

Second quarter results 2019

Kenneth Hamnes, Group CEO

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15 August 2019

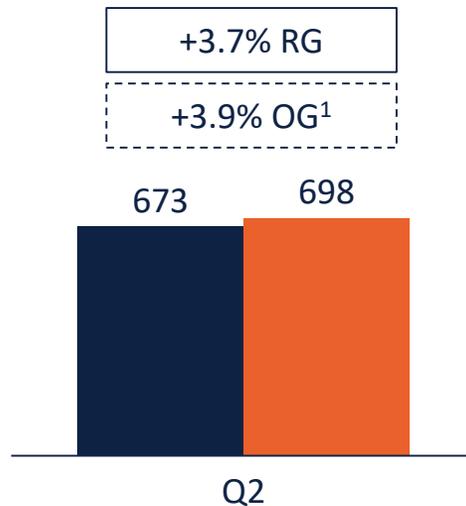


Q2: Revenue growth in two of three business segments

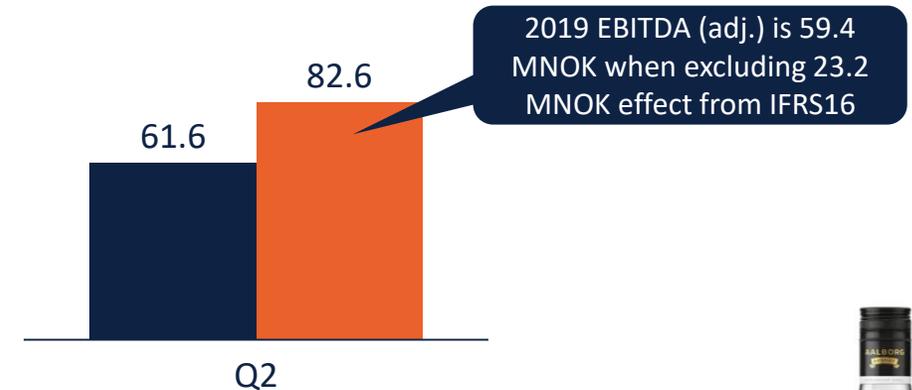
Amounts in NOK million

2018 2019

Operating Revenues



EBITDA (adj.)



- **Wine:** Positive sales trend continued in Q2, but negative impact from loss of producers in Sweden
- **Spirits:** High level of sales, increased gross profit
- **Distribution:** Revenue growth. More overtime due to unexpected peaks reduced profits

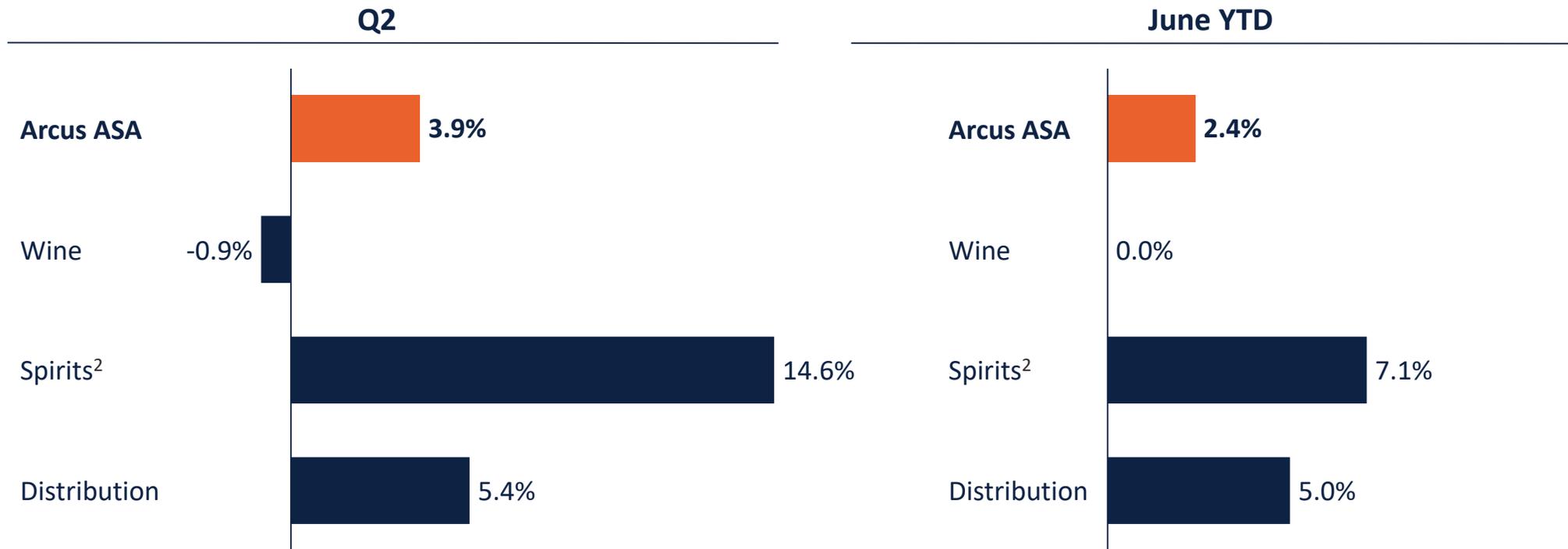
¹Reported growth adjusted for currency translation effects and structural changes



