

Fourth quarter results 2018

Kenneth Hamnes, Group CEO
Sigmund Toth, CFO

14 February 2019

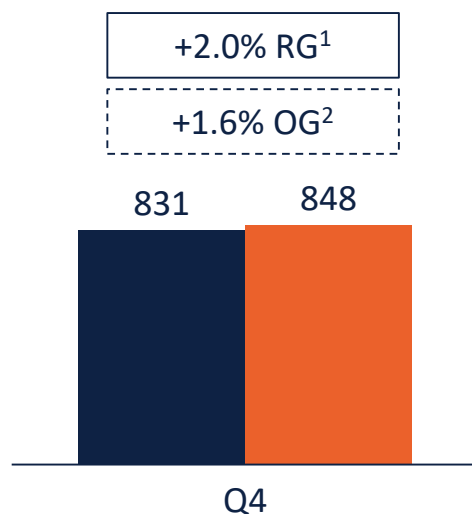


Q4: Continued revenue growth, weak Spirits sales towards end of Q4

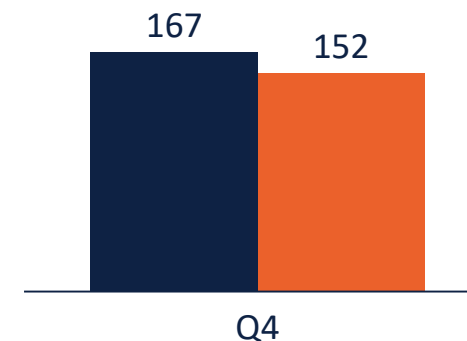
Amounts in NOK million

2017 2018

Operating Revenues



EBITDA (adj.)



- **Wine:** Revenue growth and increased marked shares in NO and SE, negative FX-effect
- **Spirits:** Soft in core markets, lower gross margin
- **Distribution:** Increased revenue and higher volume delivery share to Vinmonopolet
- **Dividend:** Board of Directors suggest 2018 dividend at 1.66 NOK per share (1.66 NOK)

¹Reported growth. The application of IFRS 15 had a positive effect of 11.7 MNOK on reported revenue in the quarter (+1.4%)

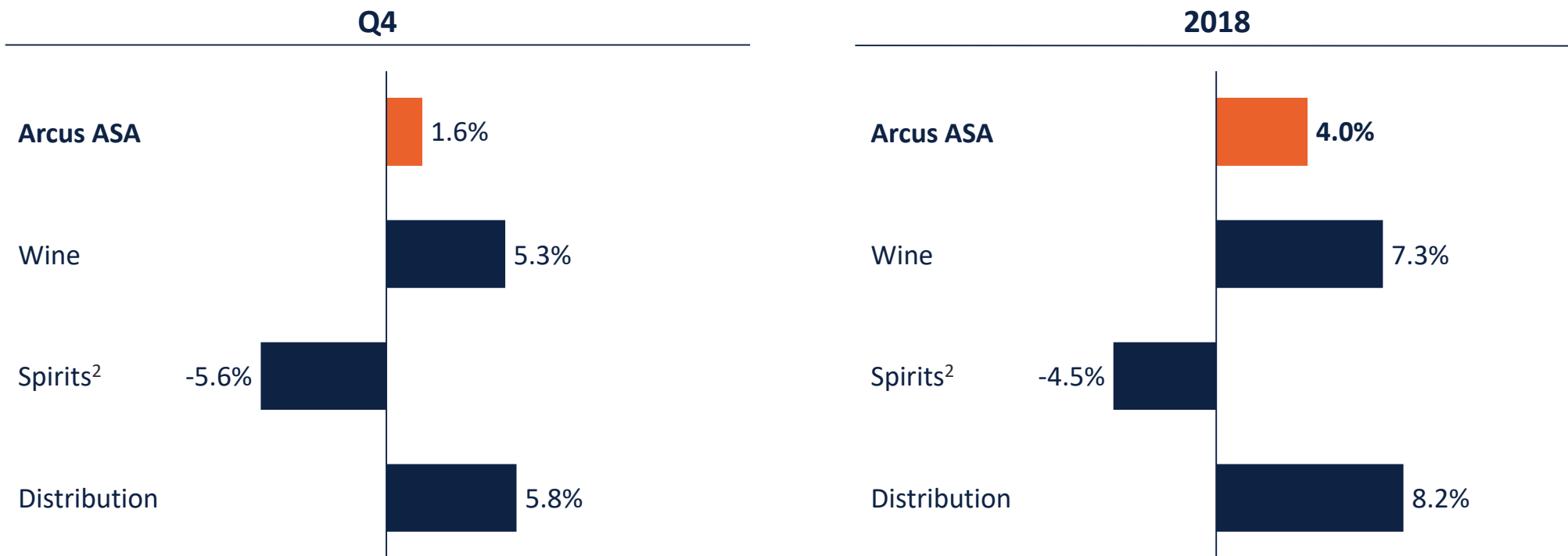
²Reported growth adjusted for currency translation effects and structural changes



Q4: Organic growth driven by Wine and Distribution



Organic growth¹ overall and by reporting segment Percent



¹Reported growth adjusted for currency translation effects and structural changes

