

Harboes Bryggeri A/S
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HARBOES BRYGGERI A/S – TRADING REPORT FOR Q3 2021/22

For the period 1st of May – 31st of January 2022

For
NASDAQ OMX Copenhagen

Today, the Board of Directors of Harboes Bryggeri A/S have discussed and approved the following Trading report for Q1 2021/22.

Skælskør, 10 March 2022

Bernhard Griese
Chairman

Claus Christian Bayer
Deputy chairman

In this connection, CEO Søren Malling states:

“We are pleased that in a challenging quarter in terms of sales, we can continue to realize revenue that is growing compared to the previous year. It is the result of a targeted effort to navigate as best as possible in a market situation where both bottlenecks in the supply chains and the competitive situation in general affect the potential. With a markedly increasing effect from Q3, the higher energy, raw material and packaging prices have taken hold, and this affect earnings in the quarter, which are unsatisfactory. We are fully focused on acting as efficiently as possible under the given market conditions, including through close dialogue with customers get implementation of the necessary price increases to meet the general rise in commodity prices and price inflation across markets. The current geopolitically very uncertain conditions create further uncertainties, and we expect that these factors will continue to affect the company for the remainder of the financial year, and with this considered, we can specify the expectations for the entire year within the interval adjusted in the announcement of 21 January.”

However, we continue to work committed to create a new positive momentum, and have invested in forward-looking marketing initiatives and continued improvements in both production and supply chain, from which we will gradually see the results. We therefore maintain our long-term goals and are pleased to have an organization that delivers solid efforts to achieve the desired results every day.”

For further information:

CFO Michael Møller Jensen
Tel.: +45 22 10 05 94

Stagnant demand and higher costs challenge in Q3 2021/22:

- **Net turnover up 2% to DKK 299 million**
- **EBITDA down 78% to DKK 3 million**
- **Profit before tax will be DKK -23 million compared to -13 million i Q3 2020/21**

The turnover growth remains driven by the export markets, but where the net turnover growth in the first half year was 47%, the net turnover in the export markets in Q3 increases by 6% to DKK 101 million.

The slowdown in turnover growth on exports is partly driven by a renewed effect of COVID-19, but to a large extent also by continued bottle necks in the general logistics capacity, certain commodity constraints and ongoing price negotiations derived from the massive cost increases.

In the Danish and German markets, significant growth was expected prior to the quarter. But massive supply of competing products at very low price points in the Christmas period has,

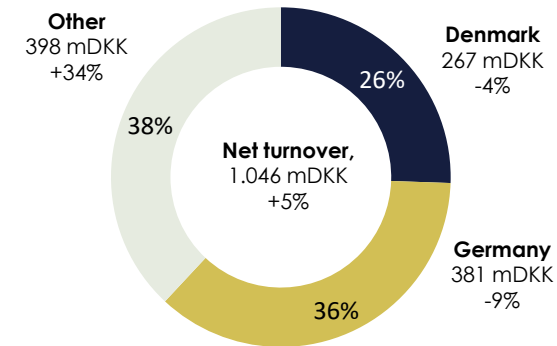
although net turnover is on a par with last year, resulted in significantly lower volumes than expected. The effect of this has affected sales in both December and January as well as into the beginning of February.

These volume challenges caused an adjustment of earnings expectations during the quarter, but the impacts are not expected to have a long-term nature and year-to-date, net turnover remains up by 5% compared to 2020/2021.

