities		283.4	138.3	394.5	199.9
Proceeds from sale of tangible & intangible fixed assets		0.1	0.0	0.4	0.0
Payments on acquisition of tangible & intangible fixed assets	5,6	-6.2	-11.1	-23.0	-22.2
Payments on acquisition of Brands	6	0.0	-114.6	0.0	-118.6
Payments on acquisition of operations		0.0	0.0	0.0	-2.8
Other investments		-0.1	0.0	-0.1	-0.4
Cash flows from investment activities		-6.2	-125.7	-22.8	-144.0
Repayment debt to financial institutions	8	-4.4	-4.2	-17.4	-15.7
Change other long term loans		-0.5	0.0	-0.4	0.1
Interest paid in period		-11.1	-9.5	-37.3	-31.5
Paid dividend and Group contributions		0.0	-1.2	-118.7	-103.5
Other financing payments		-7.1	0.0	-14.5	-12.9
Cash flow from financing activities		-23.1	-14.9	-188.2	-163.5
Total cash flow		254.1	-2.3	183.5	-107.6
Holdings of cash and cash equivalents at the beginning of period		3.1	106.3	111.7	199.4
Effect of exchange rate changes on cash and cash equivalents		25.5	7.7	-12.6	19.9
Holdings of cash and cash equivalents at the end of period		282.6	111.7	282.6	111.7

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

Cash and cash equivalents at the end of the period	282.6	184.4	282.6	184.4
Overdraft cashpool system at the end of the period	0.0	-72.7	0.0	-72.7
Holdings of cash and cash equivalents at the end of period	282.6	111.7	282.6	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 significant. The balance sheet is estimated to be effected with at leasing asset of 921 MNOK, with a corresponding leasing liability. The EBITDA is estimated to increase by approximately 93 MNOK in 2019 due to restate of leasing cost, EBIT will increase approximately 37 MNOK after increase depreciation of 56 MNOK, while pre-tax profit will decrease by 25 MNOK due to increased interest cost of 62 MNOK. The Group's ability to fulfil the loan terms will not be 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 under the chapter accounting policies in the Group's annual statement for 2017.

There are no material changes in the estimated impact of accounting effects since the annual statement.

As of 31.12.2018, 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		Full Year		Year end
		2018	2017	2017
EUR average rate	Income statement items	9.6033	9.3326	9.3326
EUR closing rate	Balance sheet items	9.9448	9.8510	9.8510
SEK average rate	Income statement items	0.9365	0.9684	0.9684
SEK closing rate	Balance sheet items	0.9711	0.9992	0.9992
DKK average rate	Income statement items	1.2885	1.2546	1.2546
DKK closing rate	Balance sheet items	1.3319	1.3231	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 freight services. 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 Q4 and year to date 2018;

Group			
MNOK			
	Fourth quarter		
	IFRS 15 (new standard)	IAS 18 (Old standard)	Change
Total operating revenues			
Total operating revenue	848.1	836.4	11.7
Cost of goods	-479.8	-468.1	-11.7
Gross Profit	368.3	368.3	0.0
Gross margin	43.4 %	44.0 %	-0.6 %

Group			
MNOK			
	Full Year		
	IFRS 15 (new standard)	IAS 18 (Old standard)	Change
Total operating revenues			
Total operating revenue	2 723.2	2 681.7	41.5
Cost of goods	-1 578.0	-1 536.5	-41.5
Gross Profit	1 145.2	1 145.2	0.0
Gross margin ¹⁾	42.1 %	42.7 %	-0.7 %

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

Group

MNOK	Fourth quarter		Full Year	
Total operating revenues	2018	2017	2018	2017
Norway	356.1	349.0	1 076.4	1 020.6
Sweden	296.3	283.3	1 105.4	1 019.5
Denmark	64.3	64.5	145.0	146.1
Finland	70.7	72.0	225.5	226.0
Germany	29.1	29.9	55.7	61.4
USA	1.7	0.2	6.8	3.8
DFTR	28.3	32.1	104.3	94.9
Other	1.6	0.1	4.2	2.7
Total operating revenues	848.1	831.1	2 723.2	2 575.1

