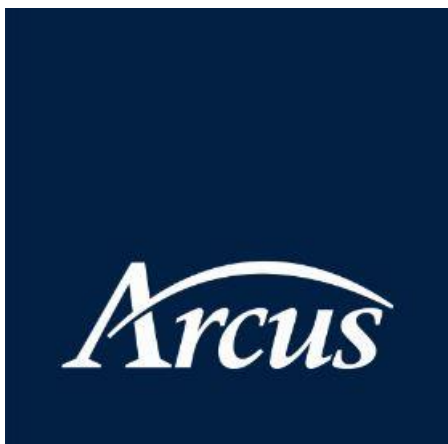


# Third quarter results 2019

Kenneth Hamnes, Group CEO  
Sigmund Toth, CFO

6 November 2019

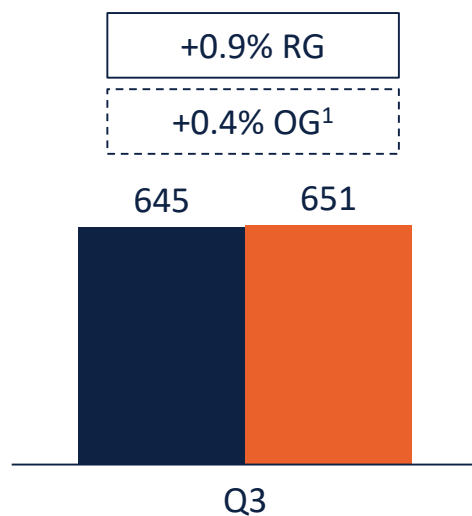


# Q3: Revenue growth in two of three business segments

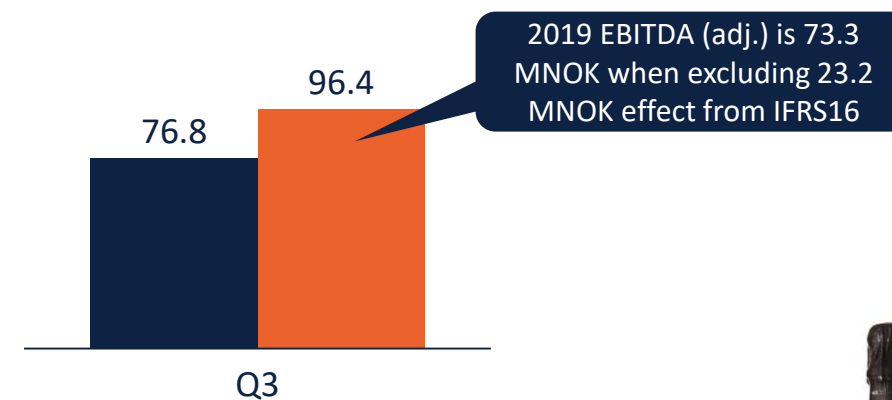
Amounts in NOK million

2018 2019

## Operating Revenues



## EBITDA (adj.)



- **Wine:** Market share growth in Norway, reduced market share in Sweden due to loss of wine producers
- **Spirits:** Growth across all major markets, market-share growth in Denmark, Sweden and Finland
- **Logistics:** Revenue growth, mainly driven by new agencies won by existing customers

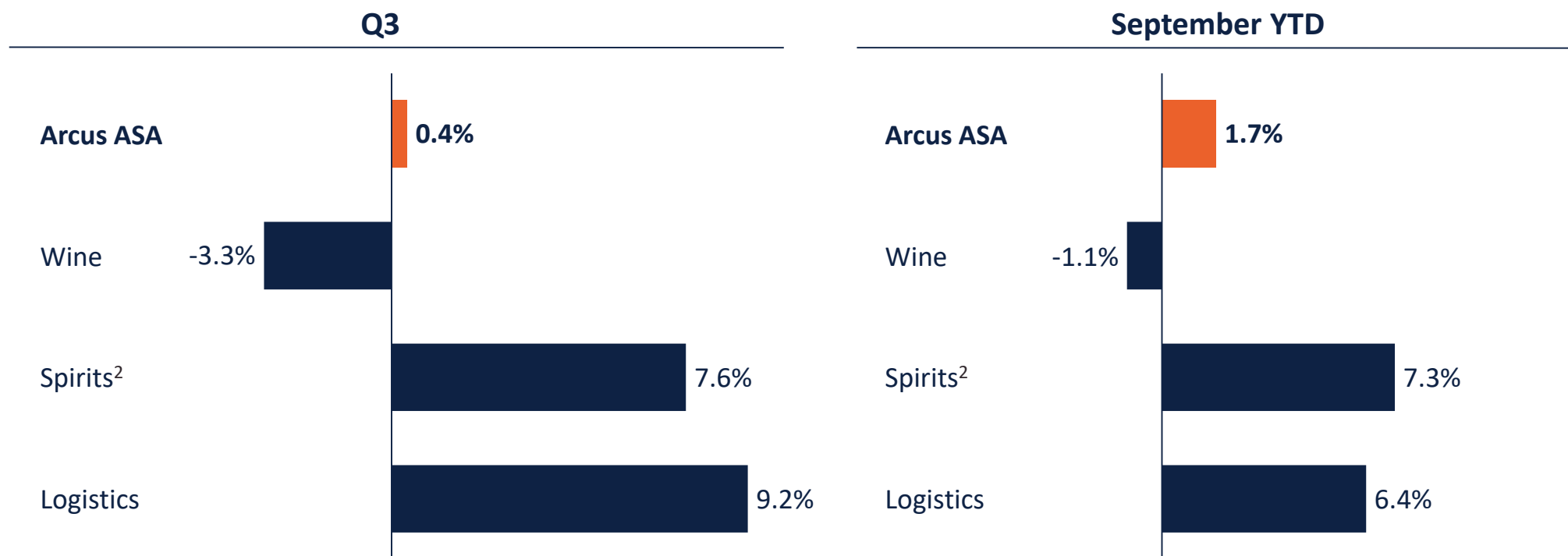
<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes



# Q3: Seventh consecutive quarter with organic growth



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



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

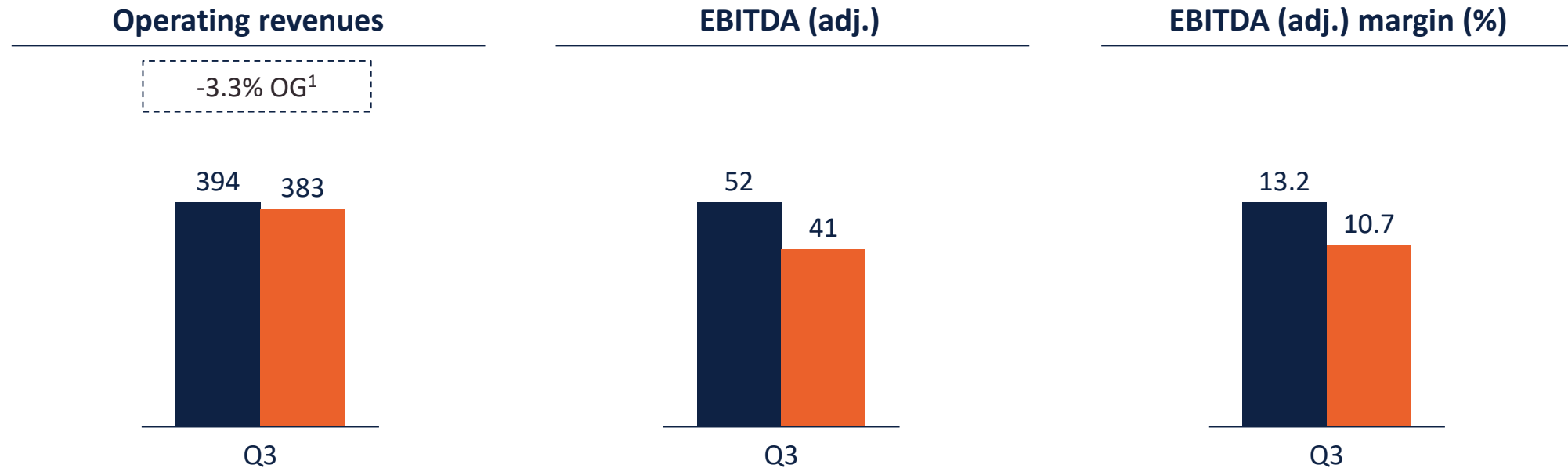
<sup>2</sup>Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



# Q3 Wine: Continued growth in Norway

Amounts in NOK million

2018 2019



- **Norway:** Increased sale of own brand bestsellers, agency products and new products. #1 position strengthened
- **Sweden:** Lower sales explained by loss of producers in Q1, rest of portfolio outgrew the market
- **Finland:** Arcus' market share down despite strong own brand growth

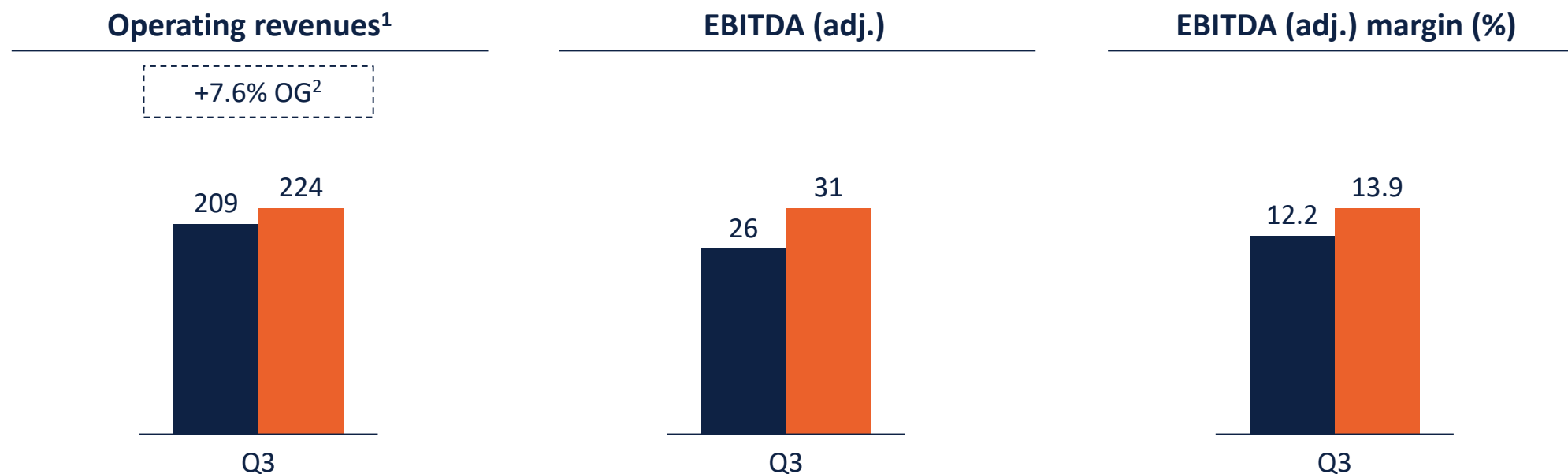
<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes



# Q3 Spirits: Continued growth, improved margin

Amounts in NOK million

2018 2019



- **Norway:** Sales growth, but somewhat slower than the market
- **Denmark:** Sales growth due to successful product launches and new agency products
- **Sweden, Finland:** Sales growth driven mainly by new agency products

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

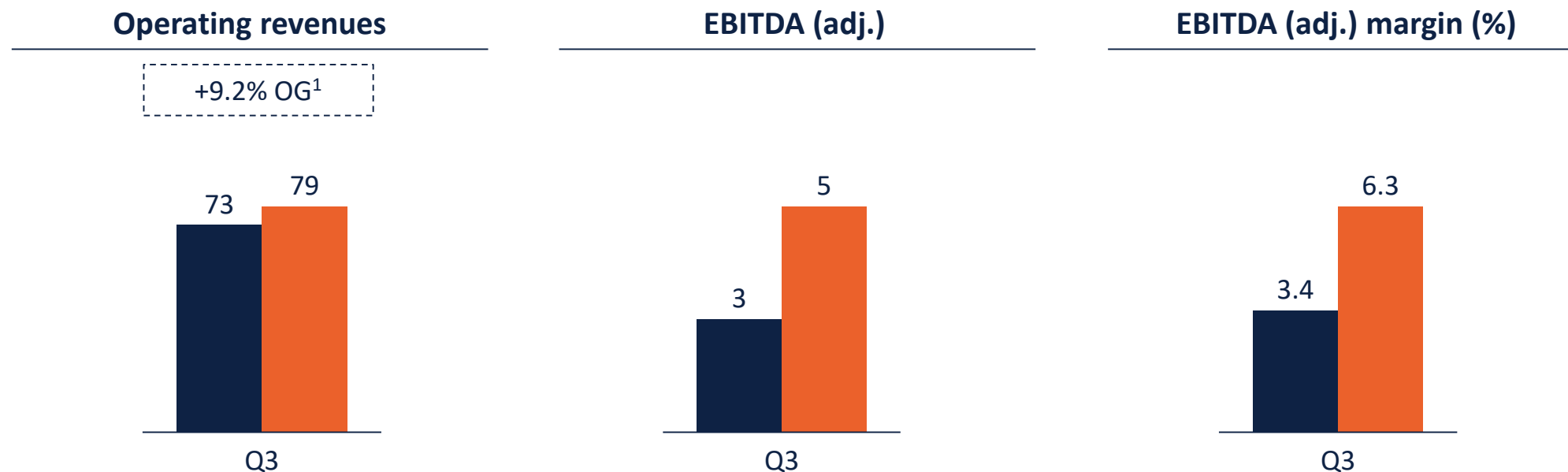
²Reported growth adjusted for currency translation effects and structural changes calculated on external spirits sales only



# Q3 Logistics: Volume growth and increased efficiency

Amounts in NOK million

2018 2019



- Volume increased by 5.0 %. In comparison, Vinmonopolet's total volume was up 2.3 % vs Q3 last year
- Volume share of deliveries to Vinmonopolet increased to 51.6 % end Q3 vs 49.5 % same period last year
- Increased volume in a quarter without seasonal peaks allowed for efficient production, reducing costs per liter

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





## Financial performance

Sigmund Toth, CFO



# Q3 Group P&L: EBITDA slightly below 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 <sup>1</sup>	2018	2019 restated <sup>1</sup>	2018
Operating revenues	650.8	0	650.8	644.9	1901.0	1 875.1
EBITDA (adj.)	96.4	23.2	73.3	76.8	155.4	160.5
Depreciation, Amortization and Write-downs	-36.3	-23.5	-12.8	-12.6	-38.0	-37.4
EBIT (adj.)	60.1	-0.3	60.5	64.2	117.4	123.1
Other income and expenses	-2.0	0	-2.0	-6.3	-15.0	-1.8
EBIT	58.2	-0.3	58.5	57.8	102.4	121.3
Net financials and other	-13.1	-2.4	-10.7	-11.9	-31.0	-30.8
Pre-tax profit	45.1	-2.7	47.8	45.9	71.4	90.5
Tax	-9.3	0.6	-9.9	-11.6	-15.5	-22.9
Profit/loss for the year	35.8	-2.1	37.9	34.3	55.9	67.6
EPS (NOK)	0.51		0.54	0.48	0.77	0.94