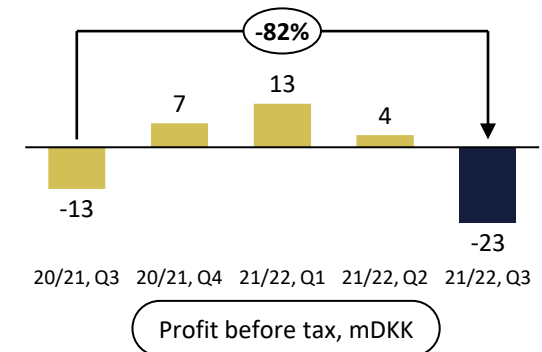
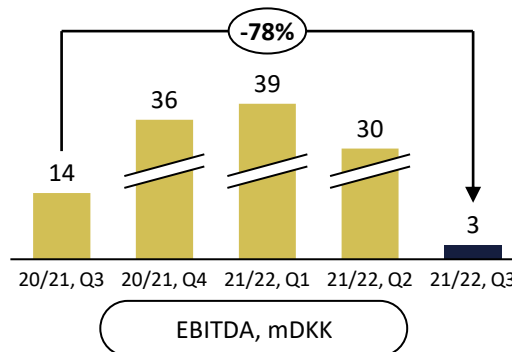
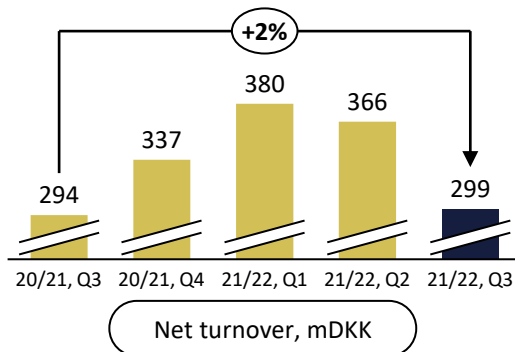
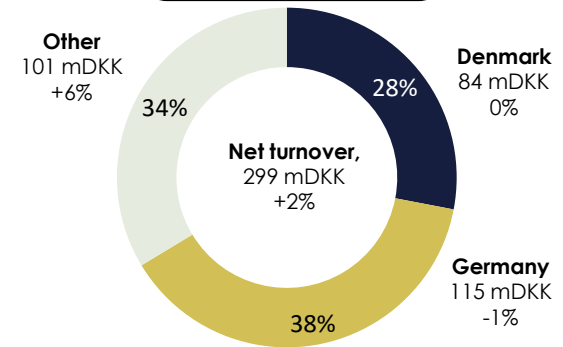
Compared to last year, Q3 2021/2022 is significantly affected by higher costs. While distribution costs have long been high, increasing energy as well as raw material and packaging costs in the quarter hit significantly higher levels.

Sales price increases have only been implemented to some extent, but it is expected that further price increases will have a successive effect during 2022. In isolation, however, the current situation will significantly affect the Group's margins in the current and the coming quarter.

9 Months 2021/22



Q3 2021/22



SELECTED KEY FIGURES AND RATIOS

DKK THOUSANDS	3. quarter		1.-3. quarter		Full year
	2021/22	2020/21	2021/22	2020/21	2020/21
Shareholdings (continued activities)					
Net turnover	298,954	294,393	1,045,618	991,331	1,328,184
EBITDA	2,967	13,744	71,337	72,313	107,786
Primary operation / EBIT	(21,878)	(10,959)	(1,313)	514	10,026
Result before tax	(23,061)	(12,665)	(5,891)	(4,174)	3,243
Result for the period	(17,704)	(9,553)	(5,378)	(3,089)	1,659
Balance sheet					
Non-current assets	667,222	709,266	667,222	709,266	706,954
Current assets	407,350	381,569	407,350	381,569	434,115
Equity	675,177	668,072	675,177	668,072	679,792
Long-term liabilities	173,113	166,134	173,113	166,134	191,687
Current liabilities	226,282	256,629	226,282	256,629	269,590
Total assets	1,074,572	1,090,835	1,074,572	1,090,835	1,141,069
Net interest bearing debt	130,523	121,020	130,523	121,020	135,761
Working capital	204,351	137,631	204,351	137,631	177,521
Investments					
Purchase of intangible assets	52	552	1,156	539	756
Purchase of tangible assets	12,288	8,162	31,221	16,420	35,856
Depreciation and write-downs	24,845	24,703	72,650	71,799	97,760
Cash flow					
Cash flows from operations	36,543	(17,374)	38,214	15,694	21,402
Cash flows from investment	(12,406)	(8,954)	(32,797)	(17,629)	(36,256)
Cash flows from financing	(5,994)	(6,250)	(19,031)	(14,740)	(14,179)
Change in cash and cash equivalents	18,143	(32,578)	(13,614)	(16,675)	(29,033)
Key ratios					
EBITDA-margin	1.0%	4.7%	6.8%	7.3%	8.1%
Operating margin	-7.3%	-3.7%	-0.1%	0.1%	0.8%
Solvency ratio	62.8%	61.2%	62.8%	61.2%	59.6%
Return on invested capital	0.5%	-0.5%	0.5%	-0.5%	0.8%
Avg. NIDB / LTM EBITDA	1.18	1.53	1.18	1.53	1.19

Development affected by increased costs

Q3 is traditionally low season in terms of both turnover and earnings. Despite a 2% higher turnover, significantly rising costs in the quarter impact earnings.