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

Spirits

MNOK	Fourth quarter		Full Year	
Total operating revenues	2018	2017	2018	2017
Norway	162.6	159.4	451.3	442.9
Sweden	40.3	43.1	129.7	131.9
Denmark	63.5	64.5	143.1	146.1
Finland	13.7	12.5	34.3	33.0
Germany	29.1	29.9	55.7	61.4
USA	1.7	0.2	6.8	3.8
DFTR	25.3	30.8	94.6	91.4
Other	1.6	0.1	4.2	2.7
Total operating revenues	337.7	340.4	919.6	913.3

Wine

MNOK	Fourth quarter		Full Year	
Total operating revenues	2018	2017	2018	2017
Norway	142.4	136.8	479.9	448.8
Sweden	249.4	243.2	948.2	895.6
Finland	55.9	59.6	186.9	193.0
DFTR	3.0	1.3	9.7	3.5
Total operating revenues	450.8	440.9	1 624.7	1 540.9

Distribution

MNOK	Fourth quarter		Full Year	
Total operating revenues	2018	2017	2018	2017
Norway	92.0	87.0	307.7	284.4
Total operating revenues	92.0	87.0	307.7	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 Q4 are related to termination payment agreements, and the share matching incentive program described in more detail in the IPO prospectus.

Group

MNOK	Fourth quarter		Full Year	
Other income and expenses	2018	2017	2018	2017
Salary & personnel cost	-2.1	-0.8	-14.5	-4.9
Other operating expenses	-1.4	0.0	9.2	-8.2
Other income and expenses	-3.5	-0.8	-5.3	-13.2

Spirits

MNOK	Fourth quarter		Full Year	
Other income and expenses	2018	2017	2018	2017
Salary & personnel cost	-1.0	-0.6	-1.7	-1.1
Other operating expenses	0.7	0.0	-0.1	-6.1
Other income and expenses	-0.3	-0.6	-1.8	-7.1

Wine

MNOK	Fourth quarter		Full Year	
Other income and expenses	2018	2017	2018	2017
Salary & personnel cost	-0.5	-4.9	-10.6	-5.2
Other operating expenses	-1.0	0.0	-1.2	0.0
Other income and expenses	-1.5	-4.9	-11.8	-5.2

Distribution

MNOK	Fourth quarter		Full Year	
Other income and expenses	2018	2017	2018	2017
Salary & personnel cost	-0.2	-0.3	-0.4	-0.6
Other operating expenses	0.0	0.0	0.0	0.0
Other income and expenses	-0.2	-0.3	-0.4	-0.6

Other

MNOK	Fourth quarter		Full Year	
Other income and expenses	2018	2017	2018	2017
Salary & personnel cost	-0.4	5.0	-1.9	2.0
Other operating expenses	-1.0	-0.1	10.6	-2.2
Other income and expenses	-1.4	4.9	8.7	-0.2

NOTE 4 SEGMENT INFORMATION

MNOK	Fourth quarter		Full Year	
External sales	2018	2017	2018	2017
Spirits	297.0	308.4	766.8	767.6
Wine	445.5	436.1	1 603.3	1 521.5
Distribution	78.6	75.5	261.1	241.0
Other	11.7	0.0	41.5	0.0
Total external sales	832.8	820.0	2 672.6	2 530.1

MNOK	Fourth quarter		Full Year	
Sales between segments	2018	2017	2018	2017
Spirits	-1.4	-1.3	-4.3	-4.2
Wine	-0.1	0.0	1.5	1.2
Distribution	2.9	2.8	11.3	10.3
Other	0.0	0.0	0.0	0.0
Eliminations	-1.4	-1.5	-8.4	-7.3
Total sales revenue between segments	0.0	0.0	0.0	0.0

MNOK	Fourth quarter		Full Year	
External other revenue	2018	2017	2018	2017
Spirits	3.4	1.3	8.3	6.7
Wine	4.6	4.0	17.2	15.1
Distribution	6.7	5.5	23.6	22.7
Other	0.6	0.3	1.5	0.5
Total external other revenue	15.3	11.1	50.6	44.9