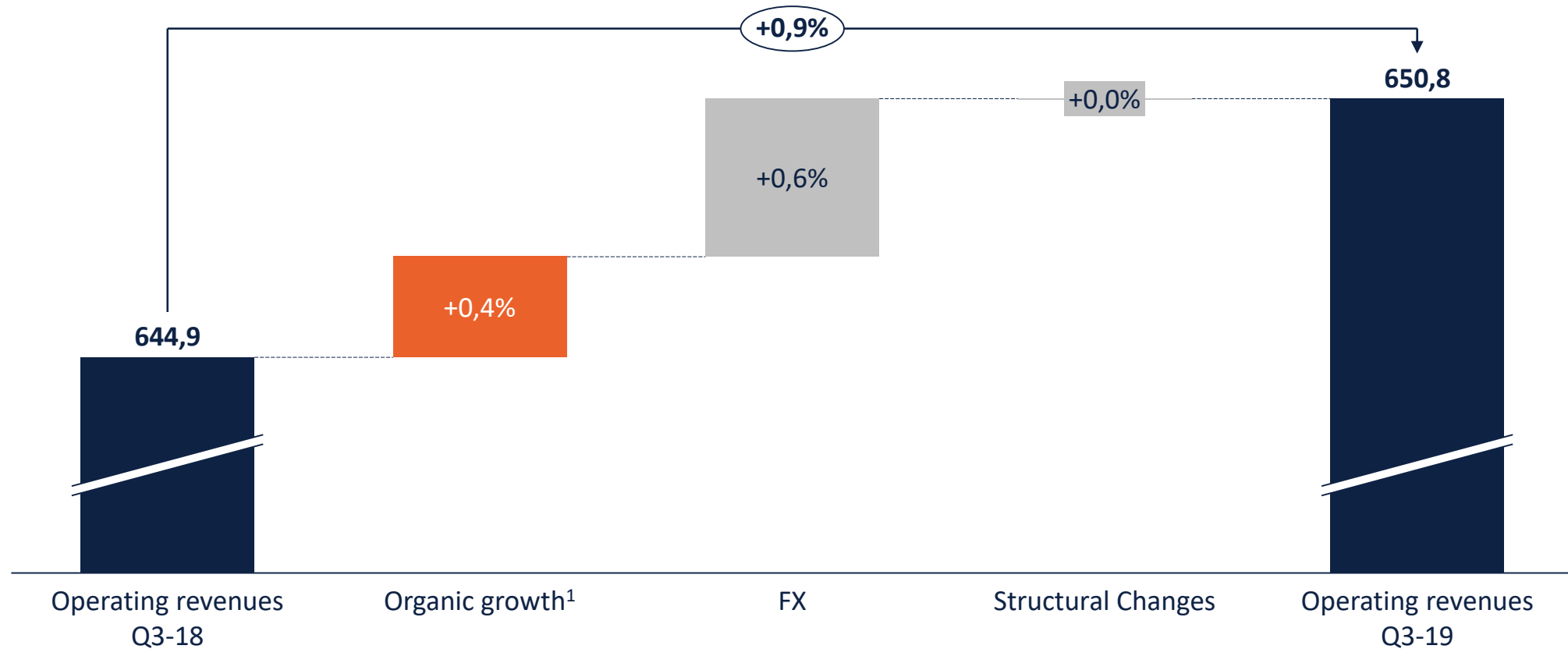
<sup>1</sup>Old IAS 17 Standard. See Quarterly Report Q3 2019 Note 1 for further details



