

# TRADING REPORT Q1 – 2022/2023

COMPANY ANNOUNCEMENT  
NO. 8 – 2022/2023

*Harboe*



To NASDAQ OMX Copenhagen

On this day, the board of directors of Harboes Bryggeri A/S has processed and approved the following trading report for Q1 2022/23.

Skælskør, 29 September 2022

Bernhard Griese

Chairperson

## CEO SØREN MALLING STATES:

*"We have been through a first quarter with significant challenges with continued rising prices for raw materials, packaging, transport and not least energy, which has put our earnings under pressure. We are pleased that, despite the market challenges, we have succeeded in creating new business and have implemented increases in our sales prices – however volatility in demand on the international markets in particular and challenged supply chains have resulted in unsatisfactory results for the quarter.*

*A large part of our business is based in the entry-level price segment, where the margins are low, and sensitivity is therefore also greater when markets develop as they are developing right now. The uncertainties for the remainder of the year remain significant – in terms of the continued development of input prices and the importance of rising inflation for consumer behaviour. We are working closely together with our customers to create partnership-based solutions to ensure continued supply and mutual value creation. And we are continuing to work purposefully to ensure continued efficiency and savings in our supply chain and internal organisation. We expect these measures, combined with continued development of our business activities, to gradually contribute to improved earnings in the remaining part of the financial year.*

*Therefore, we maintain the expectations for the whole year of an EBITDA in the range of 63-103 mDKK and profit before tax in the range of -30-+10 mDKK."*

## FOR FURTHER INFORMATION

CEO Søren Malling

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## INCREASING TURNOVER, BUT EARNINGS UNDER PRESSURE IN Q1 2022/23:

- **Net turnover increased by 10.8% to mDKK 421**
- **EBITDA was mDKK 19 compared to mDKK 39 in Q1 last year**
- **Profits before tax were mDKK -4 compared to mDKK 13 in Q1 2021/22**

The increase in turnover was mainly driven by Beverages in Germany, where net turnover increased by 23.4%. Overall, turnover in Beverages increased by 9.9%, while turnover in Ingredients increased by 17.2%.

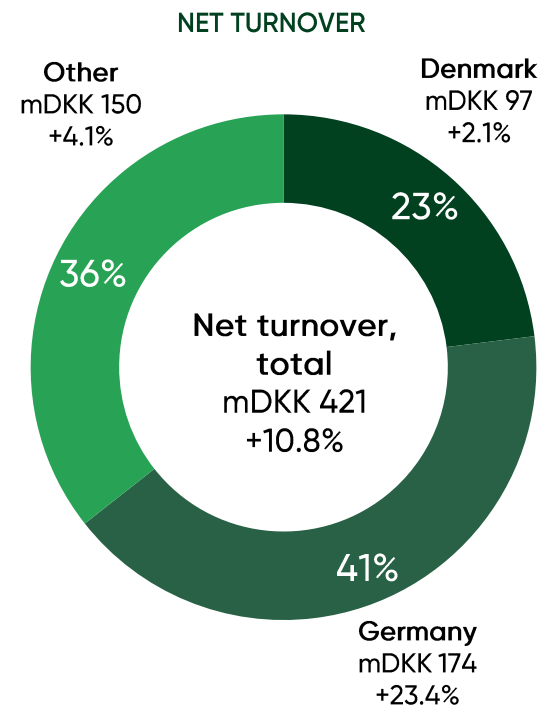
However, the increase in turnover was not enough to cover the sharply rising input prices, so the profits for Q1 2022/2023 before amortisation and write-downs, financial items and tax (EBITDA) were mDKK 19 compared to mDKK 39 in the same period last year.

Overall, the period's amortisations and write-downs of mDKK 22 and financial costs of mDKK 1.5 are on a par with those of Q1 last year. The period's profit before tax from continuing activities amounts to mDKK -4.3 compared to mDKK 13.4 last year.

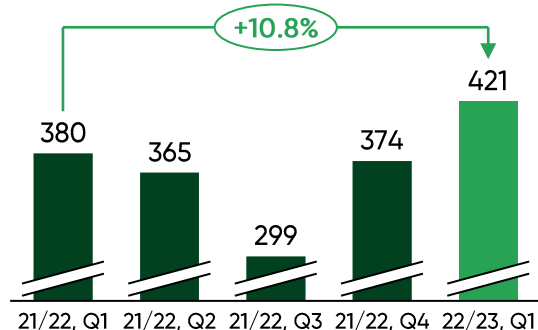
## BUSINESS DEVELOPMENT

The development in turnover was driven by a positive development in sales, implemented price increases and new customer agreements, including in particular a major new private label agreement with an existing customer in Germany. Compared to last year, however, the results in Q1 2022/2023 were significantly affected by markedly increased costs driven by continued price increases for raw materials, packaging, distribution and energy. Harboe is cooperating and negotiating on an ongoing basis with customers to ensure continued supply and compensation for the increased costs in sales prices.