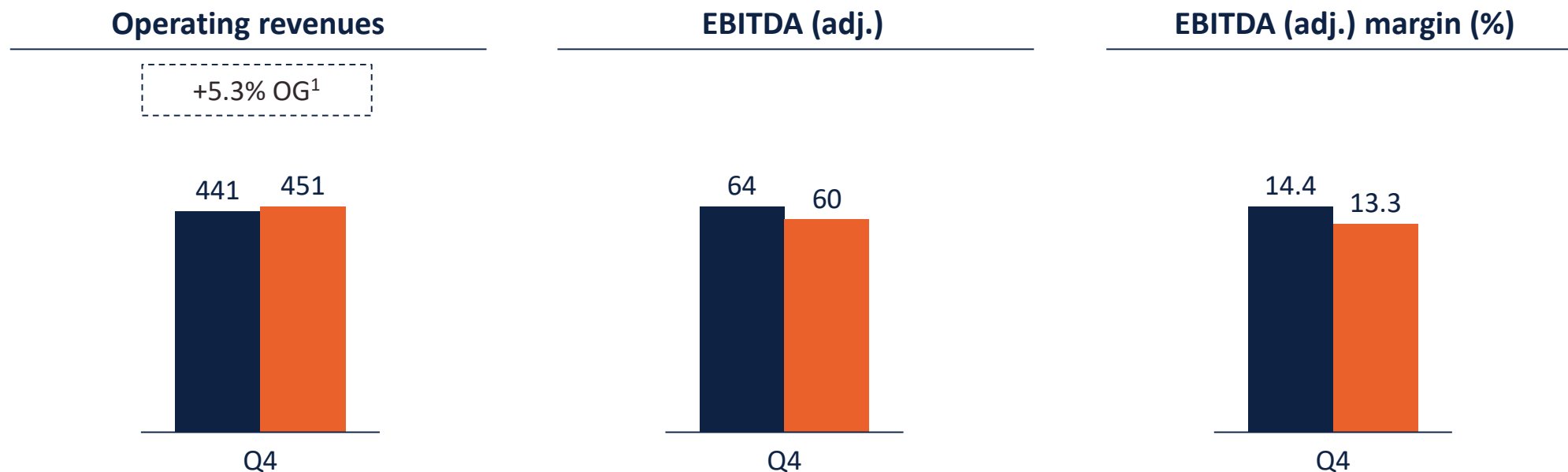
²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



Q4 Wine: Stronger portfolios increased market shares in SE and NO

Amounts in NOK million

2017 2018



- **Sweden and Norway:** Increased revenue driven by strengthened portfolios in the growing light category (white wine, sparkling and rosé), tender wins and redesign of bestseller. FX still affects margin.
- **Finland:** Higher alcohol tax and changes in alcohol legislation, shares slightly down

¹Reported growth adjusted for currency translation effects and structural changes

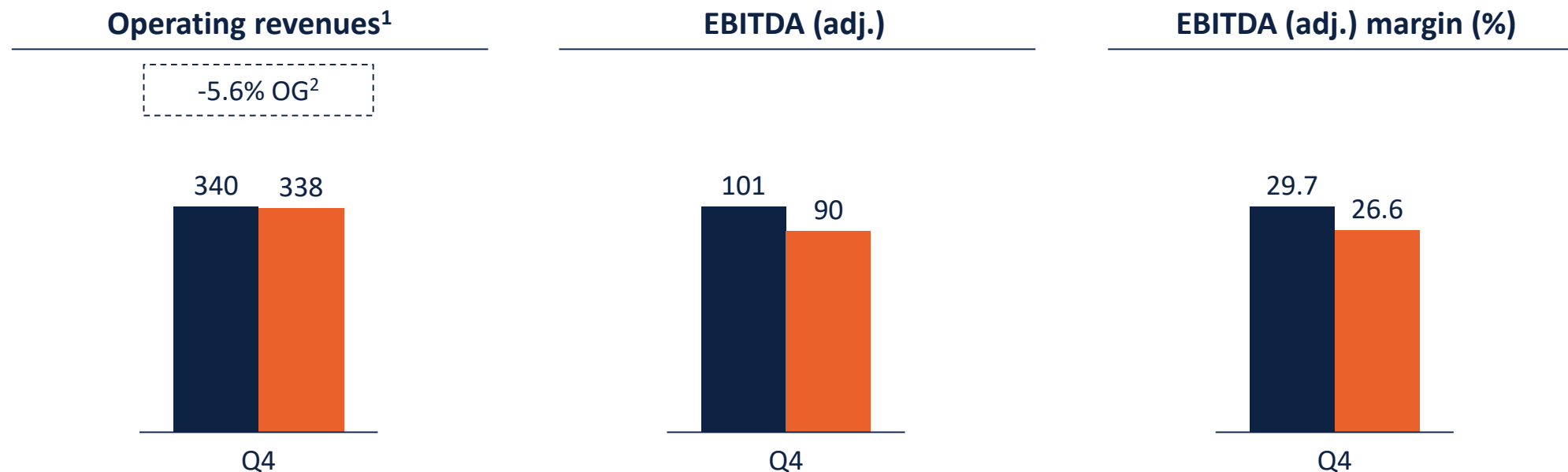


Q4 Spirits: Flat revenue, weak country- and product-mix reduced margins



Amounts in NOK million

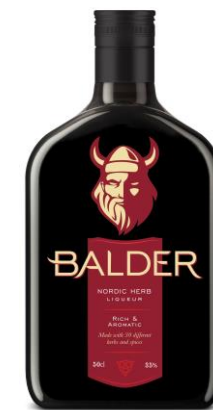
2017 2018



- **Norway and Sweden:** Sales almost flat, but organic sales development negative. End of December weak.
- **Denmark:** Decline in sales. Still weak aquavit category, Arcus' aquavit market share flat.
- **Other markets:** Soft sales in Germany due to weak campaigns and destocking, flat in Duty Free Travel Retail.