Year-to-date, net turnover is 5% higher than last year, and the growth has so far largely offset the rising costs. The result before tax is DKK 1.7 million lower than last year.

In Q1-Q3, investments of DKK 32 million were made against DKK 17 million last year.

The Group's net interest-bearing debt amounts to DKK 131 million as of 31 January 2022, representing a reduction of DKK 24 million in the quarter and an increase of DKK 10 million compared to the same period last year.

Working capital increases by DKK 67 million. The development is the result of an effort to ensure an efficient balance of working capital and liquidity - including the best possible placement of free liquidity in an interest-free environment.

Considering this, operations in Q1-Q3 generated positive cash flows of DKK 38 million compared to a positive cash flow of DKK 16 million in the same period last year.

The development is in line with expectations for the period and supports the Group's ambition to maintain a solid financial basis for an expected increasing level of investment in the coming years.

Expectations for 2021/22 are specified

EXPECTATIONS FOR 2021/22 DKKm	Realized results 2021/22	Expectations for 2021/22. (annual report 2020/21)	Expectations for 2021/22 Previously	Expectations for 2021/22 Current update
EBITDA	108 DKKm	115 - 125 DKKm	83 - 103 DKKm	83 - 100 DKKm
Profit before taxes from continued activities	3 DKKm	10 - 20 DKKm	-20 - 0 DKKm	-20 - -5 DKKm
Profits from discontinued activities	4 DKKm	3 - 5 DKKm	3 - 5 DKKm	3 - 5 DKKm

ORIGINAL ASSUMPTIONS (Annual Report 2020/21 and H1 21/22)

- Continued intense competition and pressure on prices, especially in Danish and German retail.
- Uncertainty about the continued impact of COVID-19.
- Pressured supply chains for both raw materials, packaging and logistics lead to capacity constraints and lost revenue. The constraints are expected to gradually decrease over the second half of the year.
- Increasing turnover driven by export markets
- Investments in strengthened supply chain and efficiency improvements
- Expected significant, further commodity price increases in a number of areas with initial effect in Q2 and continued into the financial year 2022/23
- In addition to the expected profit before tax, the divestment of the last part of the activities in Estonia is expected to have a positive effect of DKK 3-5 million as a result of discontinued operations.

UPDATED ASSUMPTIONS

- The war in Ukraine leads to discontinuation of sales to the Russian market as well as renewed and significantly increased uncertainty about the supply situation, including logistics, as well as even higher cost prices generally, but significant interruptions of supplies is not included in expectations.
- Positive effect of increasing consumer prices in Denmark and Germany in the categories where the group has its primary sales.

EXPECTATIONS FOR 2021/22 are specified

- The above expected conditions are now included in the expectations for the full year 2021/22, which also considering the realized results for Q3 are specified within the previously adjusted range.
- Long-term goals and expectations are not affected.

Beverages delivers increasing revenue in Q3 2021/22

- Sales down 3% in Q3, against a year-to-date increase of 1%
- Net sales up 1% to DKK 268 million while year-to-date shows an increase of 7% to DKK 956 million
- The average net sales price per HL during the past year is driven by an increasing export share, where pricing is higher. In Q3, however, a more modest price increase of 4% is realized, as the domestic markets takes a larger share in the quarter.

The slowdown in turnover growth on exports is partly driven by a renewed effect of COVID-19, but to a large extent also by continued bottle necks in the general logistics capacity, certain commodity constraints and ongoing price negotiations derived from the massive cost increases.

In the Danish and German markets, significant growth was expected prior to the quarter. But massive supply of competing products at very low price points in the Christmas period has, although net turnover is on a par with last year, resulted in significantly lower volumes than expected.

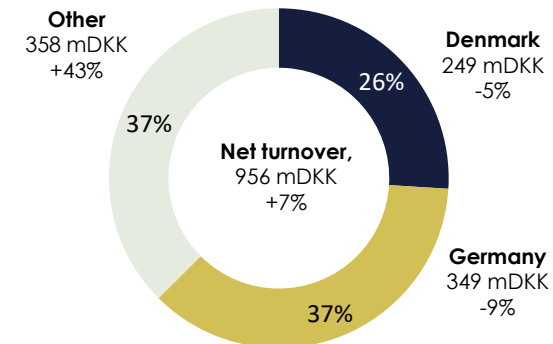
The effect of this has affected sales in both December and January as well as into the beginning of February.

