

Harboes Bryggeri A/S
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HARBOES BRYGGERI A/S – TRADING REPORT FOR Q1 2021/22

For the period 1st of May – 31st of July 2021

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, 8th of September 2021

Bernhard Griese
Chairman

Claus Christian Bayer
Deputy chairman

In this connection, CEO Søren Malling states:

"We are pleased with our strong first quarter, having growth in both sales and earnings – particularly driven by the export markets, where the restructured sales organisation and targeted sales efforts ensure progress as regards both existing and new customers in all regions. However, this development should also be seen in the context of the corresponding period last year, when COVID-19 significantly hampered sales, causing exceptionally low levels of activity. Q1 is also the peak season, and this affects the operating ratios, which are thus significantly above the level of the entire year. The current challenges of freight capacity and raw material shortages are also expected to result in significantly higher costs for the remainder of the financial year.

Taking these elements into account, we therefore maintain our expectations for the full year.

However, the trend is positive and shows that we are on the right track towards creating a new, positive momentum. We have also invested in a number of efficiency improvements in both production and supply chain this quarter, the results of which we will see gradually, and which will ensure better capacity utilisation and reduced unit costs over the coming years. Hence, we look forward to continued development and are pleased to note that our organisation supports the strategy every day and delivers solid results."

For further information:

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

Harboes Brewery delivers solid progress in Q1 2021/22:

- **Net sales up 12% to 380 mDKK**
- **EBITDA increases by 40% to 39 mDKK**
- **Profit before tax will be DKK 13 mDKK compared to 4 mDKK in Q1 2020/21**

Growth is driven by export markets, where net sales increase by 62% or 55 mDKK. Beverages rose by 79%, while Ingredients dropped by 20%.

It should be highlighted that the Q1 2020/21 turnover was approximately 30 mDKK below a normalised level due to, i.a., COVID-19. Adjusted for this, the increase in turnover amounts to DKK 9 million or 2.4%.

Earnings before amortisation and depreciation, financial items and taxes (EBITDA) in Q1 2021/2022 was 39 mDKK compared to 28 mDKK in the same period.

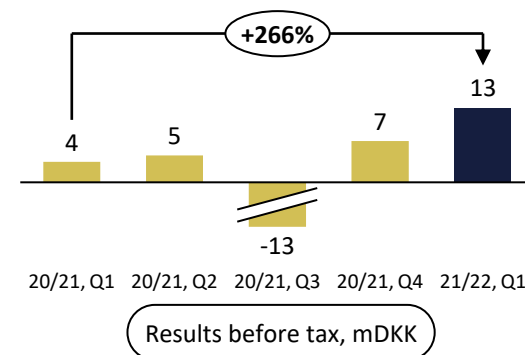
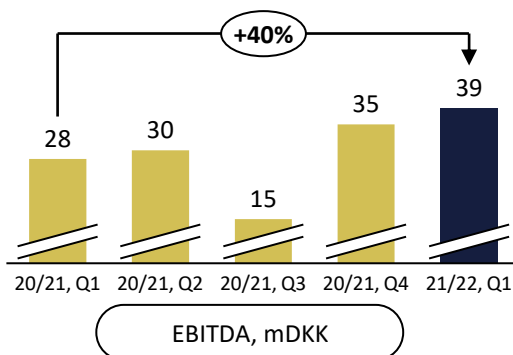
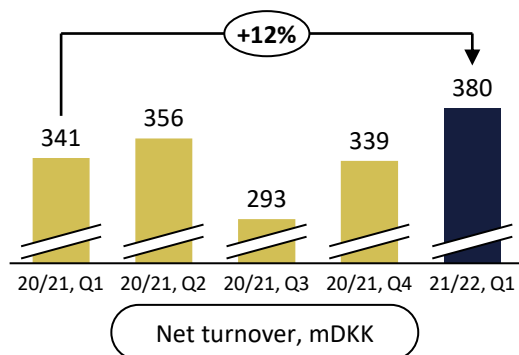
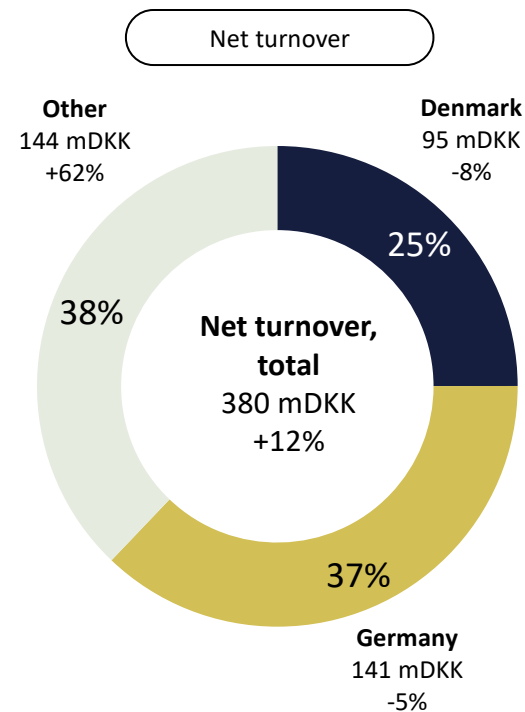
Overall, the period's depreciation and amortisation of 24 mDKK and financial expenses of 1 mDKK are in line with Q1 last year, and the period's profit before tax from continuing operations is 13.4 mDKK compared to 3.7 mDKK last year.