MNOK	Fourth quarter		Full Year	
Other revenue between segments	2018	2017	2018	2017
Spirits	38.7	32.0	148.9	143.2
Wine	0.8	0.8	2.8	3.1
Distribution	3.9	3.1	11.8	10.3
Other	44.2	43.7	175.1	173.6
Eliminations	-87.5	-79.6	-338.6	-330.2
Total other revenue between segments	0.0	0.0	0.0	0.0

MNOK	Fourth quarter		Full Year	
EBITDA	2018	2017	2018	2017
Spirits	89.6	100.4	142.8	175.6
Wine	58.3	58.6	169.7	186.5
Distribution	10.0	10.7	12.4	13.5
Other	-9.2	-3.7	-17.5	-28.0
Eliminations	0.0	0.0	0.0	0.0
Total EBITDA	148.7	166.0	307.3	347.6

MNOK	Fourth quarter		Full Year	
EBIT	2018	2017	2018	2017
Spirits	83.5	94.4	118.1	151.5
Wine	57.5	58.0	167.1	184.7
Distribution	7.1	7.9	1.1	0.7
Other	-10.8	-5.5	-23.8	-35.7
Eliminations	-1.3	-24.0	-5.2	-27.9
Total EBIT	136.0	130.7	257.3	273.3

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total profit for the year				
Spirits	112.8	126.6	89.0	196.7
Wine	39.3	39.1	116.2	124.1
Distribution	1.5	2.4	-3.1	-2.4
Other	-19.2	-1.1	-31.9	-34.6
Eliminations	13.1	-16.5	8.9	-19.0
Total profit for the year	147.6	150.6	179.0	264.8

NOTE 5 FIXED ASSETS

MNOK	Fourth quarter		Full Year	
Fixed Assets	2018	2017	2018	2017
Purchase cost at beginning of period	652.8	633.3	643.7	628.8
Additions tangible fixed assets	4.9	10.0	19.8	16.0
Additions tangible fixed assets via financial lease	3.1	0.0	3.1	0.0
Transferred from assets under construction	-1.2	0.0	-2.0	-1.8
Purchase price, disposed assets	-2.2	0.0	-6.1	0.0
Translation differences	0.6	0.3	-0.4	0.7
Purchase cost at end of period	658.0	643.7	658.0	643.7
Accumulated depreciation at beginning of period	-335.0	-304.8	-313.8	-278.5
Accumulated depreciation, disposed assets	2.2	0.0	6.1	0.0
Ordinary depreciation in period	-8.8	-8.8	-34.8	-34.7
Translation differences	-0.5	-0.3	0.4	-0.6
Accumulated depreciation at end of period	-342.2	-313.8	-342.2	-313.8
Book Value at end of period	315.8	329.8	315.8	329.8

Specification of fixed assets

MNOK	Fourth quarter		Full Year	
Fixed Assets	2018	2017	2018	2017
Machinery and equipment	293.3	304.5	293.3	304.5
Fixtures and fittings, tools, office equipment etc.	17.7	19.6	17.7	19.6
Assets under construction	4.9	5.7	4.9	5.7
Book Value at end of period	315.8	329.8	315.8	329.8

NOTE 6 INTANGIBLE ASSETS

MNOK	Fourth quarter		Full Year	
Intangible assets	2018	2017	2018	2017
Purchase cost at beginning of period	2 024.9	1 905.9	2 066.4	1 845.2
Addition of intangible assets	1.1	111.8	3.2	124.8
Aquisition of business	0.0	3.9	0.0	20.8
Transferred from assets under construction	1.2	0.0	2.0	1.8
Translation differences	46.8	44.8	2.4	73.8
Purchase cost at end of period	2 074.1	2 066.4	2 074.1	2 066.4
Acc. depreciation and amortizations at beginning of period	-186.1	-148.3	-175.0	-135.2
Depreciation in period	-2.0	-2.1	-7.5	-9.6
Amortisations in period	-1.9	-1.9	-7.7	-7.4
Impairment in period	0.0	-22.7	0.0	-22.7
Translation differences	-0.2	-0.1	0.0	-0.1
Acc. depreciation and amortizations at end of period	-190.2	-175.0	-190.2	-175.0
Book Value at end of period	1 883.9	1 891.4	1 883.9	1 891.4