¹Reported growth includes both external spirits sales and other revenue (internal and external bottling)

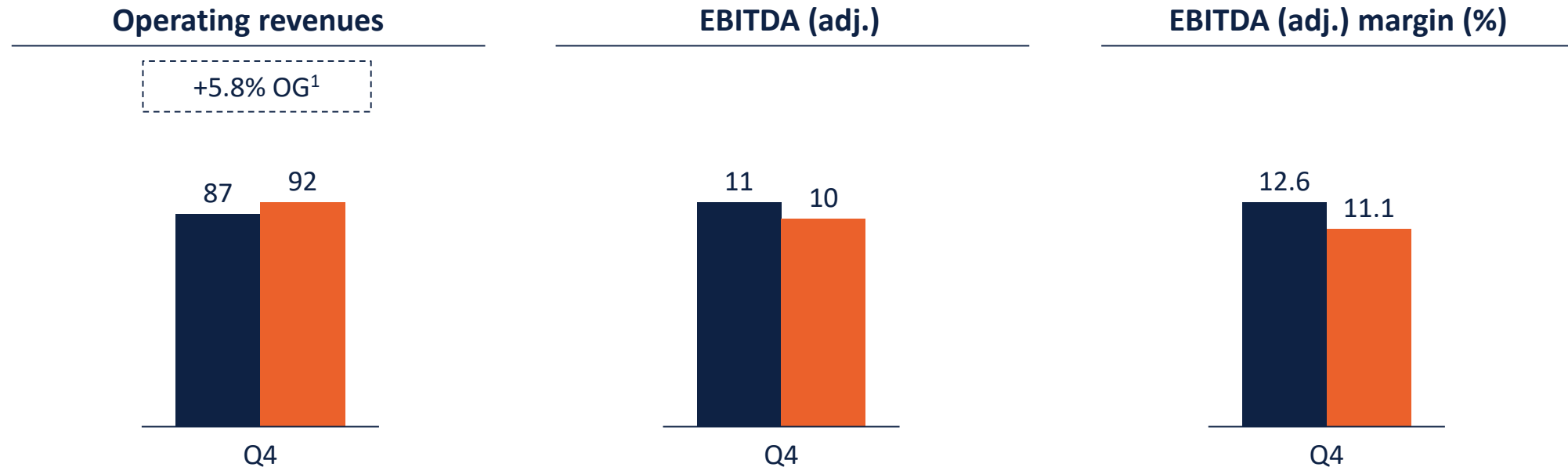
²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



Q4 Distribution: Increased revenue, initiatives in place to reduce costs

Amounts in NOK million

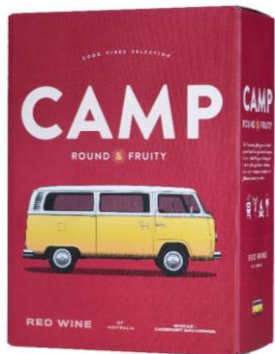
2017 2018



- Volume increased by 4.3 % vs Q4 LY, driven by increased activity for existing customers and horeca-sales
- Volume share of deliveries to Vinmonopolet increased to 50.0 % end Q4 vs 46.7 % same period last year²
- Several initiatives in place to increase efficiency and reduce costs, but limited effect in Q4

¹Reported growth adjusted for currency translation effects and structural changes

²Volume delivered to Vinmonopolet



Financial performance

Sigmund Toth, CFO



Q4 Group P&L: Increased revenues, reduced EBITDA (adj.)



