



# Quarterly Report

## Q4 2016



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<sup>1</sup> Please note that numbers throughout the document are presented according to Norwegian conventions, e.g. 801,1 means eight hundred and one point one, while 2.582,4 means two thousand five hundred and eighty-two point four.

# Message from the CEO

2016 was a historic year for Arcus in several respects:

On December 1<sup>st</sup> 2016, Arcus ASA was listed on the Oslo Stock Exchange and now has more than 3.000 shareholders. The successfully completed offering significantly strengthened Arcus' financial position and laid a solid foundation for further development of the group.

On the business side, 2016 was the 18th consecutive year of revenue growth for Arcus, while underlying profitability (Adjusted EBITDA) improved significantly. Total operating revenue was 2.582 MNOK, a growth of 4,5 percent compared to 2015, while Adjusted EBITDA was 335 MNOK, an improvement of 22,2 percent versus 2015.

Demand for our iconic spirits brands was solid, the wine business delivered good results despite foreign exchange head wind and Distribution won new contracts implemented during the second half of the year.

Fourth quarter made a good finish of 2016 with underlying sales growth for wine and increased revenue for spirits. The profitability in the distribution business has shifted and it was profitable for the second consecutive quarter.

We will work hard to continue creating solid shareholder value growth in 2017.

Kenneth Hamnes

Group CEO

## Key figures Q4 2016

### CONSOLIDATED GROUP FIGURES

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Total operating revenue	811,4	801,1	2 582,4	2 470,6	2 470,6
Gross profit <sup>1)</sup>	362,2	353,9	1 114,5	1 076,0	1 076,0
EBITDA <sup>1)</sup>	115,9	133,6	290,5	257,8	257,8
EBITDA adjusted <sup>1)2)</sup>	152,3	156,8	335,4	274,4	274,4
Pre-tax profit	9,9	120,6	2,1	101,7	101,7
Earnings per share, parentcompany shareholders (NOK)	-16,6	86,4	-34,6	64,1	64,1
<b>Key figures</b>					
Gross margin <sup>1)</sup>	44,6 %	44,2 %	43,2 %	43,6 %	43,6 %
EBITDA margin <sup>1)</sup>	14,3 %	16,7 %	11,2 %	10,4 %	10,4 %
EBITDA margin adjusted <sup>1)</sup>	18,8 %	19,6 %	13,0 %	11,1 %	11,1 %
Equity ratio <sup>1)</sup>	35,0 %	21,8 %	35,0 %	21,8 %	21,8 %
<b>Financial position</b>					
Total equity	1 502,6	876,4	1 502,6	876,4	876,4
Net interest bearing debt (cash) <sup>1)</sup>	711,4	1 053,4	711,4	1 053,4	1 053,4

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

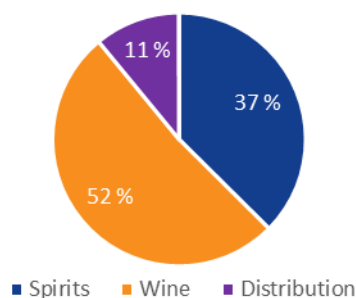
<sup>2)</sup> EBITDA adjusted is defined by ArcusGruppen as operating profit before depreciation, amortisation and other income and expenses. See definition of other income and expenses in the APM chapter.

# Highlights Q4 2016

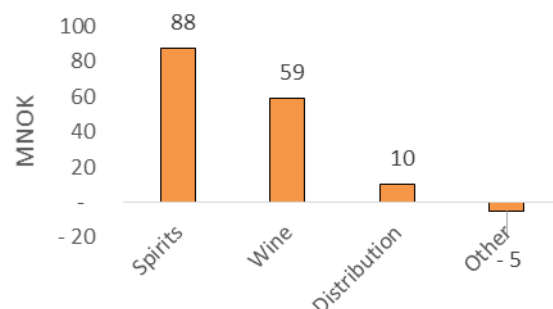
- On December 1<sup>st</sup>, Arcus ASA successfully completed its IPO and was listed on the Oslo Stock Exchange.
- Operating revenue for Q4 was 811,4 MNOK, compared to 801,1 MNOK in same period last year (+1,3 percent), while organic revenue growth<sup>2</sup> was 4,4 percent. For 2016 as a whole, operating revenue was 2.582,4 MNOK, compared to 2.470,6 MNOK in 2015 (+4,5 percent), while organic revenue growth was 3,3 percent.
- Adjusted EBITDA<sup>1</sup> for Q4 was 152,3 MNOK, compared to 156,8 in the same period last year (-2,9 percent). For 2016 as a whole, Adjusted EBITDA was 335,4 MNOK, compared to 274,4 MNOK in 2015 (+22,2 percent).
- Wine revenues amounted to 426,2 MNOK, compared to 435,4 same period last year. All three markets (Finland, Sweden and Norway) saw organic revenue growth. Sales of Arcus' brands increased faster than overall sales, mainly due to additional listings in Sweden. The weak SEK had a negative impact on segment reported sales and margins.
- Spirits increased sales to 301,2 MNOK, compared to 281,6 MNOK same period last year. Adjusted EBITDA margins were lower in Q4 2016 than in Q4 2015, mainly due to higher advertising & promotion (A&P) spending (shifted from other quarters).
- Distribution grew revenues to 82,4 MNOK compared to 76,8 MNOK in same quarter last year, driven by new and existing contracts. Building on the positive trend of recent quarters, the segment delivered positive adjusted EBITDA both for Q4 and for 2016 as a whole, following several years of negative EBITDA.



Operating revenue per segment <sup>2</sup>



Adj. EBITDA pr segment<sup>2</sup>



<sup>2</sup> Organic Revenue Growth is defined as the Segment's or the Group's revenues, adjusted for currency effects and structural changes (mainly acquisitions or divestitures). Adjusted EBITDA is EBITDA adjusted for non-recurring effects, but is **not** correct for foreign exchange effects. See separate chapter/note on APM for reconciliation. <sup>2</sup> Figures for Q4 2016, "Other" segment represents HQ and eliminations

## Wine: Organic sales growth, lower margins

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Total operating revenue</b>	<b>426,2</b>	<b>435,4</b>	<b>1 552,4</b>	<b>1 466,6</b>	<b>1 466,6</b>
Net gain on sales of fixed assets	0,0	0,0	0,0	0,0	0,0
<b>Total income</b>	<b>426,2</b>	<b>435,4</b>	<b>1 552,4</b>	<b>1 466,6</b>	<b>1 466,6</b>
Gross profit <sup>1)</sup>	105,3	122,4	386,8	395,1	395,1
Gross margin <sup>1)</sup>	24,7 %	28,1 %	24,9 %	26,9 %	26,9 %
EBITDA <sup>1)</sup>	59,3	61,8	194,2	197,1	197,1
EBITDA adjusted <sup>1)</sup>	59,3	66,1	194,2	197,5	197,5
EBITDA margin <sup>1)</sup>	13,9 %	14,2 %	12,5 %	13,4 %	13,4 %
EBITDA margin adjusted <sup>1)</sup>	13,9 %	15,2 %	12,5 %	13,5 %	13,5 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### OPERATING REVENUE

Total operating revenue for Wine was 426,2 MNOK for the fourth quarter, compared to 435,4 MNOK Q4 last year. Organic revenue growth was 4,6 percent. Reported revenue growth was negative due to a –21.3 MNOK negative impact from FX (weak SEK and EUR vs. NOK) and a -7,5 MNOK reclassification effect (marketing support from suppliers now reduce A&P expense rather than increase sales).