Specification of intangible assets

MNOK	Fourth quarter		Full Year	
Intangible assets	2018	2017	2018	2017
Goodwill	1 042.1	1 042.6	1 042.1	1 042.6
Brands	815.0	819.7	815.0	819.7
Software	26.8	29.1	26.8	29.1
Book Value at end of period	1 883.9	1 891.4	1 883.9	1 891.4

NOTE 7 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Fourth quarter		Full Year	
Liabilities at fair value through profit and loss	2018	2017	2018	2017
Book value at beginning of period	69.5	13.8	0.0	24.1
Additions in period	0.0	0.0	67.9	0.0
Paid during period	0.0	0.0	0.0	-10.5
Changes in value during period	1.6	-13.8	2.6	-13.7
Interest during period	0.1	0.0	0.1	0.0
Translation differences	3.0	0.0	3.7	0.0
Book value at end of period	74.2	0.0	74.2	0.0
<i>From this;</i>				
Current liability	0.0	0.0	0.0	0.0
Non-current liability	74.2	0.0	74.2	0.0
Total liabilities through profit and loss	74.2	0.0	74.2	0.0

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

MNOK	Fourth quarter		Full Year	
Debt to financial institutions	2018	2017	2018	2017
Debt at beginning of period	861.4	923.0	933.2	910.8
New debt in period	3.1	0.0	3.1	0.0
Repayments in period	-4.4	-4.2	-17.4	-15.7
Translation differences	37.7	14.4	-21.1	38.1
Debt to financial institutions at end of period	897.8	933.2	897.8	933.2
Capitalized borrowing costs at beginning of period	-5.0	-7.0	-6.5	-8.0
Capitalized borrowing costs during period	0.0	0.0	0.0	0.0
Amortized borrowing costs during period	0.4	0.5	1.6	1.7
Translation differences	-0.1	0.0	0.1	-0.2
Capitalized borrowing costs at end of period	-4.8	-6.5	-4.8	-6.5
Book value debt to financial institutions at end of period	893.0	926.6	893.0	926.6

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

MNOK	Fourth quarter		Full Year	
Liabilities to financial institutions	2018	2017	2018	2017
Current portion of non-current loans	0.0	0.0	0.0	0.0
Current portion of non-current financial leasing	18.1	17.4	18.1	17.4
Bank overdraft	0.0	72.7	0.0	72.7
Current liabilities to financial institutions at end of period	18.1	90.1	18.1	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:

Sale and purchase transactions with related parties

MNOK	Fourth quarter		Full Year	
Purchase of goods and services	2018	2017	2018	2017
Tiffon SA	11.5	17.2	45.5	52.7
Hoff SA	3.2	5.5	21.2	22.4
Gjelleråsen Eiendom AS ¹⁾	0.0	0.0	0.0	0.0
Destilleriveien 11 AS ¹⁾	0.0	19.8	27.6	79.2
Total purchase transactions	14.7	42.4	94.2	154.3

MNOK	Fourth quarter		Full Year	
Sale of goods and services	2018	2017	2018	2017
Tiffon SA	2.1	0.2	5.9	3.7
Total sale transactions	2.1	0.2	5.9	3.7

Receivables and debt at end of period

MNOK	Full Year	
Short term receivables from related parties	2018	2017
Tiffon SA	2.0	0.2
Total short term receivables from related parties	2.0	0.2

MNOK	Full Year	
Short term debt to related parties	2018	2017
Tiffon SA	7.1	10.8
Hoff SA	0.5	1.1
Total short term debt to related parties	7.6	12.0

¹⁾ The property at Gjelleråsen was transferred from Gjelleråsen Eiendom AS to Destilleriveien 11 AS as of January 1st 2018. As of 31.04.2018, the property was sold from Canica AS to Storebrand, and the rent for the property after that time is no longer 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	1.6	0.0	0.0	1.6
Accounts receivables	0.0	1 260.7	0.0	0.0	1 260.7
Other receivables ¹⁾	0.6	60.0	0.0	0.0	60.6
Cash and cash equivalents	0.0	282.6	0.0	0.0	282.6
Total financial assets as of Fourth quarter 2018	0.6	1 604.8	0.2	0.0	1 605.7
Total financial assets as of Fourth quarter 2017	1.0	1 688.8	0.2	0.0	1 690.0
Liabilities					
Liabilities to financial institutions	0.0	0.0	0.0	893.0	893.0
Liabilities at fair value through profit and loss	74.2	0.0	0.0	0.0	74.2
Accounts payable	0.0	0.0	0.0	576.8	576.8
Other current debt ²⁾	0.0	0.0	0.0	16.0	16.0
Total financial liabilities as of Fourth quarter 2018	74.2	0.0	0.0	1 485.7	1 559.9
Total financial liabilities as of Fourth quarter 2017	0.0	0.0	0.0	1 545.4	1 545.4