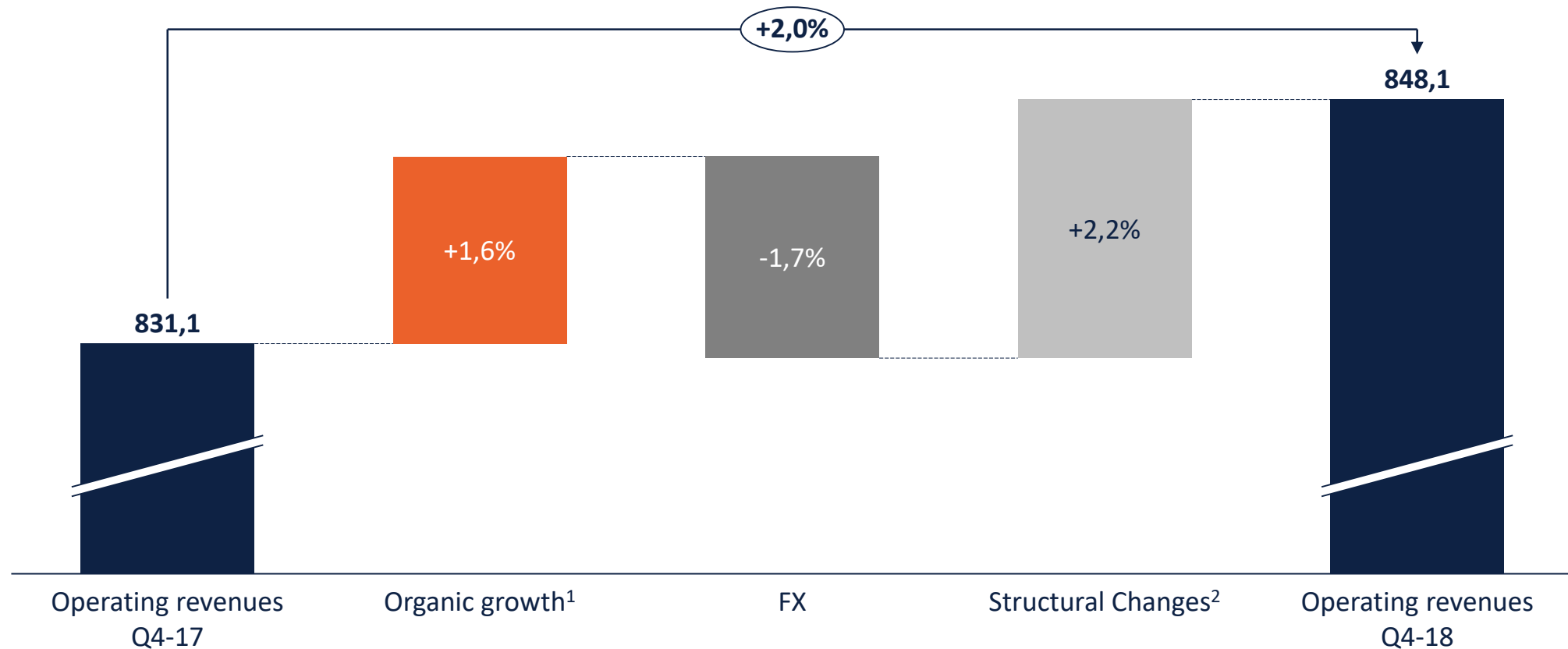
Amounts in NOK million

Profit and Loss	Q4-18	Q4-17	2018	2017
Operating revenues	848,1	831,1	2 723,2	2 575,1
EBITDA (adj.)	152,1	166,8	312,6	360,8
Depreciation, Amortization and Write-downs	-12,7	-35,3	-50,0	-74,3
EBIT (adj.)	139,5	131,5	262,6	286,5
Other income and expenses	-3,5	-0,8	-5,3	-13,2
EBIT	136,0	130,7	257,3	273,3
Net financials and other	-5,3	9,0	-36,1	-14,6
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
EPS (NOK)	1,39	1,40	2,33	2,66