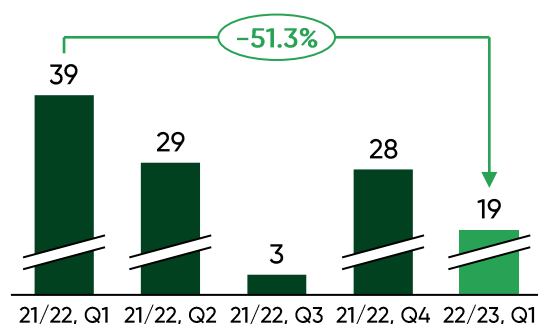
As a result of the continuing uncertainties surrounding energy supply, Harboe has implemented the necessary measures to be able to continue production without gas. These measures have also entailed additional costs.



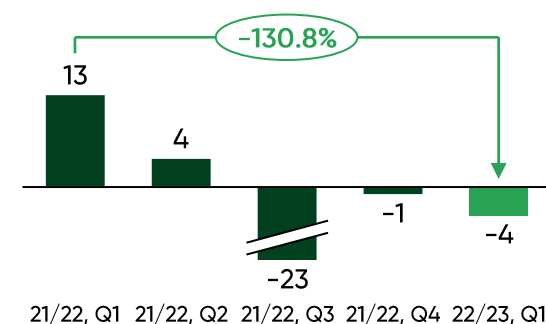
Net turnover, mDKK



EBITDA, mDKK



Results before tax, mDKK



## SELECTED MAIN- AND KEY FIGURES DKK THOUSANDS

|   | Q1<br>2022/23 | Q1<br>2021/22 | All year<br>2021/22 |
|---|---------------|---------------|---------------------|
| <b>Earnings (continuing activity)</b>                 |               |               |                     |
| Net turnover  | 420,903       | 380,407       | 1,419,353           |
| EBITDA  | 18,716        | 38,916        | 98,876              |
| Operating activities/EBIT for the period              | (2,984)       | 14,508        | (796)               |
| Profit for the period before tax                      | (4,330)       | 13,391        | (6,957)             |
| The period's profit from continuing activities        | (3,412)       | 9,696         | (4,227)             |
| <b>Balance</b>  |               |               |                     |
| Non-current assets                                    | 648,176       | 693,103       | 653,619             |
| Current assets  | 496,989       | 456,287       | 489,403             |
| Equity  | 677,451       | 689,388       | 680,863             |
| Long-term debt obligations                            | 165,511       | 184,573       | 167,172             |
| Short-term debt liabilities                           | 302,162       | 275,415       | 294,947             |
| Balance sheet total                                   | 1,145,164     | 1,149,390     | 1,143,022           |
| Net interest-bearing debt                             | 124,597       | 123,006       | 82,930              |
| <b>Investments</b>                                    |               |               |                     |
| Investment in intangible assets                       | 0             | 1,000         | 1,219               |
| Investment in tangible assets                         | 18,712        | 9,884         | 49,244              |
| Depreciation, amortisation and write-downs            | 21,700        | 24,407        | 99,672              |
| <b>Cash flows</b>                                     |               |               |                     |
| Cash flows from operations                            | (26,425)      | 23,327        | 100,134             |
| Cash flows from investments                           | (15,241)      | (10,506)      | (47,119)            |
| Cash flows from financing                             | (139)         | (6,513)       | (23,384)            |
| Change in cash and cash equivalents (free cash flow)  | (41,806)      | 6,308         | 29,631              |
| <b>Key figures</b>                                    |               |               |                     |
| EBITDA margin   | 4.4%          | 10.2%         | 7.0%                |
| Operating margin                                      | -0.7%         | 3.8%          | -0.1%               |
| Solvency ratio  | 59.2%         | 60.0%         | 59.6%               |
| Return on invested capital (ROIC)                     | -1.1%         | 4.9%          | -0.1%               |
| Net interest-bearing debt, average/EBITDA (prev. 12m) | 1.6           | 1.3           | 0.8                 |