Measured in local currency, the sales growth in Sweden was at lower pace than in the previous quarters, due to slower overall market growth (1,5% in Q4 vs. 10,5% Q3 YTD), while sales growth in Finland picked up significantly from a low pace. Norwegian sales (incl. DFTR) were up about 2,5% vs. the same quarter last year.

Sales of Arcus' own brands increased faster than overall sales growth, mainly due to additional listings in Sweden.

### EBITDA

The adjusted EBITDA-margin for Wine was 13,9 percent in the fourth quarter compared to 15,2 percent last year (-1,3 percentage points).

A key driver of the decreased margin in the segment was the low SEK vs EUR, which put a strain on the margins of Wine Sweden.

### WINE

*Arcus is the largest importer of wine in Norway, the second largest in Sweden, and the third largest in Finland. Arcus Wine imports and markets agency wines, as well as Arcus brands. This includes Falling Feather, Norway's best-selling red wine in 2016.*

## Spirits: Increased revenue, shifted A&P-costs

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Sales	301,2	281,6	751,1	714,1	714,1
Other revenue	32,3	42,9	152,8	140,7	140,7
<b>Total operating revenue</b>	<b>333,6</b>	<b>324,4</b>	<b>903,9</b>	<b>854,8</b>	<b>854,8</b>
Net gain on sales of fixed assets	0,0	0,2	0,1	0,2	0,2
<b>Total income</b>	<b>333,6</b>	<b>324,6</b>	<b>904,0</b>	<b>855,0</b>	<b>855,0</b>
Gross profit <sup>1)</sup>	177,5	159,7	476,9	442,0	442,0
<i>Gross margin<sup>1)</sup></i>	53,2 %	49,2 %	52,7 %	51,7 %	51,7 %
EBITDA <sup>1)</sup>	87,3	84,6	158,7	112,2	112,2
EBITDA adjusted <sup>1)</sup>	87,7	90,2	162,6	113,0	113,0
EBITDA margin <sup>1)</sup>	26,2 %	26,1 %	17,6 %	13,1 %	13,1 %
EBITDA margin adjusted <sup>1)</sup>	26,3 %	27,8 %	18,0 %	13,2 %	13,2 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### OPERATING REVENUE

Total operating revenue for Spirits fourth quarter 2016 was 333,6 MNOK, compared to 324,4 MNOK for same period last year, a growth of 2,8 percent, while organic revenue growth was 1,4 percent.

Sales growth in Spirits was mainly related to increased sales in the Norwegian, Swedish and German markets. In particular, Vodka and Aquavit increased. The Dvorek brand (acquired with effect in September) contributed 7,5 MNOK in incremental sales during the quarter.

The decline for 'Other revenue' of 10,6 MNOK in Q4 2016 compared to Q4 2015, is mainly due to the high group wine bottling volume in Q4 2015 (which included a large mulled wine tender), as well as reduced external bottling services.

### EBITDA

The adjusted EBITDA-margin for Spirits was 26,6 percent for the fourth quarter, compared to 27,8 percent in the same period last year, driven mainly by higher advertising and promotion (A&P) costs in Q4 partly off-set by higher gross margins.

As planned, A&P costs in the quarter were higher than the same period last year, as activities and related costs were shifted from other quarters to coincide with the Q4 peak season.

The gross margin was 53,2 percent in the fourth quarter, an increase of 4,0 percentage points compared to the same period last year. Strong sales and improved margin on own products, especially aquavit and vodka, contributed to the increase in gross margins, as did the decline in the share of total revenue of low-margin 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 Dvorek) 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.*

## Distribution: Profitable growth

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Total operating revenue</b>	<b>82,4</b>	<b>76,8</b>	<b>262,9</b>	<b>250,1</b>	<b>250,1</b>
Net gain on sales of fixed assets	0,0	0,0	0,0	0,0	0,0
<b>Total income</b>	<b>82,4</b>	<b>76,8</b>	<b>262,9</b>	<b>250,1</b>	<b>250,1</b>
Gross profit <sup>1)</sup>	82,4	76,8	262,9	250,1	250,1
<i>Gross margin<sup>1)</sup></i>	<i>100,0 %</i>	<i>100,0 %</i>	<i>100,0 %</i>	<i>100,0 %</i>	<i>100,0 %</i>
EBITDA <sup>1)</sup>	10,3	3,7	2,2	-19,2	-19,2
EBITDA adjusted <sup>1)</sup>	10,3	6,0	2,6	-15,7	-15,7
EBITDA margin <sup>1)</sup>	12,5 %	4,9 %	0,8 %	-7,7 %	-7,7 %
EBITDA margin adjusted <sup>1)</sup>	12,5 %	7,8 %	1,0 %	-6,3 %	-6,3 %

<sup>1)</sup> Alternative Performance Measure (APM) – see separate chapter/note for definition and reconciliation.

### VOLUME

Distributed volumes in fourth quarter was 13,0 million liters, an increase of 10 percent from the same quarter last year.

The growth in volume was driven by new contracts with importers implemented in Q2, equivalent to 10 percent growth compared to last year.

Lower sales to Vinmonopolet were compensated by higher growth in wholesale as well as to hotels, restaurants and catering (horeca), but at slightly lower revenue per liter.

### OPERATING REVENUE

The positive development for Distribution continued in the fourth quarter, with an increase in operating revenue of 7,3 percent to 82,4 MNOK. The positive development was mainly driven by increased volume from the new contracts won in Q2. The negative

impact from lower average revenue per liter, was partially offset by higher sales of services to existing customers.

### EBITDA

Adjusted EBITDA in the fourth quarter was 10,3 MNOK, compared to 6,0 MNOK same quarter last year. The positive trend from previous quarters continued also in the fourth quarter: Increased volumes are handled through more efficient processes and with a reduced cost base.

### DISTRIBUTION

*Vectura is the leading integrated logistics services 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 was -12,2 MNOK (vs. 244,9 MNOK same period last year). The main reason for a lower net cash flow from operations this year was the decision to stop using factoring. This led to a one-time increase in receivables of 225 MNOK.

Correcting for this effect, underlying net cash flow from operations was 212,8 MNOK, driven mainly by strong adjusted EBITDA (152 MNOK) and a seasonal decrease in working capital by ~106 MNOK, a similar amount as in Q4 2015.

Net interest bearing debt was 711,4 MNOK (vs. 1.053,4 MNOK last year). The significant reduction is mainly due to the refinancing and reduction of long-term debt, using parts of the proceeds from the IPO.

The Board proposes a dividend of 100 MNOK, equal to 1,47 NOK/share, and corresponding to around 60% of pro-forma Profit/loss for the year when adjusting for IPO costs and reduced post-IPO gearing. This is at the mid-range of the 50-70% dividend target.

## SEASONAL VARIATIONS

The business of Arcus is seasonal. Sales of wine and spirits increase during national festivals and holidays, in particular Easter and Christmas. Q4 is normally the strongest quarter in terms of income as

well as operating profit due to Christmas and New Year 's Eve.