Organic growth and positive effects from structural changes, negative FX

Q4-18 Operating revenue growth

Percent; NOK million

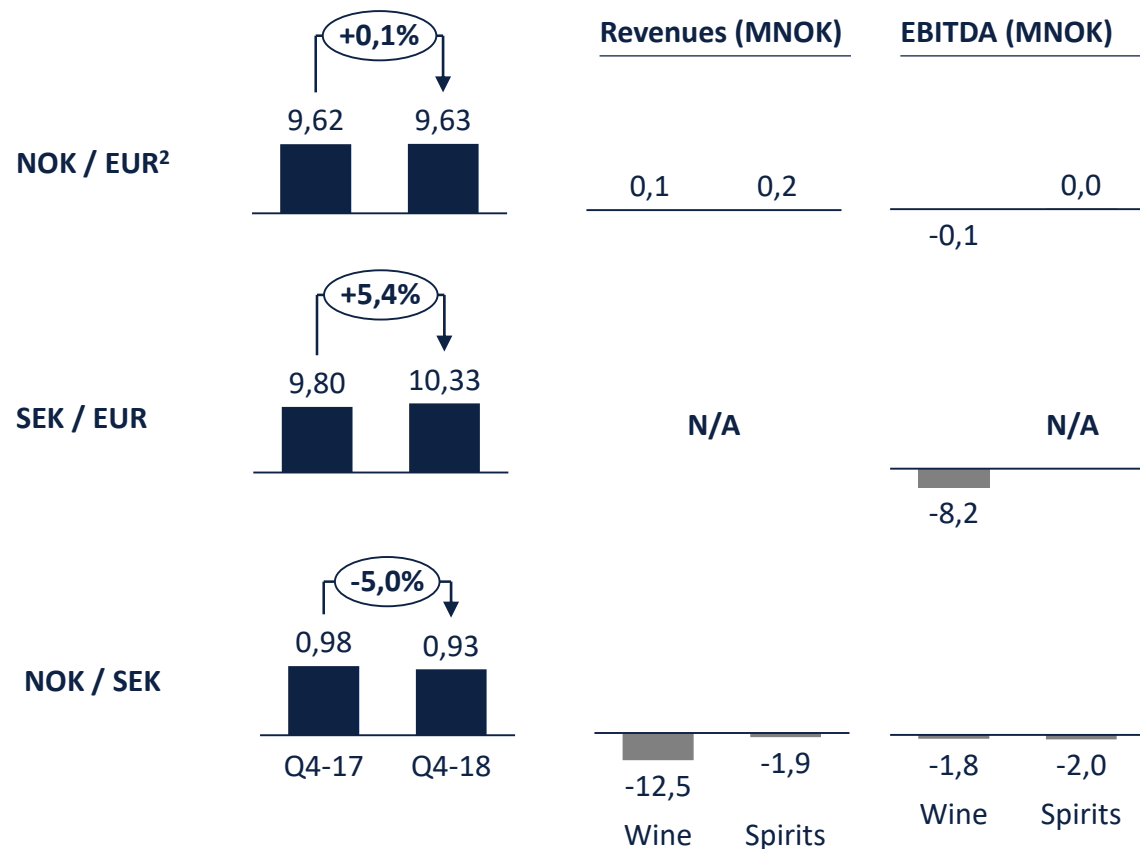


¹Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

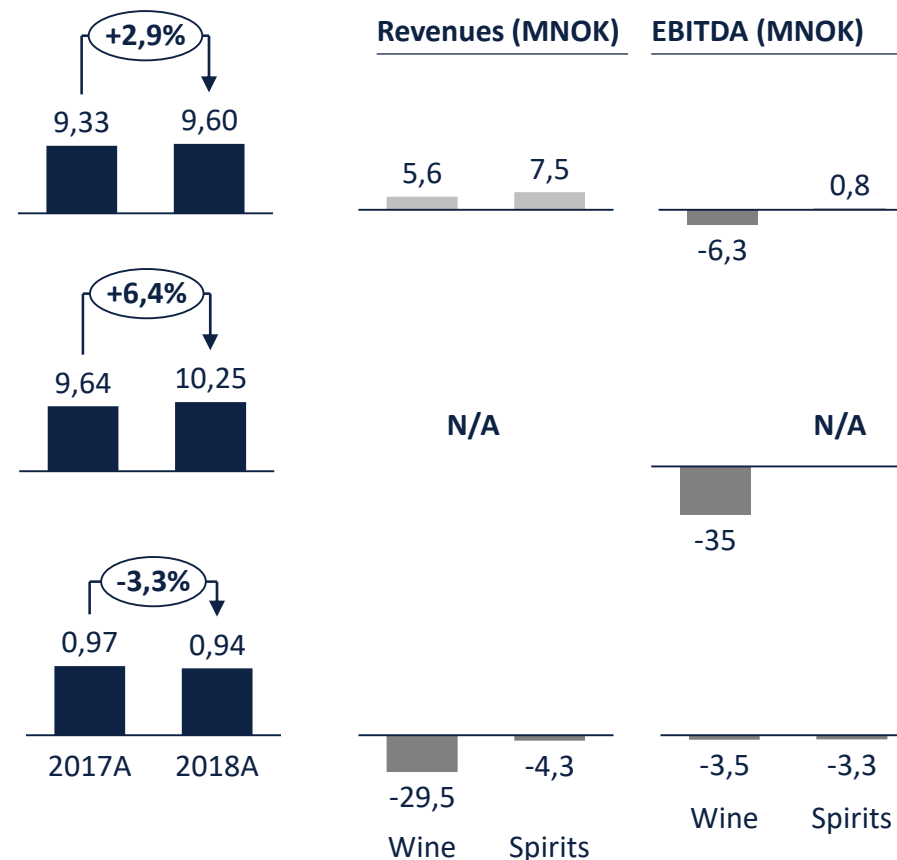
²The application of IFRS 15 had a positive effect of +1.4%

Negative FX effects both in Q4 and for the full year

Currency rate effects¹ (Q4 2018 actuals vs. Q4 2017 actuals)



Currency rate effects¹ (2018A currency rate³ vs. 2017 actuals)

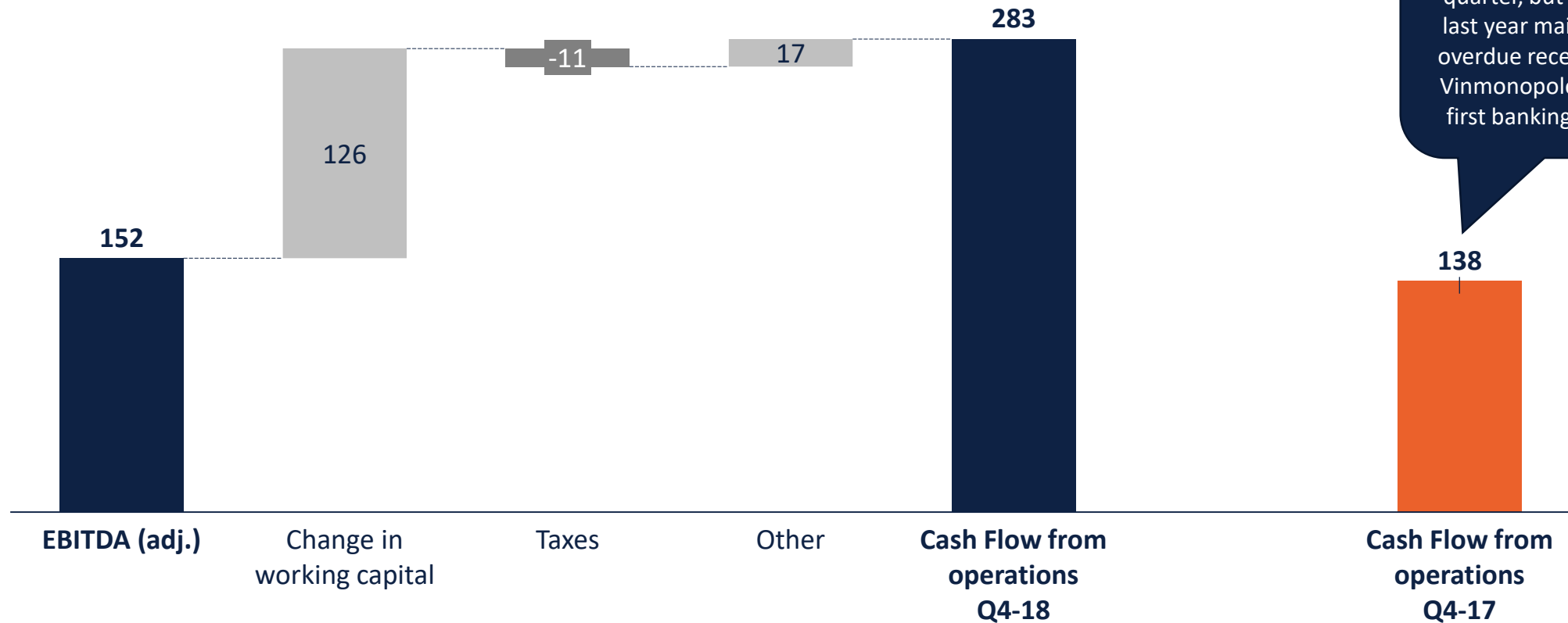


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include (N)SEK / USD (Revenues & COGS) and (N)SEK / GBP (COGS on traded goods/agency products). On the Wine business, the general 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) 2018A currency rate is average rate for the year