Business development

The development of both turnover and profit is influenced positively by the restructuring of the commercial organisation, implemented in 2020/21. This has driven a significant increase in activity with both existing and new customers in export markets, and the trend is further supported by an emerging normalisation of markets post-COVID-19.

The results are also gradually influenced by the ongoing momentum of efficiency improvement initiatives across the organisation, which should ensure better capacity utilisation and reduced unit costs over the coming years.

Current freight capacity constraints and raw material shortages will only have a limited impact on Q1 2021/2022 results, but the situation is expected to result in significantly higher costs for the remainder of the year.



SELECTED KEY FIGURES AND RATIOS DKK thousands	Q1 2021/22	Q1 2020/21	Full year 2020/21
Shareholdings (continued activities)			
Net turnover	380.407	340.782	1.328.184
EBITDA	38.916	27.863	107.785
Primary operation / EBIT	14.508	5.414	10.026
Result before tax	13.391	3.665	3.243
Result for the period	9.696	2.786	1.659
Balance sheet			
Non-current assets	693.103	749.919	706.954
Current assets	456.287	452.345	434.115
Equity	689.388	675.938	679.778
Long-term liabilities	184.573	193.591	191.687
Current liabilities	275.415	332.743	269.590
Total assets	1.149.390	1.202.264	1.141.069
Net interest bearing debt	123.006	195.056	135.761
Investments			
Purchase of intangible assets	1.000	0	756
Purchase of tangible assets	9.884	5.734	35.997
Depreciation and write-downs	24.407	22.449	97.760
Cash flow			
Cash flows from operations	23.327	(62.722)	21.402
Cash flows from investment	(10.506)	(5.569)	(36.256)
Cash flows from financing	(6.513)	(4.949)	(14.179)
Change in cash and cash equivalents	6.308	(73.240)	(29.033)
Key ratios			
EBITDA-margin	10,2%	8,2%	8,1%
Operating margin	3,8%	1,6%	0,8%
Solvency ratio	60,0%	56,2%	59,6%
Return on invested capital	4,9%	1,9%	1,9%
Avg. NIDB / LTM EBITDA	1,3	2,9	1,2

Positive development in the Group's peak season

Q1 is the Harboe Group's peak season and the strongest quarter in terms of sales, with summer driving sales in the Group's main markets Denmark and Germany, as well as in a number of export markets.

This is reflected in the operating ratios for Q1, which are thus significantly above the level for the full year. With regards to the same period last year, however, it should be noted that the level was unusually low.