Q2: Sixth consecutive quarter with organic growth



Organic growth¹ overall and by reporting segment Percent



¹Reported growth adjusted for currency translation effects and structural changes

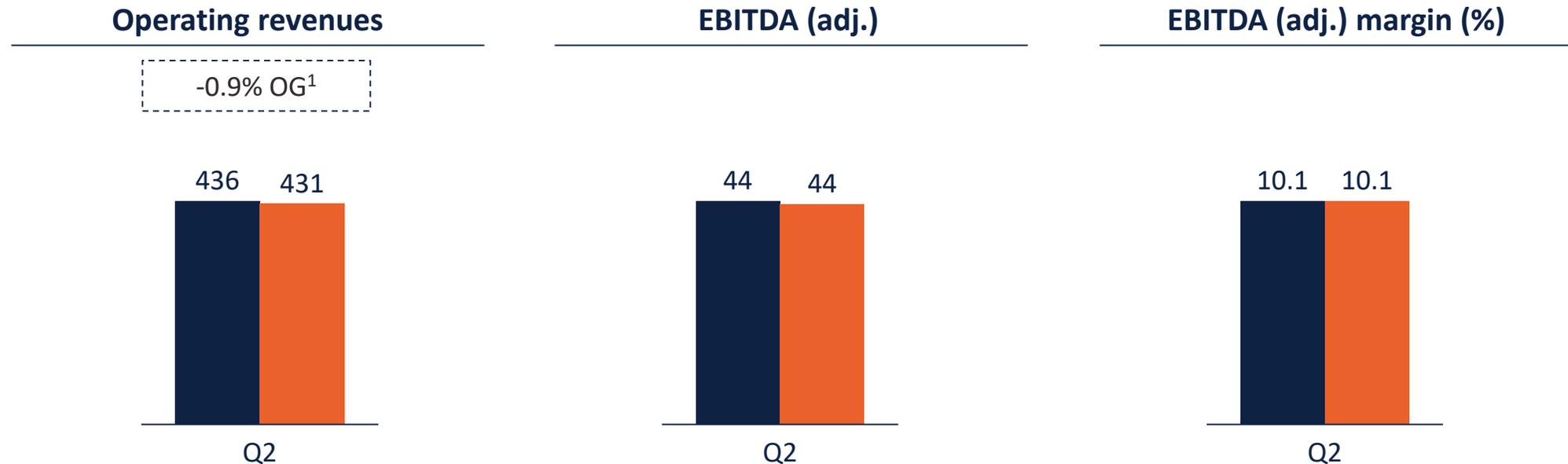
²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



Q2 Wine: Increased market share in Norway

Amounts in NOK million

2018 2019



- **Norway:** Market share continued to grow due to own brand bestsellers and new products
- **Sweden:** Lower sales due to producers lost in Q1, rest of portfolio performing strongly
- **Finland:** Overall market flat. Arcus' shares down due to loss of producers late 2018

¹Reported growth adjusted for currency translation effects and structural changes