# Organic growth and positive FX-effect

## Q3-19 Operating revenue growth

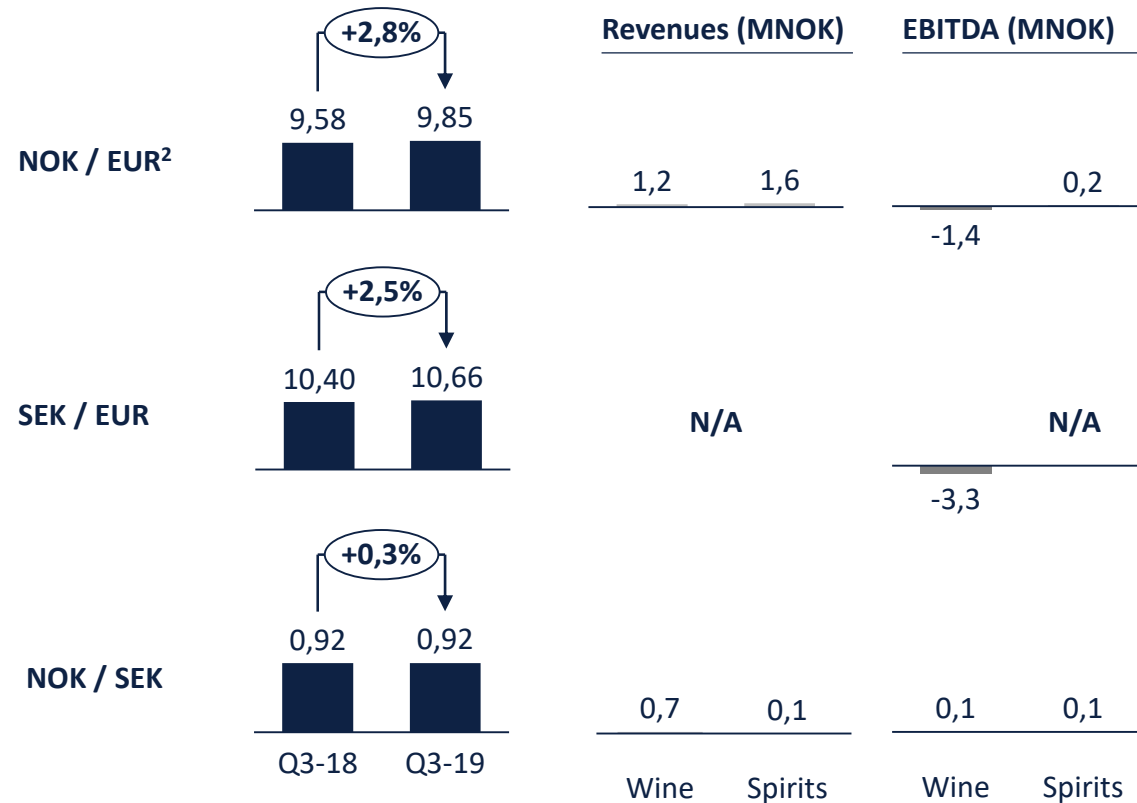
Percent; NOK million



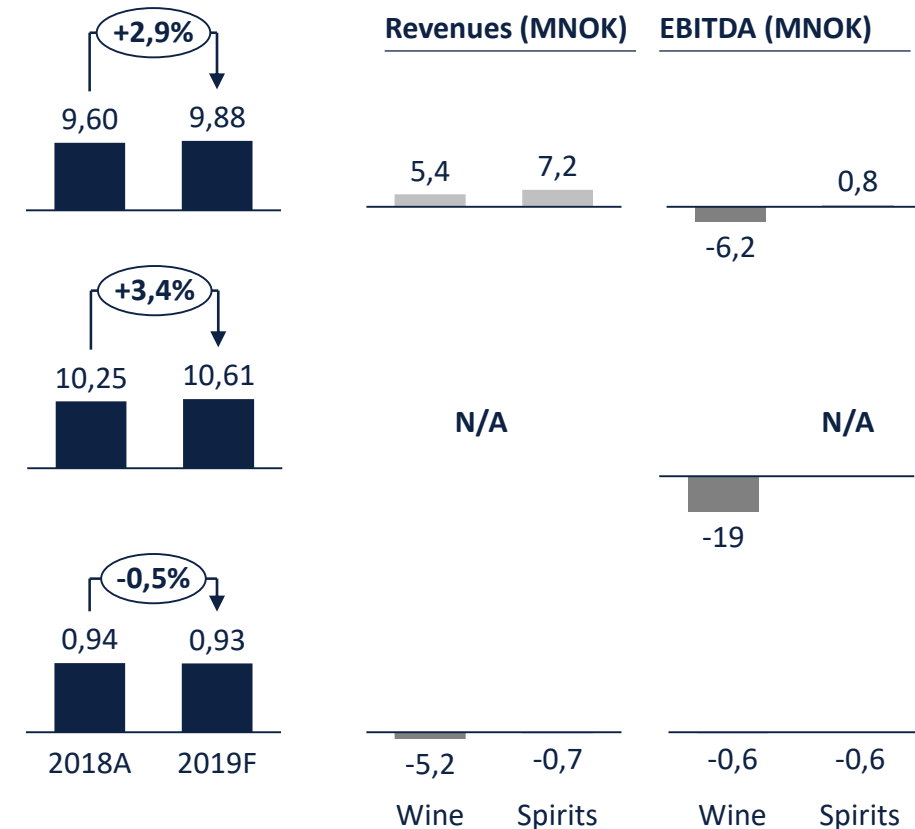
<sup>1</sup>Reported growth adjusted for currency translation effects and structural changes (such as acquisitions or divestitures)

# Currently stronger SEK/EUR vs NOK give positive FX-effect on revenues, but still negative FX effects on EBITDA with weak NOK/SEK vs EUR

Currency rate effects<sup>1</sup> (Q3 2019 actuals vs. Q3 2018 actuals)



Currency rate effects<sup>1</sup> (2019F currency rate<sup>3</sup> vs. 2018 actuals)