Cash flow positively impacted by lower net working capital at end of Q4

Q4-18 Cash Flow from Operations

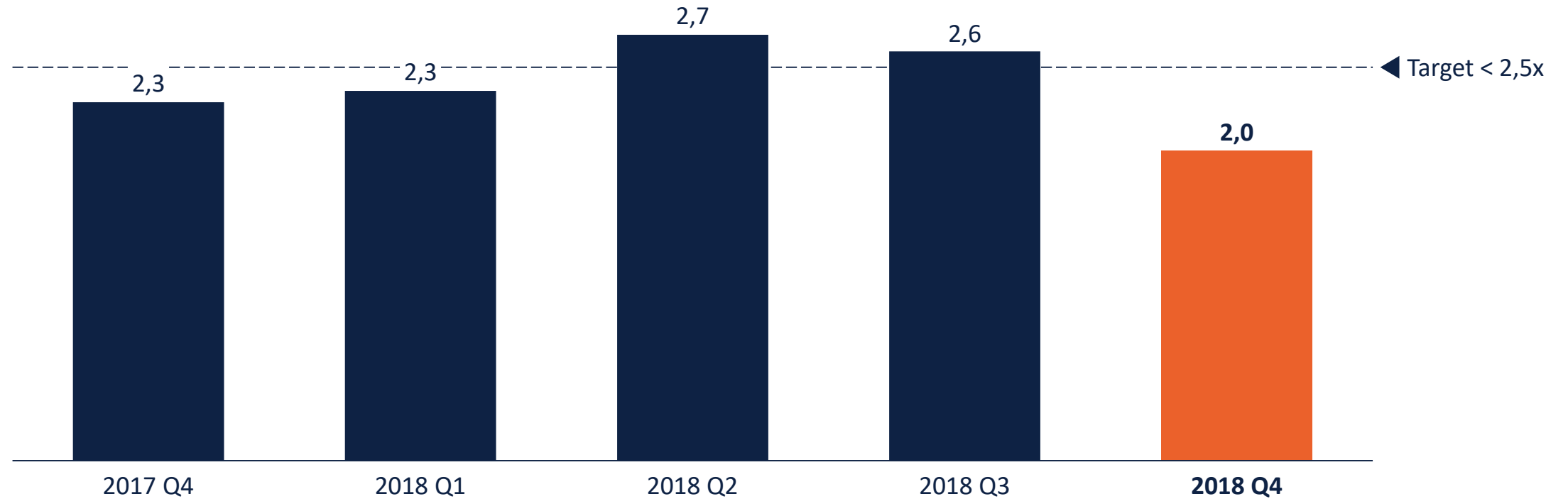
Amounts in NOK million



Reduction in net working capital is normal for the quarter, but did not occur last year mainly due to an overdue receivable against Vinmonopolet paid on the first banking day in 2018.