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

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

Fair value hierarchy**Assets**

MNOK	Level 1	Level 2	Level 3	Book Value
Currency derivatives	0.0	0.6	0.0	0.6
Total financial assets	0.0	0.6	0.0	0.6

Liabilities

MNOK	Level 1	Level 2	Level 3	Book Value
Liabilities at fair value through profit and loss	0.0	0.0	74.2	74.2
Currency derivatives	0.0	0.0	0.0	0.0
Total financial liabilities	0.0	0.0	74.2	74.2

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

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

Changes financial liabilities, level 3

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Financial liabilities, level 3, at beginning of period	69.5	13.8	0.0	24.1
Fair value at the first time of recognition	0.0	0.0	67.9	0.0
Paid during the period	0.0	0.0	0.0	-10.5
Changes in value during the period	1.6	-13.8	2.6	-13.7
Interest during period	0.1	0.0	0.1	0.0
Translation differences	3.0	0.0	3.7	0.0
Financial liabilities, level 3 at end of period	74.2	0.0	74.2	0.0

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 and 2018.

As of end of Q3 2018, the Group Executive Management holds 1.873.364 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;

Changes in outstanding options are shown in the table below;

Number of options	Fourth quarter		Full Year	
	2018	2017	2018	2017
Change in number of options:				
Outstanding options beginning of period	2 417 500	0	1 229 304	0
Issued during period	0	1 407 368	1 484 923	1 407 368
Exercised during the period	0	0	0	0
Forfeited during the period	0	-178 064	-296 727	-178 064
Outstanding options end of period	2 417 500	1 229 304	2 417 500	1 229 304

Option calculation assumptions:	Options #2017		Options #2018	
Grant date	May 4th 2017		April 11th 2018	
Total outstanding options at end of period:	1 073 010		1 344 490	
Vesting period	May 2017-May 2020		April 2018-April 2021	
Redemption period	May 2020-May 2022		April 2021-April 2023	
Share price on the allocation date	NOK	47.90	NOK	43.70
Share price on the balance sheet date	NOK	41.00	NOK	41.00
Redemption price - minimum	NOK	51.53	NOK	45.22
Redemption price - maximum	NOK	143.70	NOK	127.50
Risk-free interest rate	%	1.2 %	%	1.4 %
Volatility	%	22.0 %	%	22.0 %
Expected dividend	%	3.4 %	%	3.4 %

NOTE 12 FINANCIAL INCOME AND EXPENSES

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Interest income	4.3	2.1	12.9	6.7
Other financial income	6.0	18.5	1.6	19.2
Total financial income	10.3	20.6	14.5	25.9
Interest cost	-11.2	-9.5	-37.4	-31.5
Other financial expenses	-4.4	-2.1	-13.2	-9.0
Total financial expenses	-15.6	-11.6	-50.6	-40.4
Net financial profit/loss	-5.3	9.0	-36.1	-14.6

Other financial expenses during Q4 is mainly consisting of amortized borrowing costs and agio effects.