Investments of 11 mDKK were made in Q1, the most significant of which relate to efficiency improvements at the brewery in Skælskør.

The Group's net interest-bearing debt amounts to 123 mDKK by 31st of July 2021, representing a reduction of 13 mDKK in the quarter and a reduction of 72 mDKK compared to the same period last year.

Operations generated positive cash flows of 23 mDKK. Free cash flow is positive by 6.3 mDKK against a negative free cash flow of 73 mDKK, Q1 2020/21.

This development is in line with the expectations for the period and supports the Group's ambition to maintain a strong financial base for an expected increase in the level of investment during the coming years.

Expectations for 2021/22 are maintained

EXPECTATIONS FOR 2021/22 DKK MIO.	Realized achievements 2020/21	Expectations for 2021/22. (annual report 2020/21)	Expectations for 2021/22 Current update
EBITDA	107,8 mDKK	115 - 125 mDKK	115 - 125 mDKK
Profit before taxes from continued activities	3,2 mDKK	10 - 20 mDKK	10 - 20 mDKK
Profits from discontinued activities	3,6 mDKK	3 - 5 mDKK	3 - 5 mDKK

ASSUMPTIONS (from Annual Report 2020/21)

- Continued intense competition and pressure on prices, especially in Danish and German retail
- Uncertainty about the continued impact of COVID-19 and current challenges with lack of freight capacity and scarcity of raw materials
- Increasing turnover driven by export markets
- Investing in strengthened supply chain and efficiency improvements
- In addition to the expected pre-tax result, the divestment of the last of the activities in Estonia is expected to have a positive impact of 3-5 mDKK as a result of discontinued operations

ASSUMPTIONS (updated)

- The above prerequisites remain valid.
- In addition, further significant commodity price increases are expected in a number of areas, with an initial impact in Q2 and increasing impact during the year

EXPECTATIONS FOR 2021/22 ARE MAINTAINED

- The above expected price increases are now included in the expectations for the full year of 2021/22 which, in view of, i.a., the results realised in Q1, are maintained at the same level as previously announced

DISCLAIMER

The above statements regarding future performance involve risks and uncertainties about a number of factors, many of which are beyond the control of the Harboe Group. This may cause actual results to differ significantly from the predictions given above. Factors that may affect expectations include general economic and business conditions, commodity price trends, new taxes and regulations, political conditions, demand, currency fluctuations and competitive conditions.

Overall positive development in Beverages

- Sales up 4% vs. same period last year
- Net sales increase by 13% to 352 mDKK
- Net sales per hectolitre up 8%

Receding turnover in the main markets

In the Danish market, turnover dropped by 9%, mainly due to higher turnover in the same period last year, when closures of the border trade and the restaurant business shifted some sales to the Danish retail sector, where Harboe is primarily exposed.