## OTHER INFORMATION

In January 2017, Arcus acquired the remaining 50 percent of the shares in the Joint Venture, Det Danske Spritus Kompagni A/S (DDSK). After the transaction, Arcus owns 100 percent of the shares in the company. DDSK will be consolidated in the Arcus' accounts from 1 January 2017. Based on 2016 figures, this would have led to increased revenues of approximately 25 MNOK and increased EBIT of 5 MNOK.

Lorna Stangeland, CEO of Vectura, has given notice that she will resign. After the resignation, Stangeland will become a member of the Vectura Board of Directors. The search process for a new CEO is ongoing.



# Group consolidated accounts

The interim financial statement has not been audited.

## CONDENSED STATEMENT OF INCOME

MNOK	Note	Fourth quarter		Year to date		Year end
		2016	2015	2016	2015	2015
Sales	9	796,0	774,2	2 521,8	2 365,2	2 365,2
Other revenue		15,4	26,9	60,6	105,4	105,4
<b>Total operating revenue</b>		<b>811,4</b>	<b>801,1</b>	<b>2 582,4</b>	<b>2 470,6</b>	<b>2 470,6</b>
Net gain on sales of fixed assets		0,0	0,2	0,1	0,2	0,2
<b>Total income</b>		<b>811,4</b>	<b>801,2</b>	<b>2 582,5</b>	<b>2 470,9</b>	<b>2 470,9</b>
Cost of goods		-449,1	-447,2	-1 467,9	-1 394,6	-1 394,6
Salaries and personnel cost		-110,3	-103,1	-392,6	-380,3	-380,3
Advertising & Promotion expenses (A&P)		-37,2	-33,4	-121,7	-145,1	-145,1
Other operating expenses		-67,0	-66,0	-270,8	-281,0	-281,0
Depreciations	4, 5	-11,7	-10,6	-46,0	-45,6	-45,6
Amortisations	4, 5	-1,4	-1,4	-5,6	-5,5	-5,5
Write downs		0,0	-2,0	0,0	-4,4	-4,4
Share of profit from AC <sup>1)</sup> and JCE <sup>2)</sup>		4,6	5,3	5,8	4,6	4,6
<b>Operating profit before other income and expenses (EBIT adjusted)</b>		<b>139,2</b>	<b>142,8</b>	<b>283,7</b>	<b>218,8</b>	<b>218,8</b>
Other income and expenses	2	-36,4	-23,3	-44,9	-16,5	-16,5
<b>Operating profit (EBIT)</b>		<b>102,8</b>	<b>119,5</b>	<b>238,9</b>	<b>202,3</b>	<b>202,3</b>
Net financial profit/loss	6, 10, 11	-93,0	1,1	-236,7	-100,6	-100,6
<b>Pre-tax profit</b>		<b>9,9</b>	<b>120,6</b>	<b>2,1</b>	<b>101,7</b>	<b>101,7</b>
Tax	12	-24,4	-27,2	-26,2	-17,3	-17,3
<b>Profit/loss for the year</b>		<b>-14,5</b>	<b>93,4</b>	<b>-24,1</b>	<b>84,4</b>	<b>84,4</b>
Profit/loss for the year attributable to parent company shareholders		-16,6	86,4	-34,6	64,1	64,1
Profit/loss for the year attributable to non-controlling interests		2,1	7,0	10,5	20,3	20,3
Earnings per share, continued operations		-0,30	1,73	-0,67	1,28	1,28
Diluted earnings per share, continued operations		-0,30	1,73	-0,67	1,28	1,28

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

## CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME

MNOK	Note	Fourth quarter		Year to date		Year end
		2016	2015	2016	2015	2015
<b>Profit/loss for the year</b>		-14,5	93,4	-24,1	84,4	84,4
<b>Items that will not be reclassified against the statement of income</b>						
Change in actuarial gains and losses pensions		-1,3	6,4	-1,3	6,4	6,4
Tax on change in actuarial gains and losses pensions		0,3	-1,7	0,3	-1,7	-1,7
<b>Total items that will not be reclassified against the statement of income</b>		<b>-1,0</b>	<b>4,7</b>	<b>-1,0</b>	<b>4,7</b>	<b>4,7</b>
<b>Items that may be reclassified against the statement of income</b>						
Translating differences in translation of foreign subsidiaries		3,8	-0,2	-39,2	58,9	58,9
Tax on translating differences in translation of foreign subsidiaries		0,0	0,0	0,0	0,0	0,0
<b>Total items that may be reclassified against the statement of income</b>		<b>3,8</b>	<b>-0,2</b>	<b>-39,2</b>	<b>58,9</b>	<b>58,9</b>
<b>Total other comprehensive income</b>		<b>2,9</b>	<b>4,4</b>	<b>-40,2</b>	<b>63,6</b>	<b>63,6</b>
<b>Total comprehensive income for the year</b>		<b>-11,7</b>	<b>97,9</b>	<b>-64,3</b>	<b>147,9</b>	<b>147,9</b>
Total comprehensive income for the year attributable to parent company shareholders		-8,4	89,9	-72,0	126,0	126,0
Total comprehensive income for the year attributable to non-controlling interests		-3,3	7,9	7,7	22,0	22,0

## CONDENSED STATEMENT OF FINANCIAL POSITION

MNOK	Note	Fourth quarter		Year end
		2016	2015	2015
Intangible assets	5	1 710,1	1 741,9	1 741,9
Tangible assets	4	350,2	377,9	377,9
Deferred tax asset		172,1	162,4	162,4
Financial assets		58,2	55,4	55,4
<b>Total fixed assets</b>		<b>2 290,7</b>	<b>2 337,6</b>	<b>2 337,6</b>
Inventories		378,8	388,2	388,2
Accounts receivables and other receivables <sup>1)</sup>		1 426,0	1 095,0	1 095,0
Cash and cash equivalents		199,4	190,4	190,4
<b>Total current assets</b>		<b>2 004,2</b>	<b>1 673,6</b>	<b>1 673,6</b>
<b>Total assets</b>		<b>4 294,8</b>	<b>4 011,2</b>	<b>4 011,2</b>
Paid-in equity		772,1	1,8	1,8
Retained earnings		716,6	843,0	843,0
Non-controlling interests		13,9	31,6	31,6
<b>Total equity</b>		<b>1 502,6</b>	<b>876,4</b>	<b>876,4</b>
Non-current liabilities to financial institutions	8	703,3	833,3	833,3
Non-current liabilities at fair value through profit or loss	6, 10	0,0	70,3	70,3
Non-current finance lease liabilities	8	183,0	200,2	200,2
Pension obligations		34,1	35,9	35,9
Deferred tax liability		92,6	96,6	96,6
Other non-current provisions	7	0,6	1,1	1,1
<b>Total non-current liabilities</b>		<b>1 013,6</b>	<b>1 237,4</b>	<b>1 237,4</b>
Current liabilities to financial institutions	8	0,0	156,8	156,8
Bank Overdraft		0,0	0,0	0,0
Current liabilities at fair value through profit or loss	6, 10	24,1	48,7	48,7
Current finance lease liabilities		16,5	15,4	15,4
Tax payable		0,0	13,5	13,5
Accounts payable and other payables	7	1 738,0	1 663,0	1 663,0
<b>Total current liabilities</b>		<b>1 778,6</b>	<b>1 897,4</b>	<b>1 897,4</b>
<b>Total equity and liabilities</b>		<b>4 294,8</b>	<b>4 011,2</b>	<b>4 011,2</b>

<sup>1)</sup> The balance of accounts receivables are significantly higher as of 31.12.2016 than 31.12.2015 due to the decision to stop using factoring. This led to a one-time increase in receivables of 225 MNOK.