## POSITIVE DEVELOPMENT IN TURNOVER AND CONTINUED MEASURES TO COUNTERACT MASSIVELY RISING INPUT PRICES

- Harboe's turnover in Q1, which is the group's peak season, increased by 10.8% to mDKK 420.9, being driven particularly by the development in the German market.
- The group's EBITDA was affected by continued significant cost price increases across all input prices. Negotiations with suppliers regarding prices and continued security of delivery are close and ongoing, but the supply chains have been affected by delays and changes in deliveries during the quarter as a result of current market conditions. On the internal lines, a number of efficiency-improvement and cost-saving projects are being worked on with a view to reducing production costs. Continued cooperation and negotiations with customers and distributors to ensure continued supplies and compensation for the increasing costs are expected to have a gradual positive effect during the remaining part of the financial year. The EBITDA margin in Q1 was 4.4% compared to 10.2% in the same period last year. However, this development must also be seen in comparison with a particularly strong Q1 in 2021/2022.
- Investments of mDKK 19 were made in Q1, the most significant of which relate to automation and efficiency-improving measures as well as investment in a facility for the production of alcohol-free beer in order to be able to meet a continued increasing demand in this category.
- The group's net interest-bearing debt amounts to mDKK 125 as of 31 July 2022, which is slightly higher than at the end of the same period last year.
- Cash flow from operations amounts to mDKK -26 compared to a positive cash flow of mDKK 23.3 in the same period last year. The development is influenced, among other things, by the lower earnings and also reflects the expected increased liquidity burden as a result of some customers having terminated their supply chain management agreements in the context of new EU regulation.
- Despite the lower earnings in Q1, Harboe continues to have a strong financial foundation that supports an expected increasing level of investment in the coming years as part of the implementation of the group's strategy.

## ASSUMPTIONS (FROM ANNUAL REPORT 2021/22)

- Continued intensive competition and pressure on prices, especially in Danish and German retail.
- Rising turnover driven by export markets.
- Improved earnings in both business areas.
- Investments in strengthened supply chain and efficiency improvements.
- Continued great uncertainty about the development in cost prices for raw materials, energy and freight as well as the results of ongoing negotiations to obtain necessary increases in sales prices with customers.
- Uncertainty about gas supply for own production and in supply chains, which could potentially lead to i.a. significant additional costs.

- Restrictions in supply chains can cause delays and lost turnover.
- Continued risk of fluctuations in activities as a result of possible new waves of infection with COVID-19.

## ASSUMPTIONS (UPDATED)

- The above assumptions remain valid.
- There is, however, a risk that further increases in raw material prices, continued high distribution costs and restrictions in the supply chains could limiting the volume growth on the export markets in the remaining part of the financial year.
- It is expected that the continued cooperation and negotiations with the customers on ensuring supplies and compensation for the rising costs will result in a gradual improvement of the results during the remaining part of the financial year.

## EXPECTATIONS FOR 2022/23 MAINTAINED

Based on the realized results in the first quarter and the above assumptions, the expectations for 2022/2023 are maintained.

It must be emphasised that the uncertainty surrounding expectations is significantly greater than usual, and that expectations are very sensitive to the development in cost prices and the speed with which price increases can be passed on to customers. Both the ongoing and the regular annual renegotiations of major contracts with customers are therefore of great importance for 2022/2023 results.

## EXPECTATIONS FOR 2022/23

|   | Realised results<br>2021/22 | Expectations for<br>2022/23 (2021/22<br>annual report) | Expectations for<br>2022/23 (current) |
|---|-----------------------------|--|---------------------------------------|
| EBITDA  | mDKK 98.9                   | mDKK 63–103  | mDKK 63–103                           |
| Profit before tax from<br>continuing operations | mDKK -4.2                   | mDKK -30 – +10   | mDKK -30 - +10                        |
| Profits from<br>discontinued<br>operations      | mDKK 4.3                    | mDKK 0   | mDKK 0                                |

## 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.

## INCREASING SALES AND TURNOVER

- Sales increased by 6.1% compared to Q1 last year
- Net sales increased by 9.9% to mDKK 387
- Net turnover per hectolitre increased by 3.4%

## POSITIVE DEVELOPMENT IN THE MAIN MARKETS – BUT EARNINGS UNDER PRESSURE

In the Danish market, turnover was largely on a par with the same period last year and affected by continued intensive competition with a large range of competitive branded products at low prices. Harboe has received positive feedback on the new packaging design which was launched for the beer category in the spring in line with the strategy. Preparations for a similar upgrade for soft drinks have been completed in Q1 with a view to launching this upgrade during the autumn.