In the Danish and German markets, the Group has renewed a significant part of the customer agreements and, especially in the German market, has entered into agreements for new private label volumes. The remaining, outstanding agreements are expected to be extended during Q4 at higher prices.

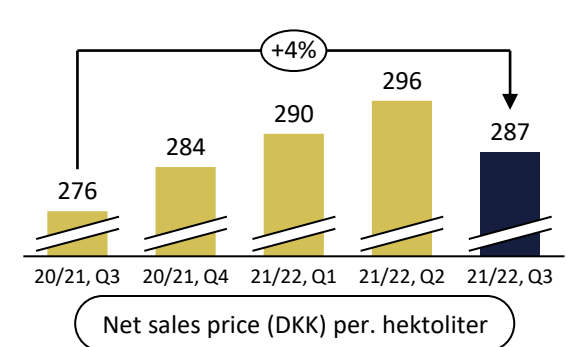
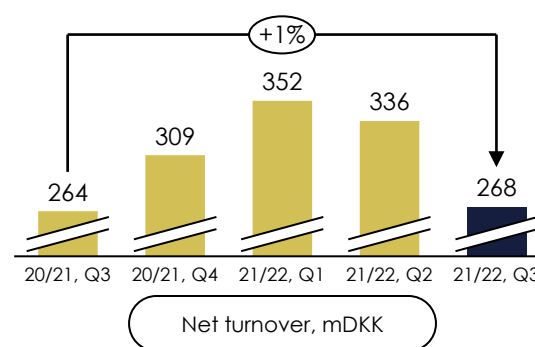
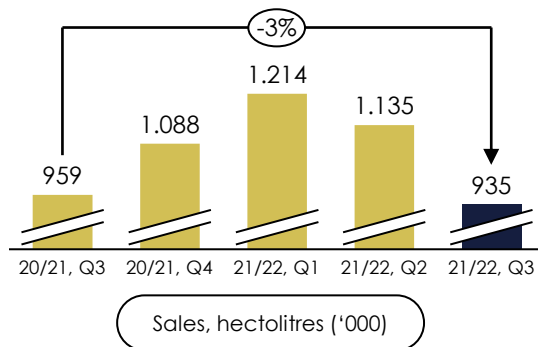
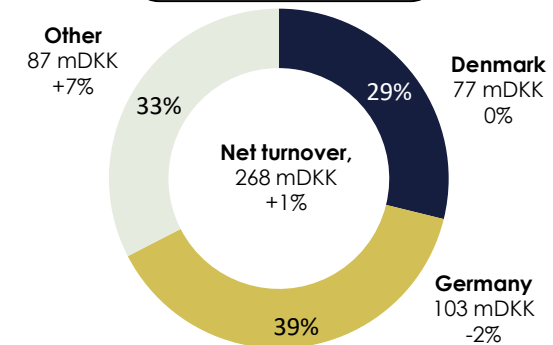
In the export markets, Harboe's products are primarily marketed under own brands and in higher price segments, but in addition there is also a focus on relevant private label volumes, which can support the Group's capacity utilization. It is expected that in the current situation, this private label business will partly compensate for the decline in volume, which will follow from discontinued activities in the Russian market.

The most important, short-term focus area in addition to volume growth is to ensure sufficient sales price increases to mitigate the significant and continued increasing costs. This will, individually depending on the length of customer agreements, continue into the financial year 2022/23.

9 Months 2021/22



Q3 2021/22



Ingredients delivers revenue growth in Q3 2021/22

- Sales down 1% in Q3, against a year-to-date decrease of 9%
- Net turnover up 4% to DKK 31 million and break the trend, where year-to-date shows a decrease of 5% to DKK 90 million
- The average net sales price per kilo has increased by 5% during the past year, primarily as a result of an optimized sales mix.

Going into this year, the group lost a major South American customer in terms of volume and focus till Q3 has been on building new volume. The progress is primarily made in the German market.

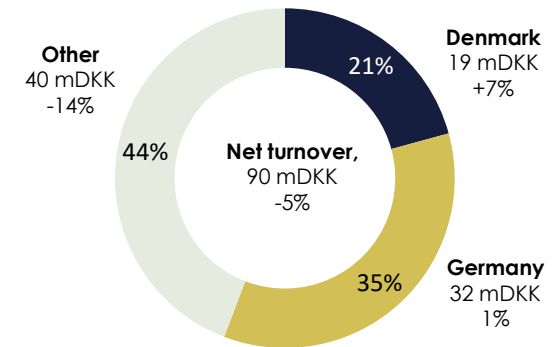
The ingredient segment has generally - and in comparison with the Beverage segment - shown to be less affected by COVID-19 as well as fluctuations in supply and demand patterns. The segment therefore continues to deliver a stable earnings trend on a par with expectations for 2021/22.