## CONDENSED STATEMENT OF CHANGES IN EQUITY

MNOK		31.12.2016			31.12.2015		
		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		844,8	31,6	876,4	733,7	27,3	761,0
Total comprehensive income for the period		-72,0	7,7	-64,3	126,0	22,0	147,9
Dividends		0,0	-21,9	-21,9	0,0	-25,4	-25,4
Capital Increase		770,3	0,0	770,3	0,0	0,0	0,0
Sharebased payments	12	0,6	0,0	0,6	0,0	0,0	0,0
Change in non-controlling interest		-49,9	-8,7	-58,5	-5,9	-1,2	-7,1
Transfer from minority to majority at end of period *		-5,2	5,2	0,0	-9,0	9,0	0,0
<b>Equity at the end of period</b>		<b>1 488,7</b>	<b>13,9</b>	<b>1 502,6</b>	<b>844,8</b>	<b>31,6</b>	<b>876,4</b>

\* The Group owns 90,1% of subsidiary Excellars AS. In addition, put and call options exist associated with the non-controlling interests, although the Group was not considered to have control of the shares at the end of the reporting period. This company have been recognized as though they had been wholly owned, 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, whereas only direct non-controlling interests are stated in the equity statement. The transfer refers to the non-controlling interests' share of the profit for the year, adjusted for the dividend distributed for the period.

Of note, the minority shareholder in Excellars AS has signaled that he wants to exercise the put option triggered by the IPO. As a result, the Group will acquire the remaining shares during Q1 2017.

## CONDENSED STATEMENT OF CASHFLOW

MNOK	Note	Fourth quarter		Year to date		Year end
		2016	2015	2016	2015	2015
Pre-tax profit		9,9	120,6	2,1	101,7	101,7
Depreciations and amortisations		13,1	14,0	51,6	55,5	55,5
Received dividend from associated companies		0,0	0,6	2,9	4,6	4,6
Net interest in period		11,4	16,9	62,5	67,9	67,9
Other items without cash effect		71,9	-27,0	138,2	5,3	5,3
Change in inventories		46,1	43,7	9,4	22,7	22,7
Change in receivables <sup>1)</sup>		-772,7	-494,2	-329,2	64,8	64,8
Change in payables		608,1	570,3	98,8	0,7	0,7
<b>Cash flow from operating activities before tax</b>		<b>-12,2</b>	<b>244,9</b>	<b>36,4</b>	<b>323,2</b>	<b>323,2</b>
Tax paid		-0,1	-6,5	-46,7	-50,6	-50,6
<b>Cash flow from operating activities</b>		<b>-12,3</b>	<b>238,4</b>	<b>-10,3</b>	<b>272,6</b>	<b>272,6</b>
Proceeds from sale of tangible & intangible fixed assets		0,1	3,6	1,1	14,7	14,7
Payments on acquisition of tangible & intangible fixed assets		-6,0	-15,6	-47,8	-78,9	-78,9
Payments on acquisition of operations		0,0	-0,1	0,0	-34,6	-34,6
Proceeds from sale of operations		0,0	3,5	0,0	8,3	8,3
<b>Cash flows from investment activities</b>		<b>-5,9</b>	<b>-8,6</b>	<b>-46,7</b>	<b>-90,5</b>	<b>-90,5</b>
Proceeds - co-investment program	6, 10, 11	0,0	-0,5	1,0	2,0	2,0
Payments - co-investment program	6, 10, 11	-155,3	0,0	-157,9	-2,5	-2,5
Capital increase		768,9	0,0	768,9	0,0	0,0
New debt to financial institutions	8	703,1	0,0	802,6	124,3	124,3
Repayment debt to financial institutions	8	-972,3	-37,9	-1 093,9	-149,8	-149,8
Change other long term loans		0,0	-0,3	-1,1	-0,3	-0,3
Interest received in period		2,5	2,4	7,9	9,9	9,9
Interest paid in period		-13,9	-19,2	-70,2	-76,9	-76,9
Paid dividend and Group contributions		-0,3	0,0	-28,3	-19,2	-19,2
Other financing payments		-47,7	-8,7	-146,3	-70,8	-70,8
<b>Cash flow from financing activities</b>		<b>285,2</b>	<b>-64,2</b>	<b>82,8</b>	<b>-183,3</b>	<b>-183,3</b>
<b>Total cash flow</b>		<b>267,0</b>	<b>165,6</b>	<b>25,8</b>	<b>-1,3</b>	<b>-1,3</b>
Holdings of cash and cash equivalents at the beginning of period		-69,3	18,7	190,4	175,1	175,1
Effect of exchange rate changes on cash and cash equivalents		1,7	6,1	-16,8	16,6	16,6
<b>Holdings of cash and cash equivalents at the end of period</b>		<b>199,4</b>	<b>190,4</b>	<b>199,4</b>	<b>190,4</b>	<b>190,4</b>

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

Cash and cash equivalents at the end of the period	199,4	190,4	199,4	190,4	190,4
Overdraft cashpool system at the end of the period	0,0	0,0	0,0	0,0	0,0
<b>Holdings of cash and cash equivalents at the end of period</b>	<b>199,4</b>	<b>190,4</b>	<b>199,4</b>	<b>190,4</b>	<b>190,4</b>

<sup>1)</sup> The decision to stop using factoring led to a one-time increase in working capital of 225 MNOK.

# Notes

## NOTE 1 ACCOUNTING PRINCIPLES

The Groups 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 Groups annual financial statement as at 31.12.2015.

The consolidated financial statement for the year 2015 was approved by the Board on June 21st 2016.

The accounting principles used in the Groups interim reporting, are the same principles presented in the approved financial statement for 2015, except the reclassification of re-invoiced A&P costs in Sweden, see comment in segment Wine.

As of 31.12.2016, 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
		2016	2015	2015
EUR average rate	Income statement items	9,2980	8,9477	8,9477
EUR closing rate	Balance sheet items	9,0865	9,6156	9,6156
SEK average rate	Income statement items	0,9830	0,9562	0,9562
SEK closing rate	Balance sheet items	0,9484	1,0467	1,0467
DKK average rate	Income statement items	1,2488	1,1997	1,1997
DKK closing rate	Balance sheet items	1,2223	1,2886	1,2886

## NOTE 2 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.

During Q4 there has been significant expenses related to the Arcus ASA shares being listed on the Oslo Stock Exchange on 01.12.2016.

For 2016 as a whole, IPO-related costs represented 189,7 MNOK, of which 41,5 MNOK were operating expenses and 148,2 MNOK were financial expenses.