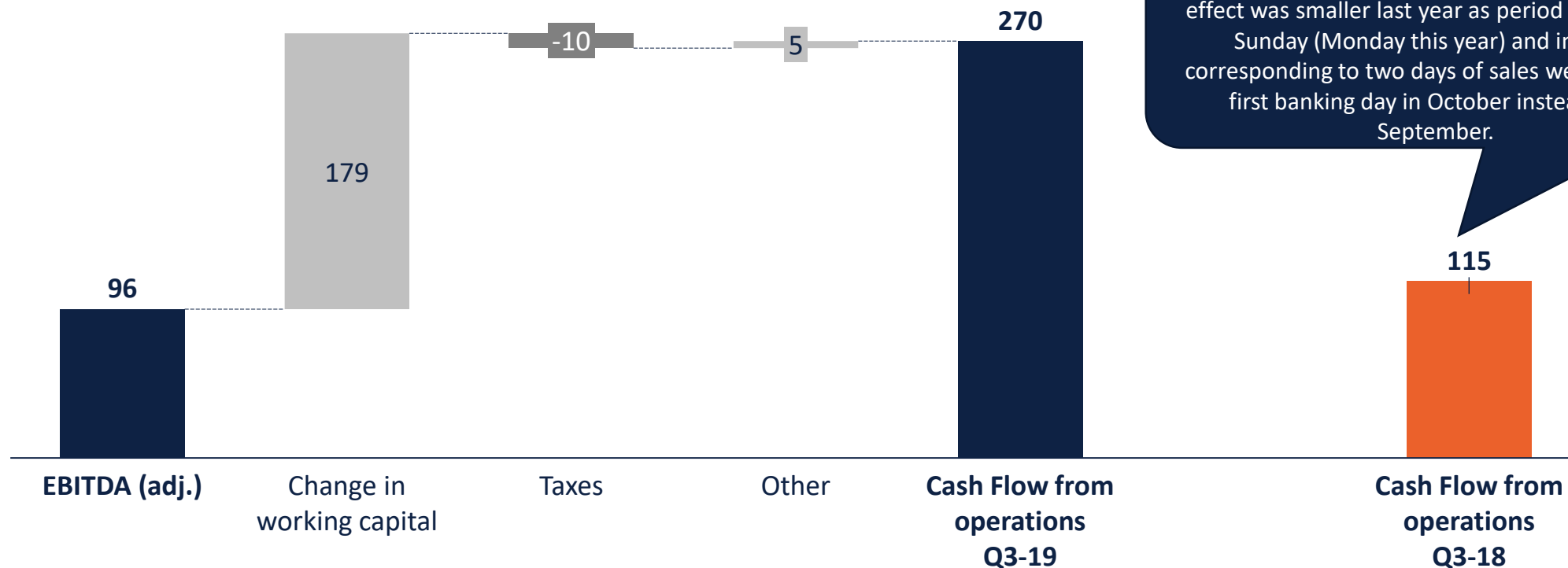


1) Effects are estimates and will vary based on actual business levels. Effects include both translation and transaction effects. Other important currency pairs (not shown) include (N)SEK / USD (Revenues & COGS) and (N)SEK / GBP (COGS on traded goods/agency products). On the Wine business, the general 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 Oct 28th 2019