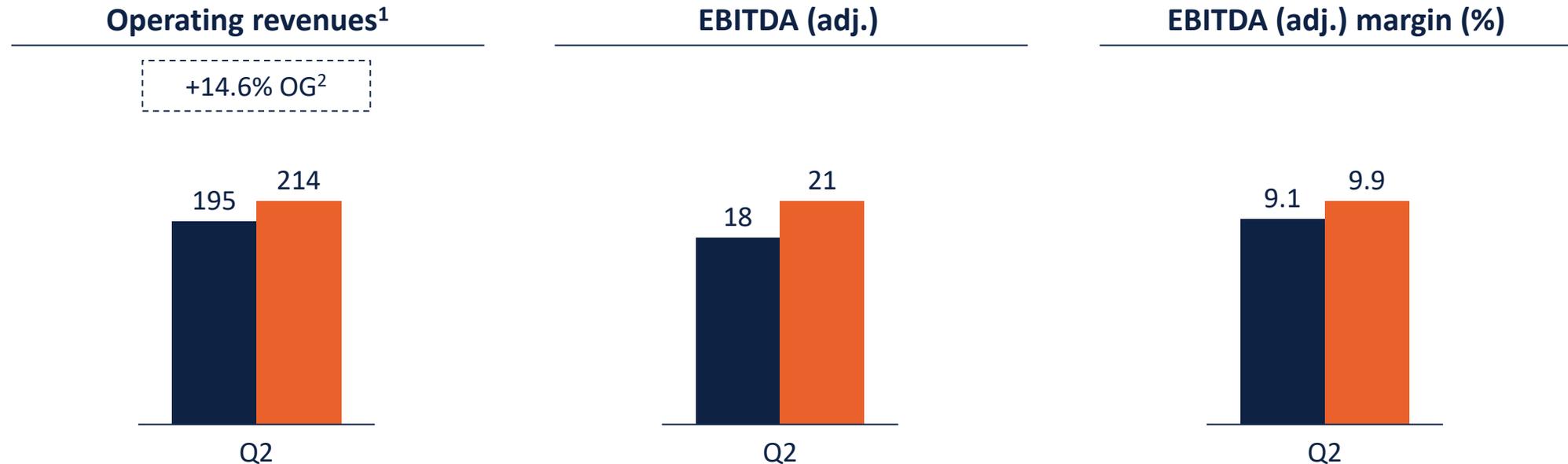


Q2 Spirits: Strong growth in period and YTD



Amounts in NOK million

2018 2019



- **Norway, Sweden:** Sales at the monopolies grew less than the markets. Somewhat reduced market shares
- **Denmark:** Strong sales growth. Sales of aquavit even higher than the strong category performance
- **Other markets:** Sales to Germany and Duty Free Travel Retail increased, other shipments decreased

¹Operating revenues includes both external spirits sales and other revenue (internal and external bottling)

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

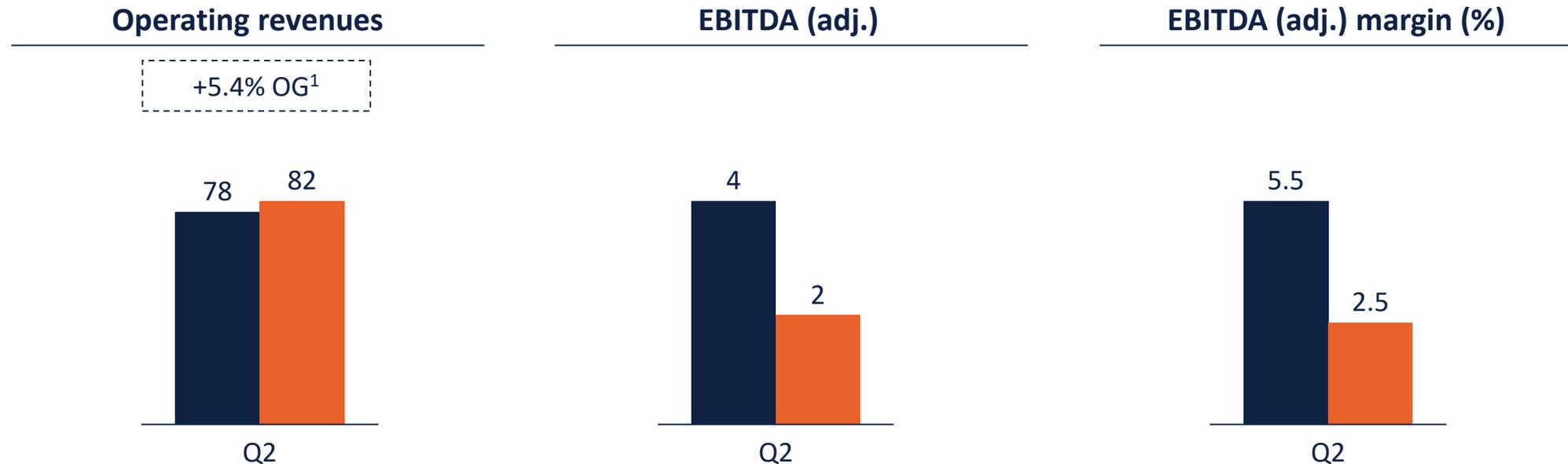


Q2 Distribution: Increased volume and revenue



Amounts in NOK million

2018 2019



- Volume increased by 5.2 %, while Vinmonopolet's total volume was up 4.3 % vs Q2 last year
- Volume share of deliveries to Vinmonopolet increased to 49.4 % end Q2 vs 47.6 % same period last year
- Unexpected peaks in deliveries to Vinmonopolet increased use of overtime and night shifts