### Group

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Other income and expenses</b>					
Other revenue	0,0	1,5	0,0	5,8	5,8
Net gain on sales of fixed assets	0,1	2,1	0,9	10,0	10,0
Cost of sales	0,0	0,5	0,0	1,1	1,1
Salary & personnel cost	-4,6	-12,7	-7,0	-18,7	-18,7
Other operating expenses	-31,9	-14,8	-38,8	-14,7	-14,7
<b>Other income and expenses</b>	<b>-36,4</b>	<b>-23,3</b>	<b>-44,9</b>	<b>-16,5</b>	<b>-16,5</b>

### Spirits

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Other income and expenses</b>					
Other revenue	0,0	-0,3	0,0	0,0	0,0
Net gain on sales of fixed assets	0,1	0,5	0,1	5,2	5,2
Cost of sales	0,0	0,5	0,0	1,1	1,1
Salary & personnel cost	0,0	-3,2	-1,4	-4,5	-4,5
Other operating expenses	-0,5	-3,0	-2,6	-2,5	-2,5
<b>Other income and expenses</b>	<b>-0,3</b>	<b>-5,6</b>	<b>-3,9</b>	<b>-0,8</b>	<b>-0,8</b>

**Wine**

MNOK	Fourth quarter		Year to date		Year end
Other income and expenses	2016	2015	2016	2015	2015
Other revenue	0,0	1,8	0,0	5,8	5,8
Salary & personnel cost	0,0	-6,1	0,0	-6,1	-6,1
<b>Other income and expenses</b>	<b>0,0</b>	<b>-4,3</b>	<b>0,0</b>	<b>-0,4</b>	<b>-0,4</b>

**Distribution**

MNOK	Fourth quarter		Year to date		Year end
Other income and expenses	2016	2015	2016	2015	2015
Salary & personnel cost	0,0	-2,3	-0,4	-3,4	-3,4
<b>Other income and expenses</b>	<b>0,0</b>	<b>-2,3</b>	<b>-0,4</b>	<b>-3,4</b>	<b>-3,4</b>

**Other**

MNOK	Fourth quarter		Year to date		Year end
Other income and expenses	2016	2015	2016	2015	2015
Net gain on sales of fixed assets	0,0	1,7	0,8	4,9	4,9
Salary & personnel cost	-4,6	-1,0	-5,1	-4,6	-4,6
Other operating expenses	-31,5	-11,8	-36,2	-12,2	-12,2
<b>Other income and expenses</b>	<b>-36,1</b>	<b>-11,1</b>	<b>-40,6</b>	<b>-11,9</b>	<b>-11,9</b>

**NOTE 3 SEGMENT INFORMATION**

MNOK	Fourth quarter		Year to date		Year end
External sales	2016	2015	2016	2015	2015
Spirits	299,2	279,7	746,2	709,8	709,8
Wine	414,5	418,7	1 515,4	1 403,3	1 403,3
Distribution	82,3	75,8	260,2	252,2	252,2
Other	0,0	0,0	0,0	0,0	0,0
<b>Total external sales</b>	<b>796,0</b>	<b>774,2</b>	<b>2 521,8</b>	<b>2 365,2</b>	<b>2 365,2</b>

MNOK	Fourth quarter		Year to date		Year end
Sales between segments	2016	2015	2016	2015	2015
Spirits	2,0	1,9	4,9	4,3	4,3
Wine	6,8	6,1	23,3	25,2	25,2
Distribution	-8,8	-8,0	-28,2	-29,5	-29,5
Other	0,0	0,0	0,0	0,0	0,0
Eliminations	0,0	0,0	0,0	0,0	0,0
<b>Total sales revenue between segments</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

MNOK	Fourth quarter		Year to date		Year end
External other revenue	2016	2015	2016	2015	2015
Spirits	4,5	12,3	28,0	51,4	51,4
Wine	4,2	9,8	11,5	36,2	36,2
Distribution	6,5	4,8	20,6	17,8	17,8
Other	0,2	0,0	0,4	0,0	0,0
<b>Total external other revenue</b>	<b>15,4</b>	<b>26,9</b>	<b>60,6</b>	<b>105,4</b>	<b>105,4</b>



MNOK	Fourth quarter		Year to date		Year end
Other revenue between segments	2016	2015	2016	2015	2015
Spirits	27,8	30,6	124,7	89,3	89,3
Wine	0,8	0,8	2,2	1,9	1,9
Distribution	2,4	4,2	10,2	9,5	9,5
Other	43,3	44,8	173,0	178,9	178,9
Eliminations	-74,3	-80,4	-310,2	-279,7	-279,7
<b>Total other revenue between segments</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

MNOK	Fourth quarter		Year to date		Year end
EBITDA	2016	2015	2016	2015	2015
Spirits	87,3	84,6	158,7	112,2	112,2
Wine	59,3	61,8	194,2	197,1	197,1
Distribution	10,3	3,7	2,2	-19,2	-19,2
Other	-41,1	-16,6	-64,6	-32,4	-32,4
Eliminations	0,0	0,0	0,0	0,0	0,0
<b>Total EBITDA</b>	<b>115,9</b>	<b>133,6</b>	<b>290,5</b>	<b>257,8</b>	<b>257,8</b>

MNOK	Fourth quarter		Year to date		Year end
EBIT	2016	2015	2016	2015	2015
Spirits	81,3	79,6	134,8	85,4	85,4
Wine	59,1	61,3	193,1	195,9	195,9
Distribution	6,9	0,4	-11,4	-32,9	-32,9
Other	-43,3	-20,5	-72,9	-41,3	-41,3
Eliminations	-1,2	-1,2	-4,7	-4,7	-4,7
<b>Total EBIT</b>	<b>102,8</b>	<b>119,5</b>	<b>238,9</b>	<b>202,3</b>	<b>202,3</b>

#### NOTE 4 FIXED ASSETS

MNOK	Fourth quarter		Year to date		Year end
Fixed Assets	2016	2015	2016	2015	2015
<b>Purchase cost at beginning of period</b>	<b>624,1</b>	<b>616,2</b>	<b>624,1</b>	<b>690,1</b>	<b>690,1</b>
Additions tangible fixed assets	4,8	11,9	11,4	65,7	65,7
Transferred from assets under construction	0,0	0,0	-4,0	0,0	0,0
Aquisition of business	0,0	0,0	0,0	0,7	0,7
Reclassifications	0,0	0,0	-1,3	-38,7	-38,7
Purchase price, disposed assets	0,0	-5,3	0,0	-93,7	-93,7
Translation differences	-0,2	1,3	-1,5	0,1	0,1
<b>Purchase cost at end of period</b>	<b>628,8</b>	<b>624,1</b>	<b>628,8</b>	<b>624,1</b>	<b>624,1</b>
Accumulated depreciation at beginning of period	-270,1	-241,1	-246,2	-311,6	-311,6
Aquisition of business	0,0	0,0	0,0	-0,4	-0,4
Accumulated depreciation, disposed assets	0,0	4,1	0,0	89,4	89,4
Ordinary depreciations in period	-8,7	-8,0	-34,9	-36,2	-36,2
Impairment in period	0,0	-0,2	0,0	-2,6	-2,6
Reclassifications	0,0	0,0	1,3	15,0	15,0
Translation differences	0,3	-1,0	1,3	0,3	0,3
<b>Accumulated depreciation at end of period</b>	<b>-278,5</b>	<b>-246,2</b>	<b>-278,5</b>	<b>-246,2</b>	<b>-246,2</b>
<b>Book Value at end of period</b>	<b>350,2</b>	<b>377,9</b>	<b>350,2</b>	<b>377,9</b>	<b>377,9</b>