# Cash flow positively impacted by lower net working capital at end of Q3

## Q3-19 Cash Flow from Operations<sup>1</sup>

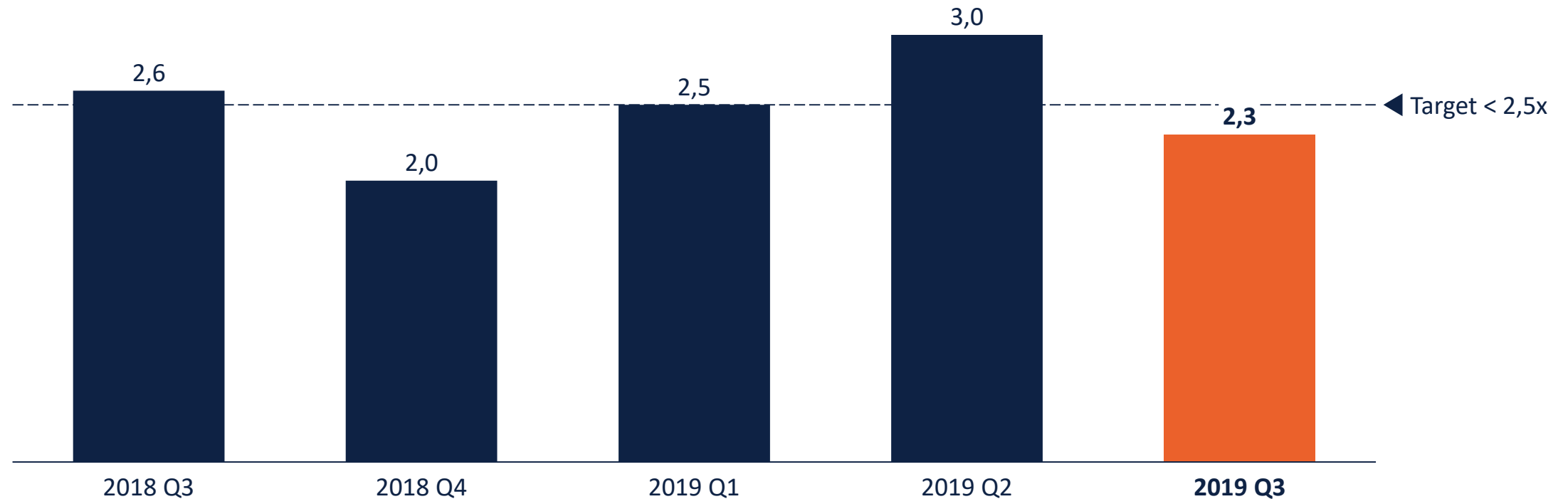
Amounts in NOK million



<sup>1</sup>The 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 below target at the end of Q3

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



Kenneth Hamnes, Group CEO



# Renewable energy: Arcus' main source is geothermal energy

- At HQ and production facility at Gjelleråsen, Arcus uses renewable energy for all heating/cooling, lights and electricity<sup>1</sup>
- Ca 70 percent of the energy is from Arcus' geothermal energy
- Ca 30 percent is electricity guaranteed from a renewable source



*Gjelleråsen facility at Hagan, Nittedal municipality*

<sup>1</sup>Renewable energy is energy that is collected from renewable resources, which are naturally replenished on a human timescale, such as sunlight, wind, rain, tides, waves, and geothermal heat. *Source: Wikipedia*



# Less plastic: Thinner quality reduces usage by 3.5 tonnes/year

- Switched to thinner plastic for use during transport
- Reduces the annual plastic consumption in this process by approx. 40 percent, equivalent to 3.5 tonnes per year
- Benefit equals more than 1,000 Oslo residents' recycling of plastic every year
- Increased efficiency as reduced need to change plastic rolls
- Lower costs as use of plastic has been reduced
- Arcus shall reduce its plastic usage by 30 percent by 2025 (The Plastic Pledge/Plastløftet)



- Arcus is committed to The Plastic Pledge (Plastløftet), says Raymond Johansen, Project Manager at Arcus

# Sustainability: Wine Sweden has launched its sustainability strategy

- Guidelines for suppliers, customers, consumers and employees
- Four strategic areas
  1. Sustainable farming and production
  2. Sustainable consumption
  3. Sustainable climate
  4. Sustainable workplace
- Each of the four areas has 2019-2021 priorities and 2021-targets



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# Condensed statement of income

MNOK	Note	Third quarter		Year to date		Full Year
		2019	2018	2019	2018	2018
Sales	2,9	639.7	635.4	1 867.2	1 839.8	2 672.6
Other revenue	2	11.1	9.5	33.8	35.3	50.6
<b>Total operating revenue</b>	2,9	<b>650.8</b>	<b>644.9</b>	<b>1 901.0</b>	<b>1 875.1</b>	<b>2 723.2</b>
Cost of goods		-386.2	-384.2	-1 118.1	-1 098.2	-1 577.3
<b>Gross Profit</b>		<b>264.6</b>	<b>260.7</b>	<b>782.8</b>	<b>776.9</b>	<b>1 145.9</b>
Gain on sale of fixed assets		0.1	0.1	0.1	0.2	0.4
Salaries and personnel cost		-97.6	-92.4	-318.9	-308.9	-426.6
Advertising & Promotion expenses (A&P)		-27.0	-28.8	-83.2	-93.6	-122.5
Other operating expenses		-43.3	-63.3	-155.7	-212.6	-286.8
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		-0.4	0.5	0.0	-1.6	2.3
Other income and expenses	3	-2.0	-6.3	-15.0	-1.8	-5.3
<b>EBITDA</b>		<b>94.4</b>	<b>70.5</b>	<b>210.1</b>	<b>158.6</b>	<b>307.3</b>
Depreciation	5,6	-34.3	-10.7	-83.7	-31.6	-42.3
Amortisations	5,6	-1.9	-1.9	-5.8	-5.8	-7.7
<b>Operating profit (EBIT)</b>		<b>58.2</b>	<b>57.8</b>	<b>120.6</b>	<b>121.3</b>	<b>257.3</b>
Financial income	12	6.8	3.3	17.3	8.7	14.5
Financial expenses	7,10,12	-19.9	-15.3	-82.1	-39.4	-50.6
<b>Pre-tax profit</b>		<b>45.1</b>	<b>45.9</b>	<b>55.9</b>	<b>90.5</b>	<b>221.2</b>
Tax		-9.3	-11.6	-12.1	-22.9	-56.8
<b>Profit/loss for the year</b>		<b>35.8</b>	<b>34.3</b>	<b>43.8</b>	<b>67.6</b>	<b>164.4</b>
Profit/loss for the year attributable to parent company shareholders		34.5	32.5	40.4	63.8	158.5
Profit/loss for the year attributable to non-controlling interests		1.4	1.7	3.4	3.7	6.0
Earnings per share, continued operations		0.51	0.48	0.59	0.94	2.33
Diluted earnings per share, continued operations		0.48	0.46	0.57	0.91	2.25