¹Reported growth adjusted for currency translation effects and structural changes



Financial performance

Sigmund Toth, CFO



Q2 Group P&L: In line with last year when adjusting for IFRS 16 and other income and expenses



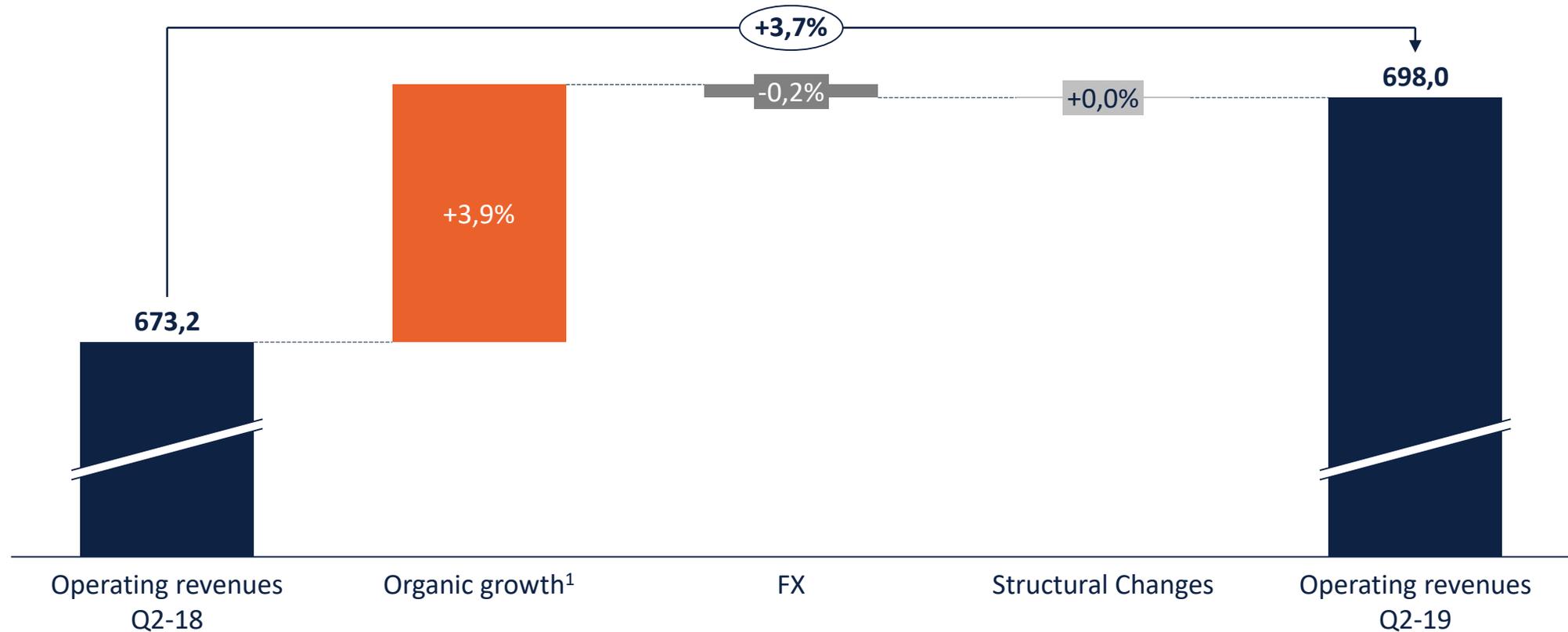
Amounts in NOK million

Profit and Loss	This quarter				Year-to-date	
	2019 as reported	IFRS 16 restatement	2019 restated ¹	2018	2019 restated ¹	2018
Operating revenues	698.0	0	698.0	673.2	1250.1	1230.2
EBITDA (adj.)	82.6	23.2	59.4	61.6	82.1	83.7
Depreciation, Amortization and Write-downs	-26.5	-13.9	-12.6	-12.4	-25.2	-24.7
EBIT (adj.)	56.1	9.2	46.9	49.2	56.9	59.0
Other income and expenses	-11.5	0	-11.5	9.7	-13.0	4.5
EBIT	44.7	9.2	35.4	58.9	43.9	63.5
Net financials and other	-23.0	-15.6	-7.3	-8.5	-20.3	-18.9
Pre-tax profit	21.7	-6.4	28.1	50.4	23.6	44.6
Tax	-4.7	1.4	-6.1	-10.9	-5.6	-11.3
Profit/loss for the year	16.9	-5.0	21.9	39.6	18.0	33.3
EPS (NOK)	0.23		0.30	0.57	0.24	0.46