MNOK	Fourth quarter		Year to date		Year end
Fixed Assets	2016	2015	2016	2015	2015
<b>Specification of fixed assets</b>					
Land, buildings and other real estate	0,0	0,0	0,0	0,0	0,0
Machinery and equipment	326,0	284,9	326,0	284,9	284,9
Fixtures and fittings, tools, office equipment etc.	21,5	25,6	21,5	25,6	25,6
Assets under construction	2,7	67,4	2,7	67,4	67,4
<b>Book Value at end of period</b>	<b>350,2</b>	<b>377,9</b>	<b>350,2</b>	<b>377,9</b>	<b>377,9</b>

## NOTE 5 INTANGIBLE ASSETS

MNOK	Fourth quarter		Year to date		Year end
Intangible assets	2016	2015	2016	2015	2015
<b>Purchase cost at beginning of period</b>	<b>1 836,8</b>	<b>1 845,8</b>	<b>1 860,4</b>	<b>1 723,8</b>	<b>1 723,8</b>
Addition of intangible assets	1,2	3,6	36,4	13,2	13,2
Acquisition of business	0,0	0,2	0,0	24,7	24,7
Transferred from assets under construction	0,0	0,0	4,0	0,0	0,0
Reclassification	0,0	0,0	0,0	38,1	38,1
Translation differences	7,3	10,8	-55,6	60,7	60,7
<b>Purchase cost at end of period</b>	<b>1 845,2</b>	<b>1 860,4</b>	<b>1 845,2</b>	<b>1 860,4</b>	<b>1 860,4</b>
Acc. depreciation and amortizations at beginning of period	-130,7	-112,8	-118,5	-87,4	-87,4
Reclassification	0,0	0,0	0,0	-14,3	-14,3
Depreciations in period	-3,0	-2,6	-11,2	-9,4	-9,4
Amortizations in period	-1,4	-1,4	-5,6	-5,5	-5,5
Write downs in period	0,0	-1,6	0,0	-1,8	-1,8
Translation differences	-0,1	0,0	0,1	0,0	0,0
<b>Acc. depreciation and amortizations at end of period</b>	<b>-135,2</b>	<b>-118,5</b>	<b>-135,2</b>	<b>-118,5</b>	<b>-118,5</b>
<b>Book Value at end of period</b>	<b>1 710,1</b>	<b>1 741,9</b>	<b>1 710,1</b>	<b>1 741,9</b>	<b>1 741,9</b>

### Specification of intangible assets

MNOK	Fourth quarter		Year to date		Year end
Intangible assets	2016	2015	2016	2015	2015
Goodwill	1 010,2	1 042,2	1 010,2	1 042,2	1 042,2
Brands	669,2	665,7	669,2	665,7	665,7
Software	30,7	34,0	30,7	34,0	34,0
<b>Book Value at end of period</b>	<b>1 710,1</b>	<b>1 741,9</b>	<b>1 710,1</b>	<b>1 741,9</b>	<b>1 741,9</b>

## NOTE 6 LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

MNOK	Fourth quarter		Year to date		Year end
Liabilities at fair value through profit and loss	2016	2015	2016	2015	2015
Book value at beginning of period	159,1	139,3	119,0	198,4	198,4
Additions in period	0,0	0,5	1,0	2,0	2,0
Paid during period	-202,4	0,0	-244,4	-64,7	-64,7
Changes in value during period	67,2	-20,9	148,2	-17,6	-17,6
Interest during period	0,1	0,1	0,3	0,9	0,9
<b>Book value at end of period</b>	<b>24,1</b>	<b>119,0</b>	<b>24,1</b>	<b>119,0</b>	<b>119,0</b>
<i>From this;</i>					
Current liability	24,1	48,7	24,1	48,7	48,7
Non-current liability	0,0	70,3	0,0	70,3	70,3
<b>Total liabilities through profit and loss</b>	<b>24,1</b>	<b>119,0</b>	<b>24,1</b>	<b>119,0</b>	<b>119,0</b>

Due to long term growth and value creation of Arcus Group, and hence increased estimated value of the internal share program for management, financial costs have been debited with 67,2 MNOK in the quarter, see also note 10.

## NOTE 7 OTHER PROVISIONS

## Non-current provisions

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Severance pay</b>					
Book value at beginning of period	0,9	1,4	1,1	1,7	1,7
Used in period	-0,3	-0,4	-0,5	-0,6	-0,6
Addition in period	0,0	0,0	0,0	0,0	0,0
<b>Book value at end of period</b>	<b>0,6</b>	<b>1,1</b>	<b>0,6</b>	<b>1,1</b>	<b>1,1</b>

## NOTE 8 DEBT TO FINANCIAL INSTITUTIONS

## Liabilities to financial institutions, including financial leasing

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Debt to financial institutions</b>					
Debt at beginning of period	1 154,8	1 246,8	1 225,7	1 208,6	1 208,6
New debt in period	711,3	0,0	811,3	124,3	124,3
Repayments in period	-959,4	-37,9	-1 081,0	-149,8	-149,8
Translation differences	4,0	16,8	-45,2	42,6	42,6
<b>Debt to financial institutions at end of period</b>	<b>910,8</b>	<b>1 225,7</b>	<b>910,8</b>	<b>1 225,7</b>	<b>1 225,7</b>
Capitalized borrowing costs at beginning of period	-13,0	-22,5	-20,0	-28,2	-28,2
Capitalized borrowing costs during period	-8,2	0,0	-8,7	-1,6	-1,6
Amortized borrowing costs during period	13,1	2,5	20,6	9,8	9,8
<b>Capitalized borrowing costs at end of period</b>	<b>-8,0</b>	<b>-20,0</b>	<b>-8,0</b>	<b>-20,0</b>	<b>-20,0</b>
<b>Book value debt to financial institutions at end of period</b>	<b>902,7</b>	<b>1 205,7</b>	<b>902,7</b>	<b>1 205,7</b>	<b>1 205,7</b>

## From this, current liabilities to financial institutions, including financial leasing

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Liabilities to financial institutions</b>					
Current portion of non-current loans	0,0	156,8	0,0	156,8	156,8
Current portion of non-current financial leasing	16,5	15,4	16,5	15,4	15,4
Bank overdraft	0,0	0,0	0,0	0,0	0,0
<b>Current liabilities to financial institutions at end of period</b>	<b>16,5</b>	<b>172,2</b>	<b>16,5</b>	<b>172,2</b>	<b>172,2</b>

**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		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Purchase of goods and services</b>					
Tiffon AS	20,1	21,3	56,1	65,7	65,7
Hoff SA	3,7	10,0	22,5	25,2	25,2
Det Danske Spiritus Kompagni A/S	0,4	0,3	3,3	2,7	2,7
Gjelleråsen Eiendom AS	19,8	19,3	77,6	75,8	75,8
<b>Totale purchase transactions</b>	<b>44,0</b>	<b>51,0</b>	<b>159,4</b>	<b>169,4</b>	<b>169,4</b>

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>Sale of goods and services</b>					
Tiffon SA	0,0	0,0	3,4	4,1	4,1
Det Danske Spiritus Kompagni A/S	57,9	59,5	132,2	137,7	137,7
<b>Totale sale transactions</b>	<b>57,9</b>	<b>59,5</b>	<b>135,6</b>	<b>141,8</b>	<b>141,8</b>