NOTE 13 OTHER EVENTS

Events after the close of Q4 2018

No significant other events have occurred between the close of quarter and the date on which Arcus's interim financial statements for Q4 2018 were approved. This applies to events that would have provided knowledge of factors present at the close of Q4 2018, or events concerning matters that have arisen since the close of Q4 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	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenues	848.1	831.1	2 723.2	2 575.1
Cost of goods	-479.1	-444.3	-1 577.3	-1 408.5
Gross Profit	369.0	386.8	1 145.9	1 166.5

Spirits

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenues	337.7	340.4	919.6	913.3
Cost of goods	-164.3	-149.8	-448.0	-404.9
Gross Profit	173.4	190.6	471.6	508.4

Wine

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenues	450.8	440.9	1 624.7	1 540.9
Cost of goods	-343.3	-328.4	-1 244.3	-1 154.4
Gross Profit	107.5	112.5	380.4	386.5

Distribution

MNOK	Fourth quarter		Full Year	
	2018	2017	2018	2017
Total operating revenues	92.0	87.0	307.7	284.4
Cost of goods	0.0	0.0	0.0	0.0
Gross Profit	92.0	87.0	307.7	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 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	Fourth quarter		Full Year	
EBITDA adjusted	2018	2017	2018	2017
EBIT	136.0	130.7	257.3	273.3
Depreciation, amortisations and write downs	12.7	35.3	50.0	74.3
EBITDA	148.7	166.0	307.3	347.6
Other income and expenses	3.5	0.8	5.3	13.2
EBITDA adjusted	152.1	166.8	312.6	360.8

Spirits

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2018	2017	2018	2017
EBIT	83.5	94.4	118.1	151.5
Depreciation, amortisations and write downs	6.1	6.1	24.7	24.1
EBITDA	89.6	100.4	142.8	175.6
Other income and expenses	0.3	0.6	1.8	7.1
EBITDA adjusted	89.9	101.0	144.6	182.8

Wine

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2018	2017	2018	2017
EBIT	57.5	58.0	167.1	184.7
Depreciation, amortisations and write downs	0.7	0.6	2.6	1.8
EBITDA	58.3	58.6	169.7	186.5
Other income and expenses	1.5	4.9	11.8	5.2
EBITDA adjusted	59.8	63.5	181.5	191.7

Distribution

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2018	2017	2018	2017
EBIT	7.1	7.9	1.1	0.7
Depreciation, amortisations and write downs	2.9	2.9	11.3	12.8
EBITDA	10.0	10.7	12.4	13.5
Other income and expenses	0.2	0.3	0.4	0.6
EBITDA adjusted	10.2	11.0	12.7	14.1

Parent Company

MNOK	Fourth quarter		Full Year	
EBITDA adjusted	2018	2017	2018	2017
EBIT	-10.8	-5.5	-23.8	-35.7
Depreciation, amortisations and write downs	1.6	1.8	6.2	7.7
EBITDA	-9.2	-3.7	-17.5	-28.0
Other income and expenses	1.4	-4.9	-8.7	0.2
EBITDA adjusted	-7.8	-8.6	-26.2	-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	Full Year	
Net interest bearing debt	2018	2017
Non-current liabilities to financial institutions	723.5	742.8
Book value of Capitalized arrangement fees	4.8	6.5
Non-current finance lease liabilities	151.4	166.4
Bank Overdraft	0.0	72.7
Current finance lease liabilities	18.1	17.4
Cash and cash equivalents	-282.6	-184.4
Net interest bearing debt	615.1	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	Fourth quarter		Full Year	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	848.1	831.1	2 723.2	2 575.1
Currency effects	0.0	-14.1	0.0	-20.8
Structural changes	-18.0	0.0	-68.0	0.0
Baseline organic growth	830.1	817.1	2 655.2	2 554.3

Spirits

MNOK	Fourth quarter		Full Year	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	337.7	340.4	919.6	913.3
Currency effects	0.0	-2.1	0.0	2.9
Structural changes	-6.9	0.0	-29.9	0.0
Baseline organic growth	330.8	338.3	889.7	916.2

Wine

MNOK	Fourth quarter		Full Year	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	450.8	440.9	1 624.7	1 540.9
Currency effects	0.0	-12.0	0.0	-23.9
Structural changes	0.6	0.0	3.4	0.0
Baseline organic growth	451.4	428.9	1 628.1	1 517.0

Distribution

MNOK	Fourth quarter		Full Year	
Total revenues	2018	2017	2018	2017
Reported total operating revenues	92.0	87.0	307.7	284.4
Currency effects	0.0	0.0	0.0	0.0
Structural changes	0.0	0.0	0.0	0.0
Baseline organic growth	92.0	87.0	307.7	284.4

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