¹Old IAS 17 Standard. See Quarterly Report Q2 2019 Note 1 for further details

Organic growth slightly offset by negative FX-effect

Q2-19 Operating revenue growth Percent; NOK million

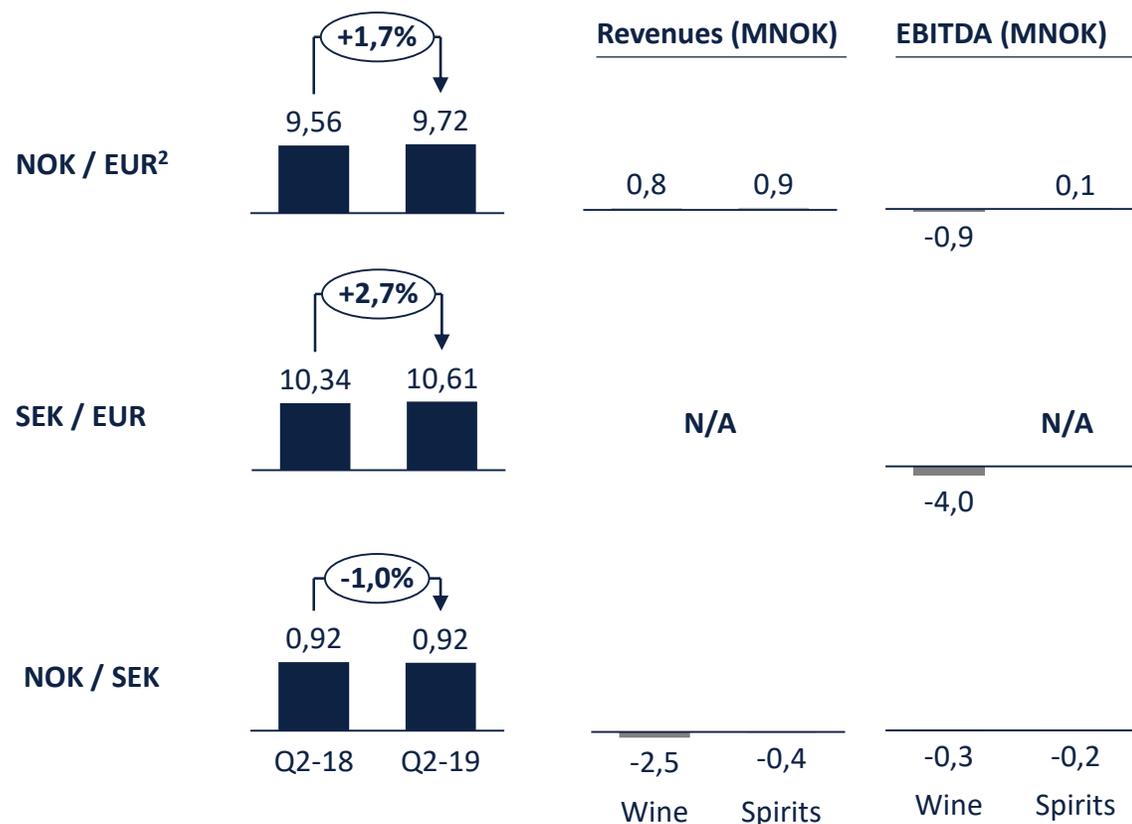


¹Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

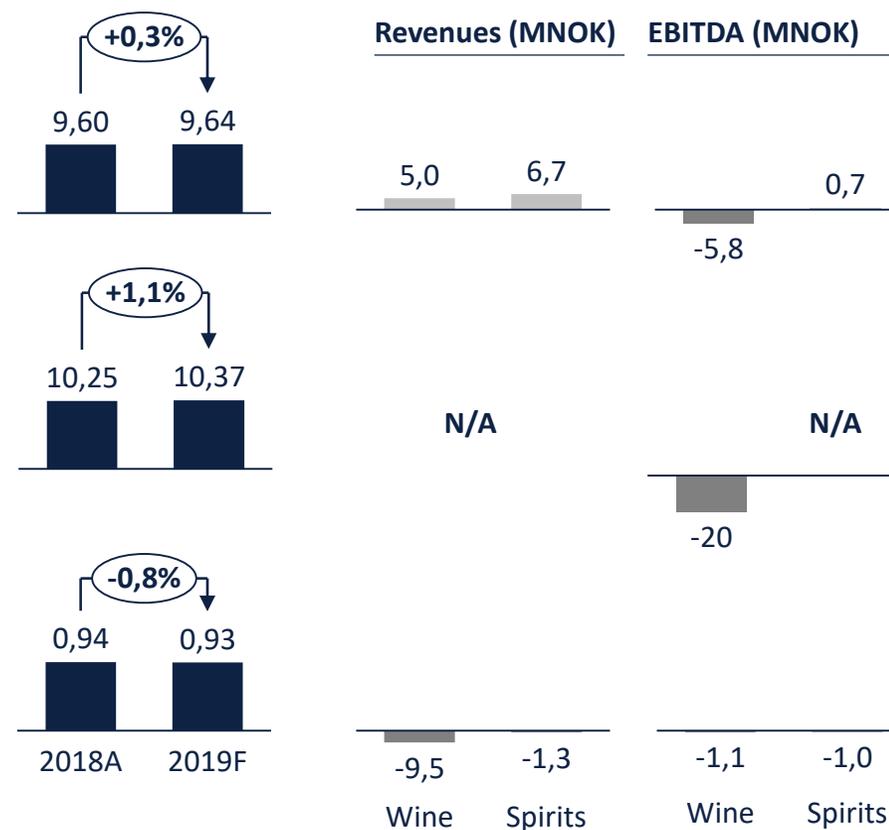