***Receivables and debt at end of period***

MNOK	Fourth quarter		Year end
	2016	2015	2015
<b>Short term receivables from related parties</b>			
Tiffon SA	0,0	0,7	0,0
Det Danske Spiritus Kompagni A/S	21,1	14,8	18,9
<b>Total short term receivables from related parties</b>	<b>21,1</b>	<b>15,5</b>	<b>18,9</b>

MNOK	Fourth quarter		Year end
	2016	2015	2015
<b>Short term debt to related parties</b>			
Hoff SA	0,5	2,2	4,4
Tiffon SA	11,1	2,3	16,8
Det Danske Spiritus Kompagni A/S	0,1	0,1	0,1
<b>Total short term debt to related parties</b>	<b>11,7</b>	<b>4,6</b>	<b>21,3</b>

## 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
<b>Assets</b>					
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	1 344,1	0,0	0,0	1 344,1
Other receivables	0,0	67,9	0,0	0,0	67,9
Cash and cash equivalents	0,0	199,4	0,0	0,0	199,4
<b>Total financial assets as of fourth quarter 2016</b>	<b>0,0</b>	<b>1 612,6</b>	<b>0,2</b>	<b>0,0</b>	<b>1 612,8</b>
<b>Total financial assets as of fourth quarter 2015</b>	<b>1,2</b>	<b>1 269,5</b>	<b>0,2</b>	<b>0,0</b>	<b>1 270,8</b>
<b>Liabilities</b>					
Liabilities to financial institutions	0,0	0,0	0,0	902,8	902,8
Liabilities at fair value through profit and loss	24,1	0,0	0,0	0,0	24,1
Other non-current term debt	0,0	0,0	0,0	0,0	0,0
Accounts payable	0,0	0,0	0,0	628,3	628,3
Other current debt	0,8	0,0	0,0	7,8	8,6
<b>Total financial liabilities as of fourth quarter 2016</b>	<b>25,0</b>	<b>0,0</b>	<b>0,0</b>	<b>1 538,9</b>	<b>1 563,9</b>
<b>Total financial liabilities as of fourth quarter 2015</b>	<b>137,1</b>	<b>0,0</b>	<b>0,0</b>	<b>1 767,6</b>	<b>1 904,8</b>

Fair value hierarchy**Assets**

MNOK	Level 1	Level 2	Level 3	Book Value
<b>Total financial assets</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>	<b>0,0</b>

**Liabilities**

MNOK	Level 1	Level 2	Level 3	Book Value
Liabilities at fair value through profit and loss	0,0	0,0	24,1	24,1
Currency derivatives	0,0	0,8	0,0	0,8
<b>Total financial liabilities</b>	<b>0,0</b>	<b>0,8</b>	<b>24,1</b>	<b>25,0</b>

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

**Changes financial liabilities, level 3**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Financial liabilities, level 3, at beginning of period	159,1	139,3	119,0	198,4	198,4
Fair value at the first time of recognition	0,0	0,5	1,0	2,0	2,0
Paid during the period	-202,4	0,0	-244,4	-64,7	-64,7
Changes in value during the period	67,2	-20,9	148,2	-17,6	-17,6
Interest during period	0,1	0,1	0,3	0,9	0,9
<b>Financial liabilities, level 3 at end of period</b>	<b>24,1</b>	<b>119,0</b>	<b>24,1</b>	<b>119,0</b>	<b>119,0</b>

**Liabilities measured at fair value, categorized at level 3 in the fair value hierarchy, is as of end of Q4 2016 related to two factors:**

1. Options for the purchase of non-controlling interests in Excellars AS (9,9%).
2. Issuance of synthetic shares and 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 agreements and shareholder agreements, discounted to the balance sheet date. The main parameters of price mechanisms are share value development, measured through 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. Discount rate used is NIBOR with similar maturity as expected maturity (0.46% per 30.06.2016).

During Q1 2016, the Group purchased 39,1% of the shares in subsidiary Excellars AS, increasing shareholding from 51,0% to 90,1%. The changes in value in 2016 is mainly related to the discount rate, revised budgets and currency development and the estimated due date. Of note, the minority shareholder in Excellars AS has signaled that he wants to exercise the put option triggered by the IPO. As a result the Group will acquire the remaining shares during Q1 2017.

During Q4, the Group purchased 0,63% of the shares in subsidiary Vingruppen i Norden AB, increasing shareholding from 99,37% to 100,0%. The change in value during the year is influenced by increased earnings for the Group, increasing the multiple used in the calculation of share value.

**Synthetic shares and options in the share program:**

The synthetic shares and options are issued based on estimated fair value on the date of the issue. Valuation on the date of issue is calculated based on a cash flow-model, where cash flows are discounted to fair value, with a discount rate, but where the final value is also assessed against the pricing of comparable companies. Movements in reporting periods between issuance and settlement, are calculated based on the same principles.

Upon settlement, the synthetic shares entail payments in money equivalent to fair value of the actual shares of the parent company multiplied by the number of synthetic shares. At the time of clearing, the fair value of the shares will be observable and will correspond to the actual transaction price. The synthetic options are valued using the Black & Scholes options pricing model. Upon settlement the related payment will correspond to the difference between the actual share price and the option exercise price at the time of settlement, 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 share and option program was settled. The synthetic shares and options have had a significant value change during Q4, in relation to increased earnings in the Group.



**NOTE 11 FINANCIAL INCOME AND EXPENSES**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Interest income	2,5	2,4	7,9	9,9	9,9
Other financial income	2,2	26,4	10,4	21,5	21,5
<b>Total financial income</b>	<b>4,7</b>	<b>28,8</b>	<b>18,4</b>	<b>31,4</b>	<b>31,4</b>
Interest cost	-13,9	-19,3	-70,4	-77,8	-77,8
Other financial expenses	-83,7	-8,4	-184,7	-54,2	-54,2
<b>Total financial expenses</b>	<b>-97,7</b>	<b>-27,7</b>	<b>-255,1</b>	<b>-132,0</b>	<b>-132,0</b>
<b>Net financial profit/loss</b>	<b>-93,0</b>	<b>1,1</b>	<b>-236,7</b>	<b>-100,6</b>	<b>-100,6</b>

In Q4 2016 and YTD 2016, other financial expenses is highly influenced by valuechanges related to the co-investment program and the options to purchase non controlling interest of Vingruppen I Norden AB and Excellars AS. The valuechanges of the co-investment program and the option to purchase non controlling interest is due to increased long term growth and actual value creation of the Arcus Group.

**NOTE 12 OTHER EVENTS****Sharebased payments**

When Arcus ASA was introduced to the Oslo Stock Exchange during Q4 2016, the former co-investment program was settled. The Board decided to establish an interim retention plan to existing Group management and other key employees. The vesting period of the interim retention plan will employ until February 2019.

**Events after the close of Q4 2016**

In January 2017, the Group purchased the remaining 50% of the shares in the Joint Venture, Det Danske Spritus Kompagni A/S (DDSK), and after the transaction the Group own 100% of the shares in the company. DDSK will be consolidated in the Arcus Group accounts from 01.01.2017. Based on 2016 figures, this would have led to increased revenues of approximately 25 MNOK and increased EBIT of 5 MNOK.

Other than mentioned transaction above, no significant events have occurred between the close of Q4 and the date on which Arcus's interim financial statements for Q4 2016 were approved. This applies to events that would have provided knowledge of factors present at the close of Q4 2016, or events concerning matters that have arisen since the close of Q4 2016.