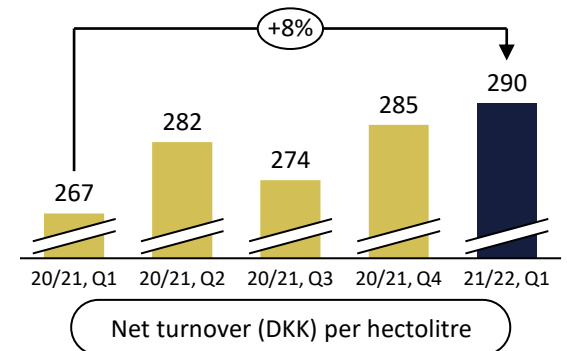
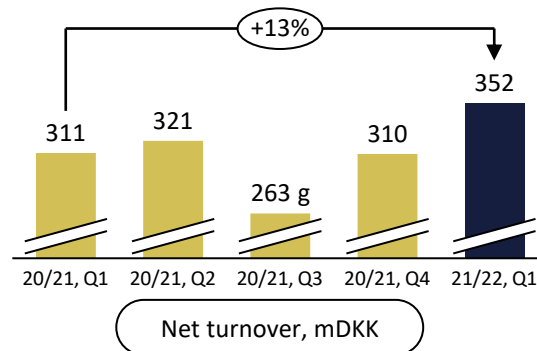
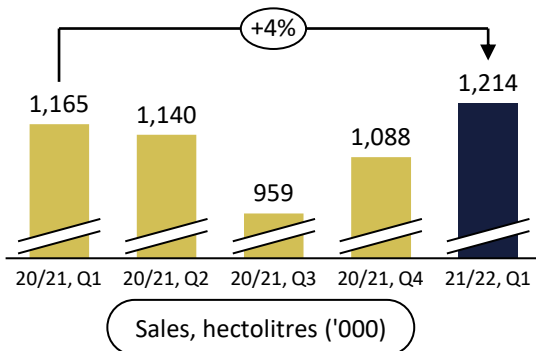
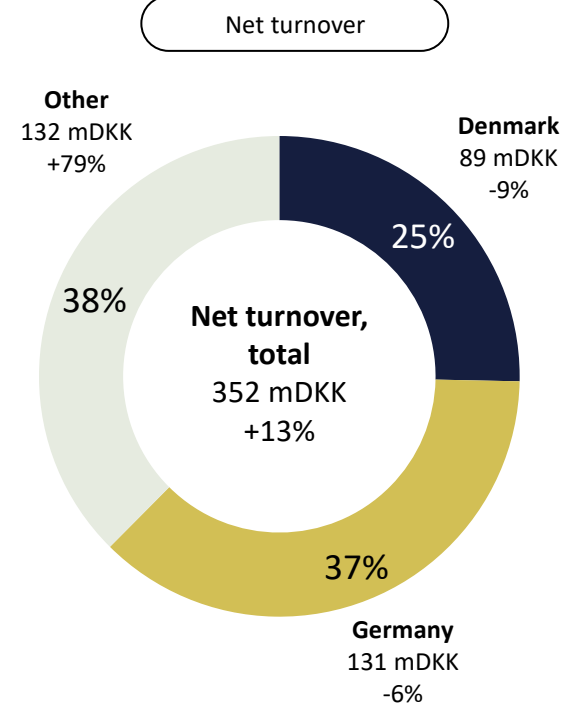
Germany also saw a slight decline in turnover, partly driven by the same developments as the Danish market, as well as a lower turnover with international private label distributors, which is also included in the turnover for Germany. In the German market, Harboe is primarily exposed to the private label segment, where competition and price pressure are particularly intense, but an adjusted product and customer mix has limited the earnings impact of the decline in turnover.

Growth and significantly higher earnings driven by exports

In export markets, turnover increased by 79%, driven by positive developments in all regions, with increased activity and growth amongst both new and existing customers.

However, this development should be seen in the context of the corresponding period last year, when activity levels were exceptionally low, mainly due to COVID-19.

In export markets, Harboe's products are marketed primarily under own brands and in higher price segments, driven by increasing demand for imported branded products. The restructuring of the international sales organisation and a targeted effort to position the Group's brands and develop sales efforts towards customers and distributors drive the positive development and increasing turnover per hectolitre. This is further supported by an inchoate normalisation of markets after COVID-19.



Overall flat turnover development and improved profitability

- Sales drop by 8%
- Better product mix increases net turnover per kilo by 5% and ensures flat revenue development despite lower sales

Increasing turnover in the main markets

Intensified sales efforts towards both existing and new customers form the basis for an increasing level of activity, increased turnover and improved earnings in both Denmark and Germany.