Still negative FX effects in Q2, and currently weak (N)SEK vs EUR significantly affects estimated full year FX effects



Currency rate effects¹ (Q2 2019 actuals vs. Q2 2018 actuals)



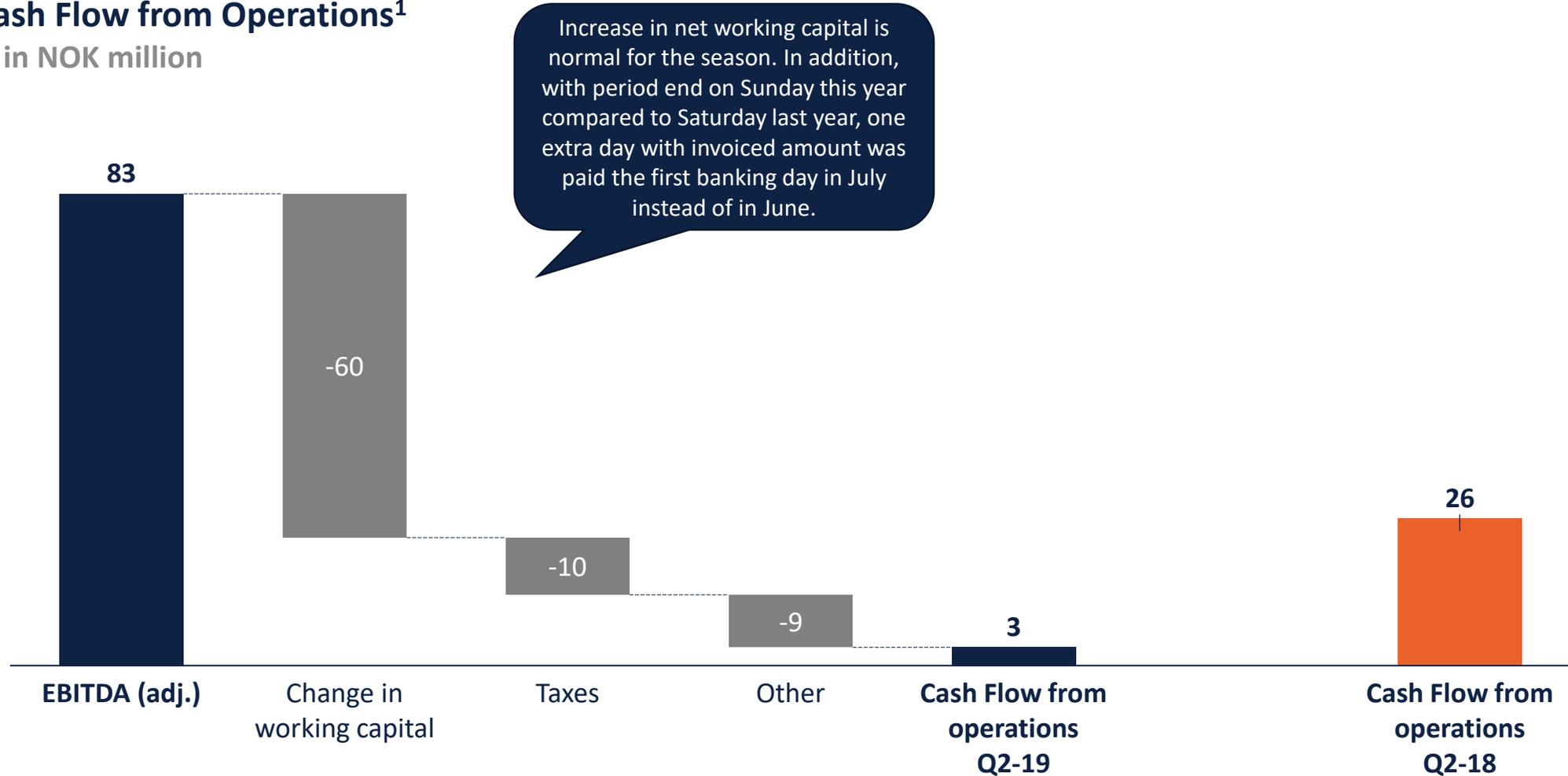
Currency rate effects¹ (2019F currency rate³ vs. 2018 actuals)