Gearing below target at the end of Q4

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

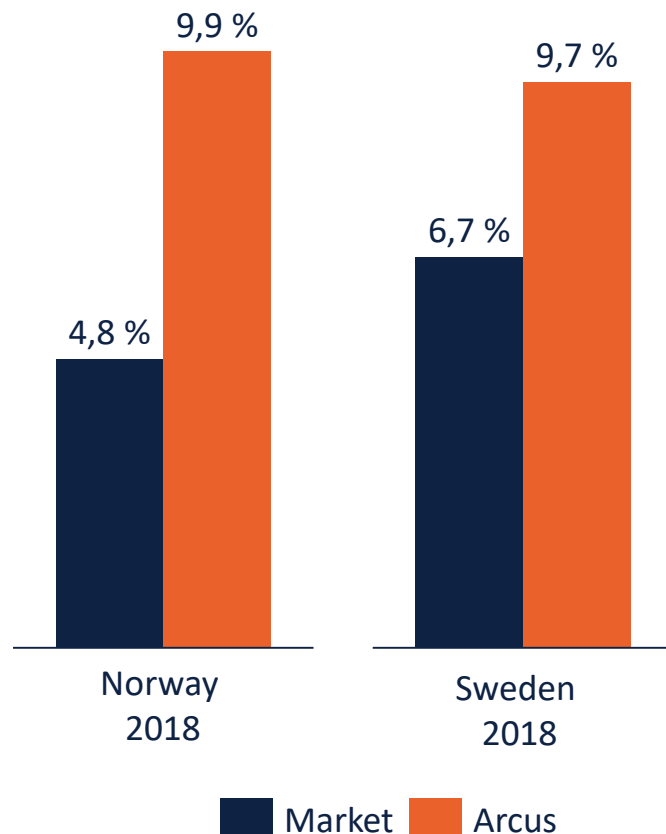


Kenneth Hamnes, Group CEO



Wine: Strong momentum going into 2019

Arcus outgrew the markets in 2018¹



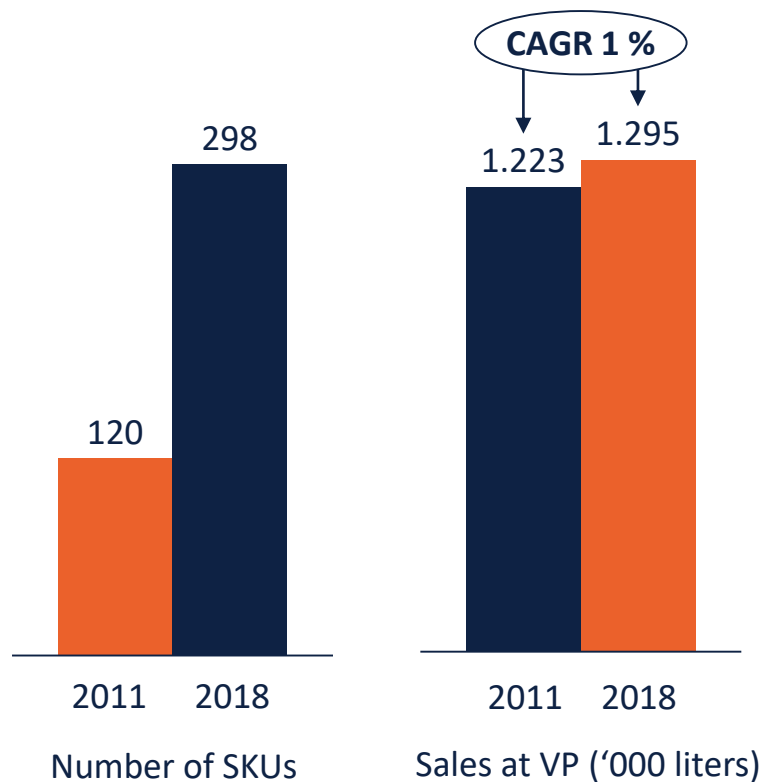
Strategy in 2019 is more of the same

- Strengthen our partnership with **agency brands**, win tenders and develop new projects
- Keep growing our **own brands** across all markets and sales channels
- Develop our **sustainability** approach with tender win of *Norway's first wine PET-bottle with deposit*
- Maintain **pricing** discipline to hit the price-volume balance and get the margins right

¹ Consumer sales Source: Vinmonopolet and Systembolaget, year end 2018

Spirits: Aquavit in Norway remains core

The aquavit category is growing



Arcus with broad-based strategy

Christmas is still #1 season for the category



Løiten Jul best-selling new Christmas product in 2018

Drinks & cocktails are still new occasions for aquavit



Lysholm **No52** for drinks and **LINIE** for cocktails

Food pairing broaden the appeal and versatility



New **summer aquavit** w/dill & lemon won VP tender

The **premium** segment will see new offerings



Opland Edel, super premium, has been a success

Value segment has been growing in 2018









Akevitt Spesial well positioned in the category

Craft and local trend strong in aquavit too



Atlungstad hand-craft distillery operative Q1/19

Hegnar Media and Vectura launch wine app: **Smakeappen**

-  Scan barcode of all wines in Norway
-  Rate wines, check ratings and get food pairing advice
-  Store your favourites, make tasting notes
-  Overview of fairs, tastings, winemaker's dinners, etc.
-  Click to order wine at vinmonopolet.no
-  Hegnar Media has editorial responsibility, Vectura delivers data



*Smakeappen got >5000
downloads in 1 week*

*Available for iPhone
and Android*

Financial calendar, 2019

14 March	Capital Markets Day, 09.00-12.00, Hotel Continental
11 April	Annual General Meeting, Gjelleråsen
10 May	Quarterly report Q1
15 August	Quarterly report Q2
6 November	Quarterly report Q3

THINK BEFORE
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The Arcus logo, featuring the word "Arcus" in a white, stylized serif font with a thin white arc above the letters.

Condensed statement of income

MNOK		Fourth quarter		Full Year	
	Note	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
Write downs		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	-56.7	-70.5
Profit/loss for the year		96.9	97.8	164.5	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 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		109.6	136.8
Financial assets		63.1	60.1
Total fixed assets		2 372.4	2 418.1
Inventories		441.1	410.8
Accounts receivables and other receivables		1 341.5	1 519.1
Cash and cash equivalents		282.6	184.4
Total current assets		2 065.2	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		1 654.1	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