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

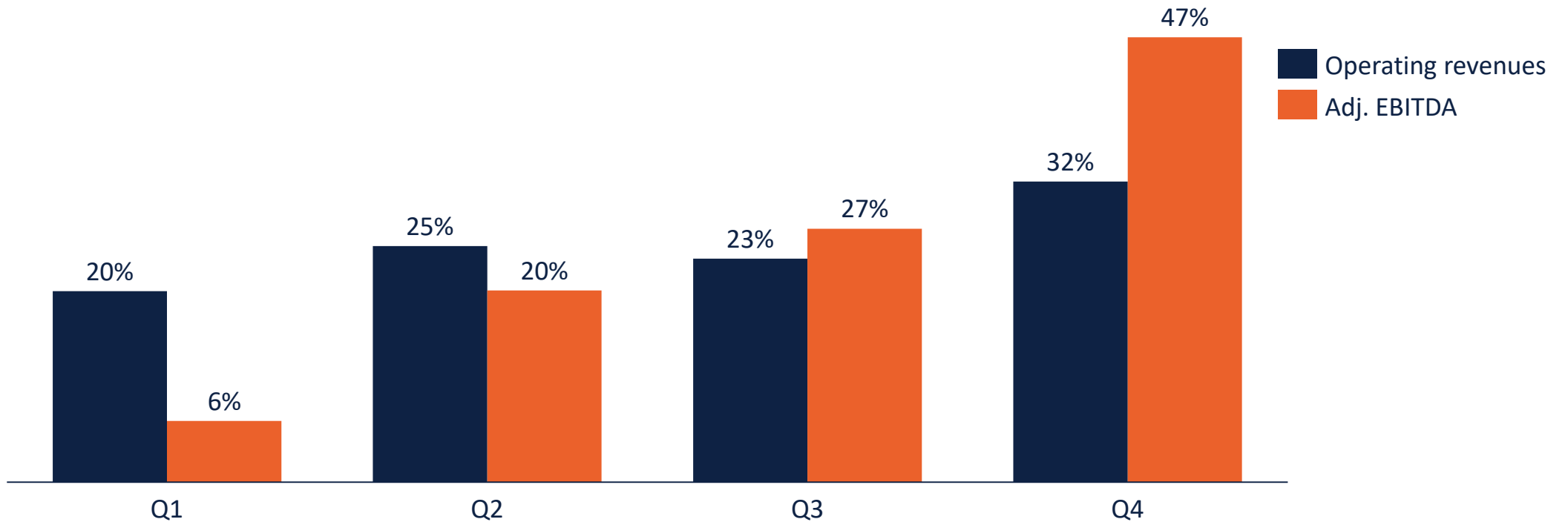
# Condensed statement of financial position

MNOK		Third quarter		Full Year
	Note	30.09.2019	30.09.2018	31.12.2018
Intangible assets	6	1 869.1	1 838.8	1 883.9
Tangible assets	5	1 416.5	317.8	315.8
Deferred tax asset		113.3	132.7	110.4
Financial assets		61.6	55.7	63.1
<b>Total fixed assets</b>		<b>3 460.4</b>	<b>2 345.0</b>	<b>2 373.2</b>
Inventories		505.9	482.6	441.1
Accounts receivables and other receivables		932.7	942.6	1 340.7
Cash and cash equivalents		150.5	90.7	282.6
<b>Total current assets</b>		<b>1 589.1</b>	<b>1 515.9</b>	<b>2 064.4</b>
<b>Total assets</b>		<b>5 049.5</b>	<b>3 860.9</b>	<b>4 437.6</b>
Paid-in equity		772.1	772.1	772.1
Retained earnings		808.6	736.9	879.0
Non-controlling interests		3.2	2.3	3.0
<b>Total equity</b>		<b>1 583.9</b>	<b>1 511.3</b>	<b>1 654.0</b>
Non-current liabilities to financial institutions	8	691.3	685.5	723.5
Non-current liabilities at fair value through profit or loss	7,10	69.3	69.6	74.2
Non-current finance lease liabilities	8	1 221.9	153.5	151.4
Pension obligations		21.4	30.7	21.1
Deferred tax liability		102.3	97.3	102.0
Other non-current liabilities		0.4	0.2	0.7
<b>Total non-current liabilities</b>		<b>2 106.7</b>	<b>1 036.8</b>	<b>1 073.0</b>
Bank Overdraft	8	0.0	87.6	0.0
Current finance lease liabilities	8	66.7	17.4	18.1
Accounts payable and other payables		1 292.2	1 207.8	1 692.5
<b>Total current liabilities</b>		<b>1 358.9</b>	<b>1 312.8</b>	<b>1 710.6</b>
<b>Total equity and liabilities</b>		<b>5 049.5</b>	<b>3 860.9</b>	<b>4 437.6</b>

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



2016-2018, average



Average 2016 – 2018 Arcus ASA, rounded numbers



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