In Germany, turnover increased by 23.8%, driven by a positive development in the activities and the conclusion of a major new private label agreement with an existing customer.

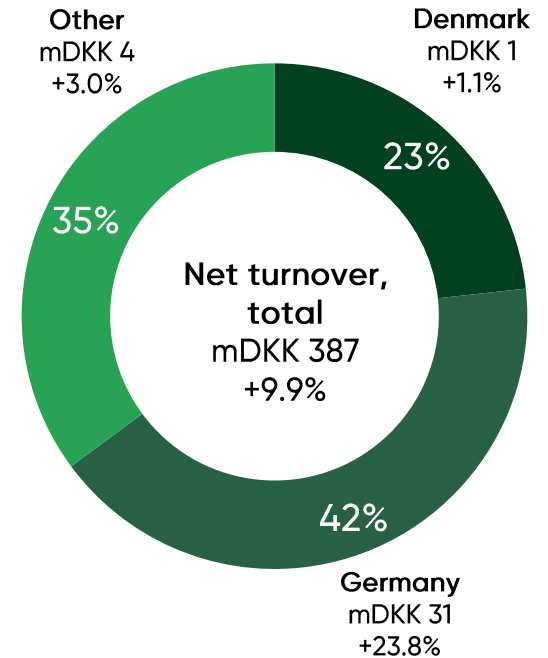
In both main markets, negotiations with customers are ongoing regarding price increases and general contract terms to counter the sharply rising input prices. It is expected that the results of these negotiations will mean gradually improved earnings in the remaining part of the financial year.

## LOWER THAN EXPECTED GROWTH IN EXPORTS

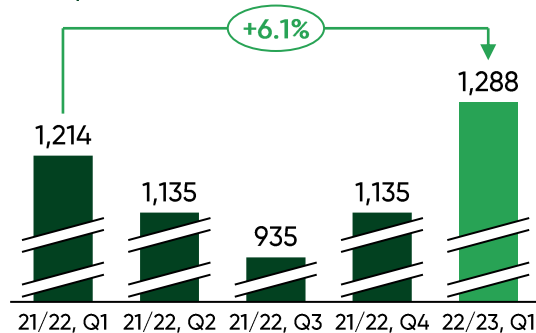
In the export markets, turnover increased by 3.0%, which is lower than expected and, among other things, affected by significant challenges related to a lack of container capacity as well as cancelled or delayed transport, which have affected order deliveries and resulted in lost turnover.

It is expected that further increases in raw material prices and the continued high distribution costs may put a damper on continued volume growth in the remaining part of the financial year.

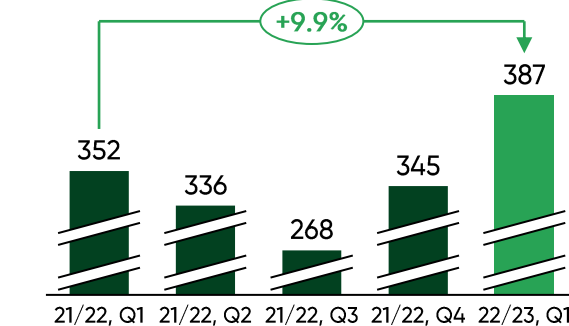
## NET TURNOVER



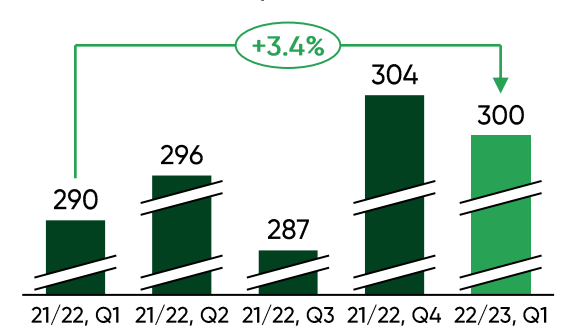
Sales, hectolitres



Net turnover, mDKK



Net turnover (DKK) per hectolitre





## POSITIVE DEVELOPMENT IN TURNOVER – BUT PRICE INCREASES STILL NECESSARY

- Sales increased by 6.1% compared to Q1 last year
- Turnover increased by 17.2% to mDKK 34
- The net turnover per kilo increased by 10.1%