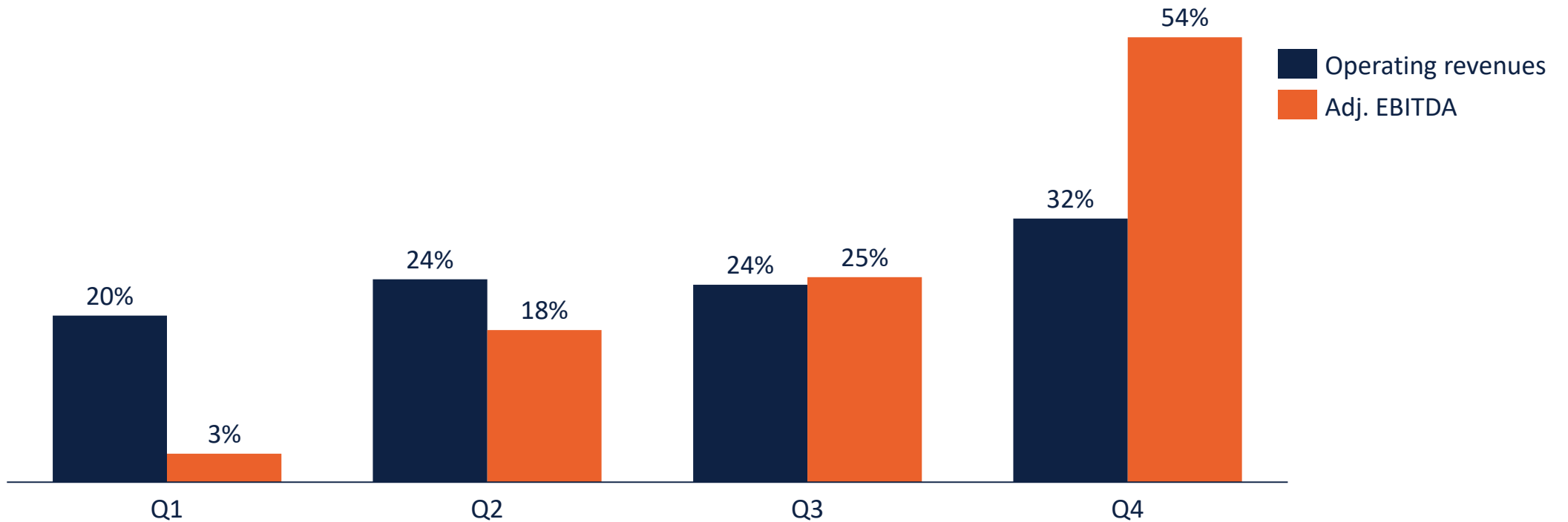
Condensed statement of cash flow

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
Proceeds - co-investment program	7.12	0.0	0.0	0.0	0.0
Payments - co-investment program	7.12	0.0	0.0	0.0	0.0
Capital increase		0.0	0.0	0.0	0.0
New debt to financial institutions	8	0.0	0.0	0.0	0.0
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

Historic quarterly distribution of top-/bottom-line



2011-2018, average

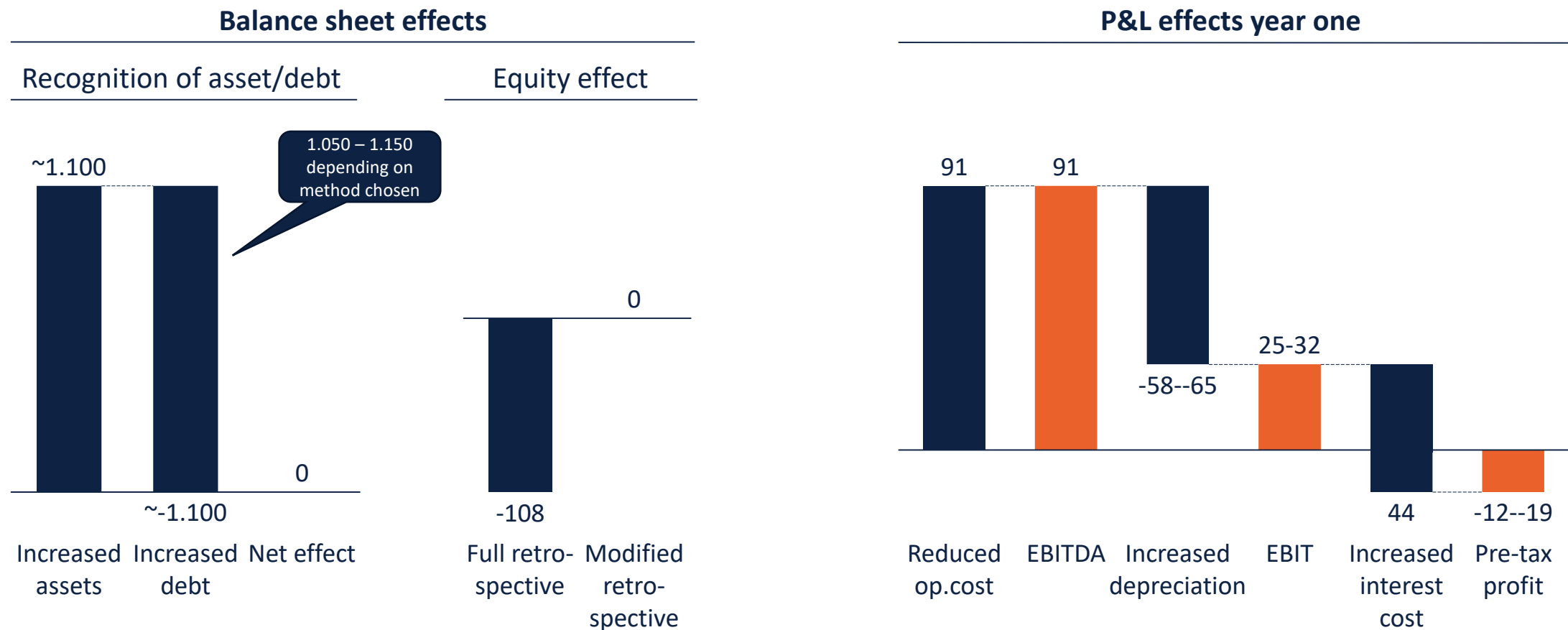


Average 2011 – 2018 Arcus ASA, rounded numbers

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



Amounts in NOK million, ESTIMATES ONLY¹



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

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