1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include (N)SEK / USD (Revenues & COGS) and (N)SEK/ GBP (COGS on traded goods/agency products). On the Wine business, the general pricing strategy is to off-set adverse foreign exchange movements through increased prices, though this adjustment might take time. Here effects are shown before any corrective pricing. 2) NOK / EUR includes costs and revenues in DKK as DKK moves within narrow band to the EUR. 3) 2019F currency rate is estimated as weighted average of accumulated YTD average rate and current rate as of Aug 8th 2019

Cash flow negatively impacted by higher net working capital at end of Q2, as is normal for the season

Q2-19 Cash Flow from Operations¹ Amounts in NOK million



¹The total cashflow has not been affected by the implementation of IFRS 16, but it has boosted cash flow from operations with 23.2 MNOK, with a corresponding decrease in the cash flow from financing activities.

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

Net Interest Bearing Debt (NIBD) / R12M Adjusted EBITDA by quarter
(Excluding IFRS16 effects)



Kenneth Hamnes, Group CEO



Arcus' brands consistently win international awards



Arcus' brands continuously innovate and adapt



Atlungstad Brenneri – Norway's oldest distillery

- Established 1855
- Located at Stange
- Guided tours with tastings
- Owned by Arcus, but stand-alone operation
- Small scale innovation and hand craft center
- Ultra premium products

	Visitors
2016:	5.945
2017:	6.095
2018:	10.774
YTD19:	12.600



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- Make your own aquavit
 - Make your own gin
 - Attend wine courses
- Unique conference facilities

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Condensed statement of income



MNOK	Note	Second quarter		Year to date		Full Year
		2019	2018	2019	2018	2018
Sales	2,9	685.5	658.6	1 227.5	1 204.4	2 672.6
Other revenue	2	12.4	14.6	22.6	25.8	50.6
Total operating revenue	2,9	698.0	673.2	1 250.1	1 230.2	2 723.2
Cost of goods		-417.4	-398.3	-731.9	-714.0	-1 577.3
Gross Profit		280.6	274.9	518.2	516.2	1 145.9
Gain on sale of fixed assets		0.0	0.2	0.0	0.2	0.4
Salaries and personnel cost		-112.6	-106.3	-221.3	-216.4	-426.6
Advertising & Promotion expenses (A&P)		-32.3	-33.7	-56.2	-64.8	-122.5
Other operating expenses		-55.5	-73.3	-112.4	-149.3	-286.8
Share of profit from AC ¹⁾ and JCE ²⁾		2.3	-0.2	0.4	-2.1	2.3
Other income and expenses	3	-11.5	9.7	-13.0	4.5	-5.3
EBITDA		71.1	71.3	115.7	88.2	307.3
Depreciation	5,6	-24.6	-10.5	-49.4	-20.8	-42.3
Amortisations	5,6	-1.9	-1.9	-3.8	-3.9	-7.7
Operating profit (EBIT)		44.7	58.9	62.4	63.5	257.3
Financial income	12	7.1	3.2	11.8	5.3	14.5
Financial expenses	7,10,12	-30.0	-11.7	-63.5	-24.2	-50.6
Pre-tax profit		21.7	50.4	10.7	44.6	221.2
Tax		-4.7	-10.9	-2.8	-11.3	-56.8
Profit/loss for the year		16.9	39.6	7.9	33.3	164.4
Profit/loss for the year attributable to parent company shareholders		15.6	38.4	5.9	31.3	158.5
Profit/loss for the year attributable to non-controlling interests		1.3	1.1	2.0	2.0	6.0
Earnings per share, continued operations		0.23	0.57	0.09	0.46	2.33
Diluted earnings per share, continued operations		0.22	0.55	0.08	0.45	2.25