There is still strong demand for ingredients that meet sustainability and clean label requirements for food, and Harboe has continued to work closely with customers to develop and implement new uses for malt-based ingredients

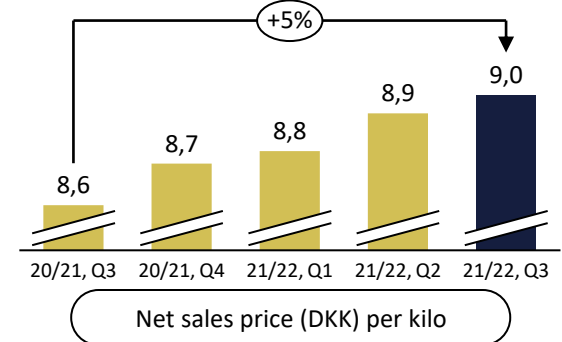
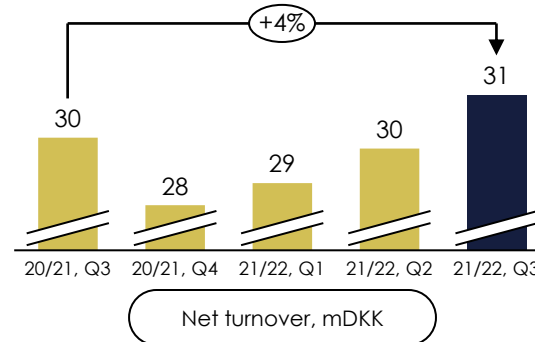
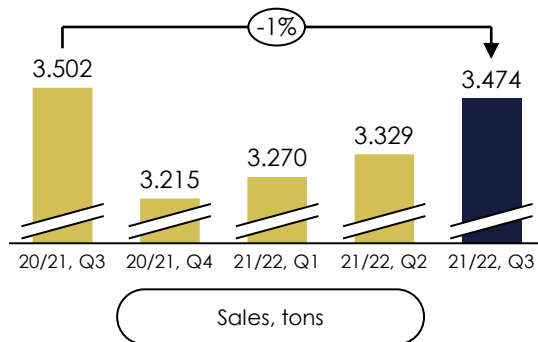
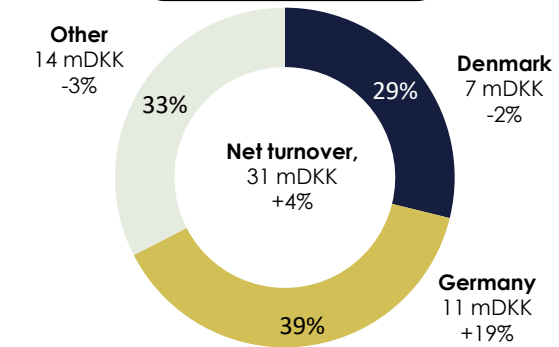
Several of these products are being incorporated and continue to be rolled out in production at a number of customers, and this is expected to drive a stable and positive sales development.

At the same time, a targeted focus on product and cost optimisation, in addition to fixed cost reduction and an improved product mix, has contributed to an overall improvement in earnings per kilo.

9 months 2021/22



Q3 2021/22



INCOME STATEMENT

DKK THOUSANDS	3. quarter		1.-3. quarter		Full year
	2021/22	2020/21	2021/22	2020/21	2020/21
Net turnover	298,954	294,393	1,045,618	991,331	1,328,184
Production costs	(259,709)	(252,602)	(854,857)	(829,482)	(1,105,266)
Gross profit	39,245	41,791	190,761	161,849	222,918
Other operation income	2,463	3,892	7,283	11,049	13,323
Sales and distribution costs	(46,588)	(39,252)	(149,832)	(124,969)	(165,277)
Administrative expenses	(15,463)	(16,478)	(45,010)	(43,590)	(57,658)
Other operating costs	(1,535)	(912)	(4,515)	(3,825)	(3,280)
Operating profit (EBIT)	(21,878)	(10,959)	(1,313)	514	10,026
Financial income	70	181	187	771	138
Financial costs	(1,253)	(1,887)	(4,765)	(5,459)	(6,921)
Pre-tax profit from continuing activities	(23,061)	(12,665)	(5,891)	(4,174)	3,243
Tax on profit on continuing activities	5,357	3,112	513	1,085	(1,584)
The period's profit from continuing activities	(17,704)	(9,553)	(5,378)	(3,089)	1,659
The period's results from discontinued activities	(139)	0	(475)	0	3,573
Profit or loss for the period	(17,843)	(9,553)	(5,853)	(3,089)	5,232