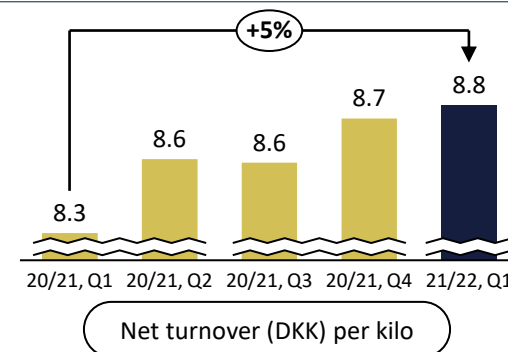
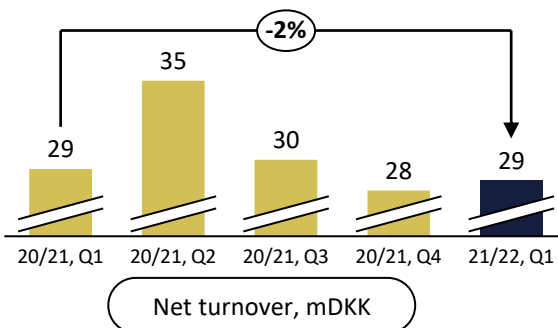
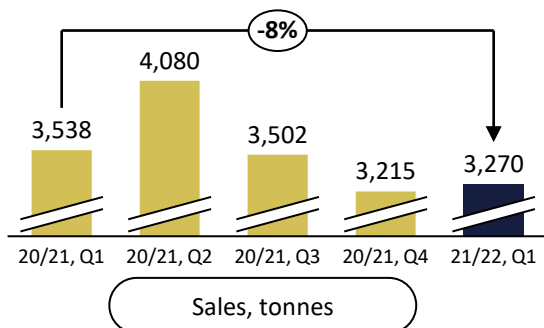
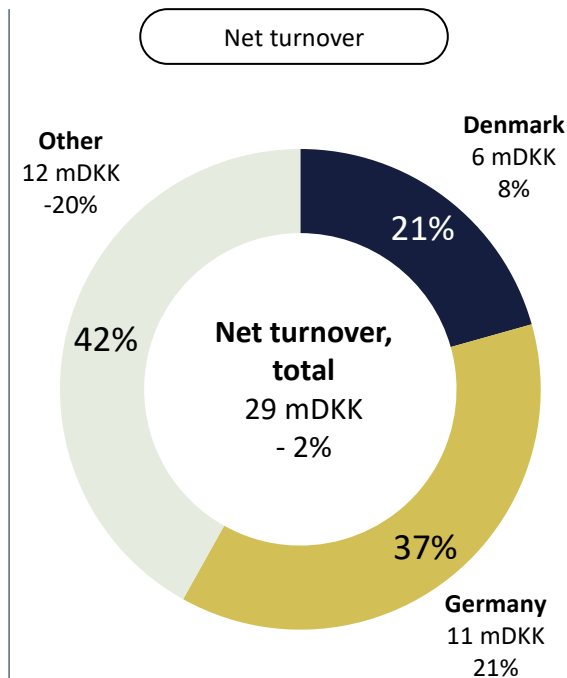
There is a continual, high demand for ingredients that meet sustainability and clean label requirements on food, and Harboe has continued to work closely with customers to develop and implement new uses for the malt-based ingredients.

Several of these products are currently being incorporated, and continue to be rolled out in production for a number of customers, and this is expected to facilitate a continued positive sales development.

Decline in export markets less than expected

The turnover decline in Ingredients in the last financial year was mainly driven by the loss of a major international customer. However, an intensified sales effort, increasing activity levels with existing customers and a positive development with new customers in Q1 2021/2022 contribute to the fact that the decrease in turnover is, to some extent, offset by new activities and therefore drops less than expected.

Harboe will continue its sales efforts towards new customers and segments and expects to further reduce the sales decline in export markets during the remainder of the financial year.