## 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	Third quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Total operating revenues	811,4	801,1	2 582,4	2 470,6	2 470,6
Cost of goods	-448,1	-447,2	-1 466,9	-1 394,6	-1 394,6
<b>Gross Profit</b>	<b>363,2</b>	<b>353,9</b>	<b>1 115,5</b>	<b>1 076,0</b>	<b>1 076,0</b>

#### Spirits

MNOK	Third quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Total operating revenues	333,6	324,4	903,9	854,8	854,8
Cost of goods	-155,1	-164,8	-426,0	-412,8	-412,8
<b>Gross Profit</b>	<b>178,5</b>	<b>159,7</b>	<b>477,9</b>	<b>442,0</b>	<b>442,0</b>

#### Wine

MNOK	Third quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Total operating revenues	426,2	435,4	1 552,4	1 466,6	1 466,6
Cost of goods	-320,9	-313,0	-1 165,6	-1 071,5	-1 071,5
<b>Gross Profit</b>	<b>105,3</b>	<b>122,4</b>	<b>386,8</b>	<b>395,1</b>	<b>395,1</b>

#### Distribution

MNOK	Third quarter		Year to date		Year end
	2016	2015	2016	2015	2015
Total operating revenues	82,4	76,8	262,9	250,1	250,1
Cost of goods	0,0	0,0	0,0	0,0	0,0
<b>Gross Profit</b>	<b>82,4</b>	<b>76,8</b>	<b>262,9</b>	<b>250,1</b>	<b>250,1</b>

### 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-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		Year to date		Year end
	2016	2015	2016	2015	2015
<b>EBITDA adjusted</b>					
EBIT	102,8	119,5	238,9	202,3	202,3
Depreciations, write downs and amortisations	13,1	14,0	51,6	55,5	55,5
<b>EBITDA</b>	<b>115,9</b>	<b>133,6</b>	<b>290,5</b>	<b>257,8</b>	<b>257,8</b>
Other income and expenses	36,4	23,3	44,9	16,5	16,5
<b>EBITDA adjusted</b>	<b>152,3</b>	<b>156,8</b>	<b>335,3</b>	<b>274,4</b>	<b>274,4</b>

**Spirits**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>EBITDA adjusted</b>					
EBIT	81,3	79,6	134,8	85,4	85,4
Depreciations, write downs and amortisations	6,0	5,0	23,9	26,8	26,8
<b>EBITDA</b>	<b>87,3</b>	<b>84,6</b>	<b>158,7</b>	<b>112,2</b>	<b>112,2</b>
Other income and expenses	0,3	5,6	3,9	0,8	0,8
<b>EBITDA adjusted</b>	<b>87,7</b>	<b>90,2</b>	<b>162,6</b>	<b>113,0</b>	<b>113,0</b>

**Wine**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>EBITDA adjusted</b>					
EBIT	59,1	61,3	193,1	195,9	195,9
Depreciations, write downs and amortisations	0,2	0,6	1,0	1,3	1,3
<b>EBITDA</b>	<b>59,3</b>	<b>61,8</b>	<b>194,2</b>	<b>197,1</b>	<b>197,1</b>
Other income and expenses	0,0	4,3	0,0	0,4	0,4
<b>EBITDA adjusted</b>	<b>59,3</b>	<b>66,1</b>	<b>194,2</b>	<b>197,5</b>	<b>197,5</b>

**Distribution**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>EBITDA adjusted</b>					
EBIT	6,9	0,4	-11,4	-32,9	-32,9
Depreciations, write downs and amortisations	3,5	3,3	13,6	13,8	13,8
<b>EBITDA</b>	<b>10,3</b>	<b>3,7</b>	<b>2,2</b>	<b>-19,2</b>	<b>-19,2</b>
Other income and expenses	0,0	2,3	0,4	3,4	3,4
<b>EBITDA adjusted</b>	<b>10,3</b>	<b>6,0</b>	<b>2,6</b>	<b>-15,7</b>	<b>-15,7</b>

**Parent Company**

MNOK	Fourth quarter		Year to date		Year end
	2016	2015	2016	2015	2015
<b>EBITDA adjusted</b>					
<b>EBIT</b>	<b>-43,3</b>	<b>-20,5</b>	<b>-72,9</b>	<b>-41,3</b>	<b>-41,3</b>
Depreciations, write downs and amortisations	2,2	3,9	8,4	8,9	8,9
<b>EBITDA</b>	<b>-41,1</b>	<b>-16,6</b>	<b>-64,6</b>	<b>-32,4</b>	<b>-32,4</b>
Other income and expenses	36,1	11,1	40,6	11,9	11,9
<b>EBITDA adjusted</b>	<b>-5,1</b>	<b>-5,5</b>	<b>-24,0</b>	<b>-20,5</b>	<b>-20,5</b>

**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
	2016	2015	2015
<b>Net interest bearing debt</b>			
Non-current liabilities to financial institutions	703,3	833,3	833,3
Book value of Capitalized arrangement fees	8,0	20,0	20,0
Book value of Interest swap	0,0	18,1	18,1
Non-current finance lease liabilities	183,0	200,2	200,2
Current liabilities to financial institutions	0,0	156,8	156,8
Bank Overdraft	0,0	0,0	0,0
Current finance lease liabilities	16,5	15,4	15,4
Cash and cash equivalents	-199,4	-190,4	-190,4
<b>Net interest bearing debt</b>	<b>711,4</b>	<b>1 053,4</b>	<b>1 053,4</b>

## 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		Year to date	
	2016	2015	2016	2015
<b>Total revenues</b>				
Reported total operating revenues	811,4	801,1	2 582,4	2 470,6
Currency effects	0,0	-27,5	0,0	43,5
Structural changes <sup>1)</sup>	-0,1	3,9	-13,9	-27,5
<b>Baseline organic growth</b>	<b>811,3</b>	<b>777,5</b>	<b>2 568,5</b>	<b>2 486,6</b>

### Spirits

MNOK	Fourth quarter		Year to date	
	2016	2015	2016	2015
<b>Total revenues</b>				
Reported total operating revenues	333,6	324,4	903,9	854,8
Currency effects	0,0	-6,3	0,0	13,5
Structural changes	-7,6	3,4	-11,6	-21,9
<b>Baseline organic growth</b>	<b>326,0</b>	<b>321,5</b>	<b>892,3</b>	<b>846,4</b>

### Wine

MNOK	Fourth quarter		Year to date	
	2016	2015	2016	2015
<b>Total revenues</b>				
Reported total operating revenues	426,2	435,4	1 552,4	1 466,6
Currency effects	0,0	-21,2	0,0	29,9
Structural changes <sup>1)</sup>	6,9	0,0	-4,7	-8,0
<b>Baseline organic growth</b>	<b>433,1</b>	<b>414,2</b>	<b>1 547,7</b>	<b>1 488,5</b>

### Distribution

MNOK	Fourth quarter		Year to date	
	2016	2015	2016	2015
<b>Total revenues</b>				
Reported total operating revenues	82,4	76,8	262,9	250,1
<b>Baseline organic growth</b>	<b>82,4</b>	<b>76,8</b>	<b>262,9</b>	<b>250,1</b>

<sup>1)</sup> Includes reclassification of 7,5 MNOK (Q4) and 22,7 MNOK (YTD) from other revenues to reduced Advertising & Promotion expenses, see segment Wine.

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