BALANCE SHEET

ASSETS DKK TUSINDE	31. january 2022	31. january 2021	30. april 2021
Intangible assets	9,804	17,028	13,421
Tangible assets	636,243	669,130	667,947
Investment properties	18,602	20,017	19,701
Other investment and securities	2,573	3,091	5,885
Non-current assets	667,222	709,266	706,954
Inventories	153,015	159,633	144,726
Receivables	247,869	185,418	264,396
Accruals and deferred income	3,420	8,082	8,351
Cash and cash equivalents	3,046	28,436	16,642
Current assets	407,350	381,569	434,115
Assets	1,074,572	1,090,835	1,141,069

EQUITY AND LIABILITIES DKK THOUSANDS	31. january 2022	31. january 2021	30. april 2021
Share capital	60,000	60,000	60,000
Other reserves	(1,045)	(2,503)	(1,275)
Transferred total income	616,222	610,575	621,067
Equity	675,177	668,072	679,792
Minority shareholders	6	3	14
Equity included in parent company's assets	675,171	668,069	679,778
Mortgage debt	74,442	90,789	86,301
Recognised leasing obligations	33,318	35,156	39,907
Deferred tax liabilities	44,648	32,360	44,629
Deferred recognition of income	18,212	21,839	20,850
Long-term liabilities	170,620	180,144	191,687
Bank debt and mortgage debt	15,926	15,953	16,199
Recognised leasing obligations	9,883	7,558	9,996
Trade payables	100,013	98,604	117,908
Deferred recognition of income	3,013	3,606	3,443
Other debt and other liabilities	99,940	116,898	122,044
Current liabilities	228,775	242,619	269,590
Liabilities	399,395	422,763	461,277
Equity and liabilities	1,074,572	1,090,835	1,141,069

CASH FLOW STATEMENT

DKK THOUSANDS	3. quarter		1.-3. quarter		Full year
	2021/22	2020/21	2021/22	2020/21	2020/21
Operating profit	(21,878)	(10,959)	(1,313)	514	10,026
Depreciations, amortisation and write-down	24,845	24,703	72,650	71,799	97,760
Income-recognised investment grants	(1,027)	(983)	(3,050)	(3,317)	(4,457)
Other adjustments	9	(262)	(82)	(299)	(8)
Change in working capital	35,883	(25,308)	(15,040)	(45,637)	(71,190)
Discontinued activity	(112)	(2,327)	(345)	(13)	4,128
Cash flows from primary operations	37,720	(15,136)	52,820	23,047	36,259
Financial income	122	181	187	771	138
Financial costs	(1,299)	(1,887)	(3,757)	(5,459)	(6,921)
Corporate taxes paid	0	(532)	(11,036)	(2,665)	(8,074)
Cash flows from operations	36,543	(17,374)	38,214	15,694	21,402
Purchase of intangible assets	(52)	(552)	(1,156)	(539)	(756)
Purchase of tangible assets	(12,288)	(10,564)	(34,609)	(23,945)	(45,400)
Sale of tangible assets	0	2,402	3,388	7,525	9,544
Change in financial assets	(66)	(240)	(420)	(670)	356
Cash flows from investments	(12,406)	(8,954)	(32,797)	(17,629)	(36,256)
Repayments on mortgage debt	(4,123)	(3,993)	(12,321)	(12,047)	(16,697)
Incurrence of lease liabilities	500	0	562	3,907	12,867
Repayments of lease liabilities	(2,371)	(2,257)	(7,272)	(6,600)	(10,349)
Cash flows from financing	(5,994)	(6,250)	(19,031)	(14,740)	(14,179)
Change in cash and cash equivalents	18,143	(32,578)	(13,614)	(16,675)	(29,033)
Cash and cash equivalents, opening	(15,110)	61,014	16,642	45,943	45,943
FX rate adjustment	13	0	18	(832)	(268)
Cash and cash equivalents closing	3,046	28,436	3,046	28,436	16,642