INCOME STATEMENT	Q1	Q1	Full year
DKK THOUSANDS	2021/22	2020/21	2020/21
Net turnover	380.407	340.782	1.328.184
Production costs	(304.925)	(277.199)	(1.105.266)
Gross profit	75.482	63.583	222.918
Other operation income	2.433	2.526	13.323
Sales and distribution costs	(46.397)	(44.594)	(165.277)
Administrative expenses	(15.854)	(13.569)	(57.658)
Other operating costs	(1.156)	(2.532)	(3.280)
Operating profit (EBIT)	14.508	5.414	10.026
Financial income	42	273	138
Financial costs	(1.159)	(2.022)	(6.921)
Pre-tax profit from continuing activities	13.391	3.665	3.243
Tax on profit on continuing activities	(3.695)	(879)	(1.584)
The period's profit from continuing activities	9.696	2.786	1.659
The period's results from discontinued activities	(161)	0	3.573
Profit or loss for the period	9.535	2.786	5.232

ASSETS	Q1, 21/22	Q1, 20/21	2021/22
DKK THOUSANDS	31.07.2021	31.07.2021	30.04.2021
Intangible assets	12.671	17.989	13.421
Tangible assets	655.335	705.956	667.947
Investment properties	19.212	21.927	19.701
Other investment and securities	5.885	4.047	5.885
Non-current assets	693.103	749.919	706.954
Inventories	139.394	170.404	144.726
Receivables	290.646	252.340	264.396
Accruals and deferred income	3.297	15.799	8.351
Assets intended for sale	0	4.435	0
Cash and cash equivalents	22.950	9.367	16.642
Current assets	456.287	452.345	434.115
Assets	1.149.390	1.202.264	1.141.069

EQUITY AND LIABILITIES	Q1, 21/22	Q1, 20/21	2021/22
DKK THOUSANDS	31.07.2021	31.07.2021	30.04.2021
Share capital	60.000	60.000	60.000
Other reserves	(1.201)	(2.075)	(1.275)
Transferred total income	630.603	618.005	621.067
Equity	689.402	675.930	679.792
Minority shareholders	(14)	8	(14)
Equity included in parent company's assets	689.388	675.938	679.778
Mortgage debt	82.340	98.859	86.301
Recognised leasing obligations	37.614	40.604	39.907
Deferred tax liabilities	44.633	30.752	44.629
Deferred recognition of income	19.986	23.376	20.850
Long-term liabilities	184.573	193.591	191.687
Bank debt and mortgage debt	16.141	52.695	16.199
Recognised leasing obligations	9.861	12.265	9.996
Trade payables	111.656	111.954	117.908
Deferred recognition of income	3.302	4.284	3.443
Other debt and other liabilities	134.455	151.545	122.044
Current liabilities	275.415	332.743	269.590
Liabilities	459.988	526.334	461.277
Equity and liabilities	1.149.390	1.202.264	1.141.069

CASH FLOW STATEMENT DKK THOUSANDS	Q1 2021/22	Q1 2020/21	Full year 2020/21
Operating profit	14.508	5.411	10.026
Depreciations, amortisation and write-down	24.407	23.604	97.760
Income-recognised investent grants	(1.009)	(1.114)	(4.457)
Other adjustments	(3)	226	(8)
Change in working capital	(3.874)	(88.169)	(71.190)
Discontinued activity	(126)	183	4.128
Cash flows from primary operations	33.903	(59.859)	36.259
Financial income	42	273	138
Financial costs	(1.163)	(2.074)	(6.921)
Corporate taxes paid	(9.455)	(1.062)	(8.074)
Cash flows from operations	23.327	(62.722)	21.402
Purchase of intangible assets	0	0	(756)
Purchase of tangible assets	(10.884)	(5.734)	(45.400)
Sale of tangible assets	378	131	9.544
Change in financial assets	0	34	356
Cash flows from investments	(10.506)	(5.569)	(36.256)
Repayments on mortgage debt	(4.019)	(3.846)	(16.697)
Incurrence of lease liabilities	62	0	12.867
Repayments of lease liabilities	(2.556)	(1.103)	(10.349)
Cash flows from financing	(6.513)	(4.949)	(14.179)
Change in cash and cash equivalents	6.308	(73.240)	(29.033)
Cash and cash equivalents, opening	16.642	45.943	45.943
FX rate adjustment	0	201	(268)
Cash and cash equivalents closing	22.950	(27.096)	16.642