¹⁾Associated Companies, ²⁾Jointly Controlled Entities

Condensed statement of financial position

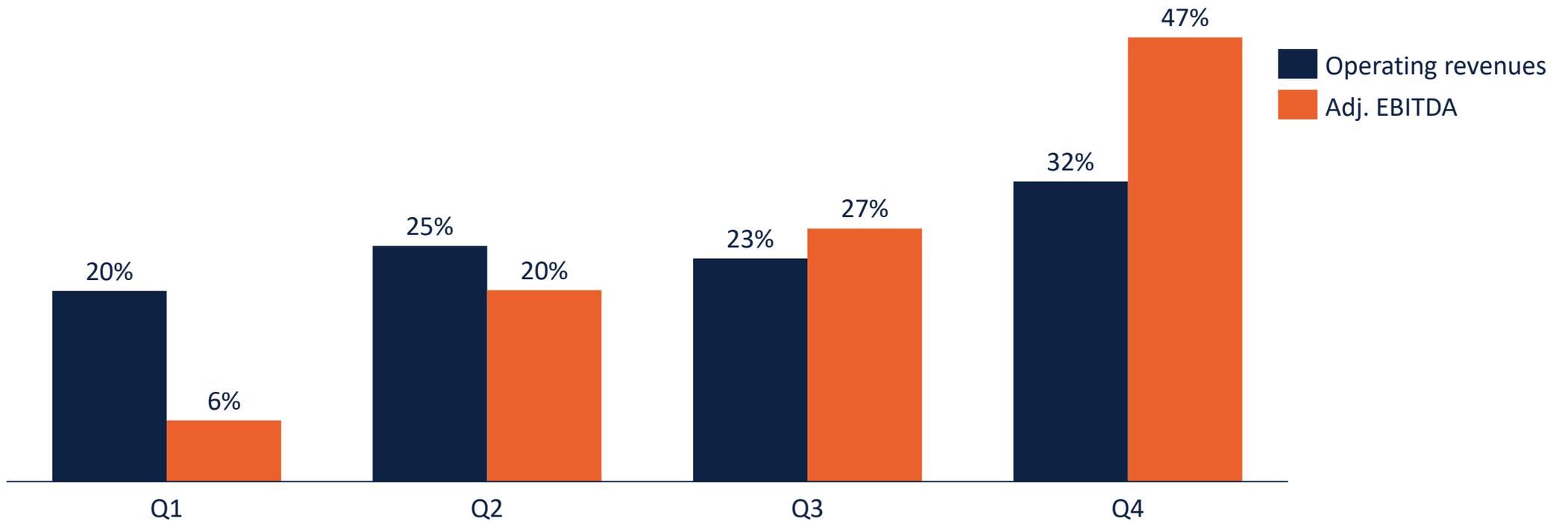


MNOK	Note	Second quarter		Full Year
		30.06.2019	30.06.2018	31.12.2018
Intangible assets	6	1 848.5	1 840.4	1 883.9
Tangible assets	5	1 195.6	321.9	315.8
Deferred tax asset		117.7	135.4	110.4
Financial assets		60.4	55.2	63.1
Total fixed assets		3 222.2	2 352.9	2 373.2
Inventories		496.1	474.6	441.1
Accounts receivables and other receivables		1 174.3	1 158.2	1 340.7
Cash and cash equivalents		98.5	134.7	282.6
Total current assets		1 768.9	1 767.5	2 064.4
Total assets		4 991.1	4 120.4	4 437.6
Paid-in equity		772.1	772.1	772.1
Retained earnings		746.2	706.7	879.0
Non-controlling interests		3.0	1.9	3.0
Total equity		1 521.3	1 480.6	1 654.0
Non-current liabilities to financial institutions	8	684.5	675.4	723.5
Non-current liabilities at fair value through profit or loss	7,10	68.0	67.9	74.2
Non-current finance lease liabilities	8	1 016.5	163.1	151.4
Pension obligations		21.3	30.6	21.1
Deferred tax liability		99.7	97.3	102.0
Other non-current liabilities		0.4	0.2	0.7
Total non-current liabilities		1 890.3	1 034.6	1 073.0
Bank Overdraft	8	180.4	231.1	0.0
Current finance lease liabilities	8	48.8	12.0	18.1
Accounts payable and other payables		1 350.3	1 362.0	1 692.5
Total current liabilities		1 579.5	1 605.2	1 710.6
Total equity and liabilities		4 991.1	4 120.4	4 437.6

Historic quarterly distribution of top-/bottom-line last three years



2016-2018, average



Average 2016 – 2018 Arcus ASA, rounded numbers

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