## INCREASING TURNOVER IN THE MAIN MARKETS

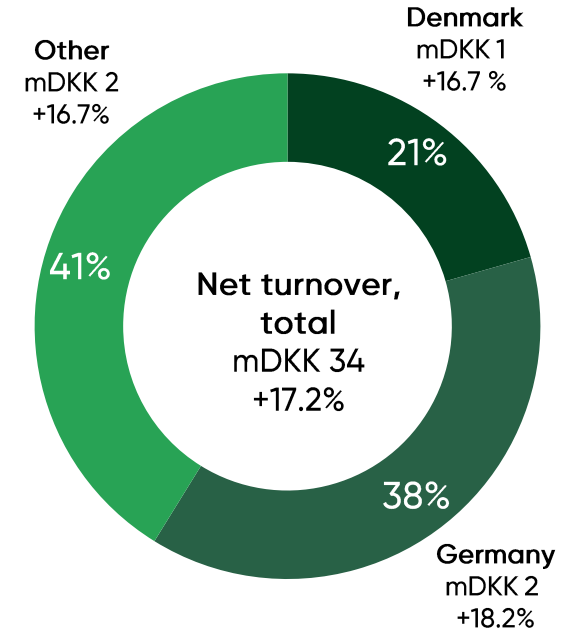
- Intensified sales efforts towards both existing and new customers formed the basis for an increasing level of activity, just as the implementation of sales price increases contributed to increased turnover in both Denmark and Germany.
- There is continued high demand for ingredients that meet sustainability and clean label requirements for food, and Harboe has continued to work closely with customers to develop and implement new uses for the malt-based ingredients.

- The development in cost prices also affects the Ingredients business, and negotiations are ongoing with customers regarding compensation for this in sales prices.

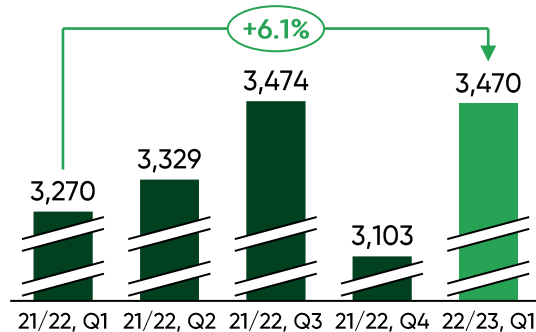
## CONTINUED GROWTH IN THE EXPORT MARKETS

- Turnover in the export markets increased by 16.7% and reflects a continued effort to build new business following the loss of a major customer at the end of the 2020/21 financial year.
- Harboe will continue its sales efforts towards new customers and segments and expects to further strengthen growth and earnings in the export markets in the remaining part of the financial year.
- Harboe sees continued potential in the ingredients business, and with the organisation of the business under new independent management, there are positive expectations for the development in the coming years.

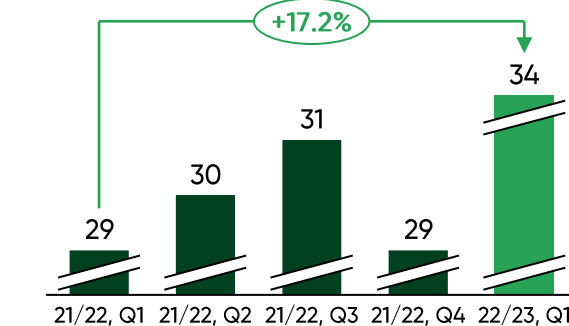
## NET TURNOVER



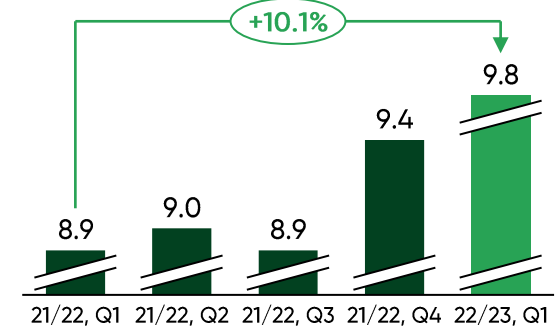
## Sales, tons



## Net turnover, mDKK



## Net turnover (DKK) per kilo



# INCOME STATEMENT, Q1 2022/2023

| INCOME STATEMENT<br>DKK THOUSANDS                     | Q1<br>2022/23  | Q1<br>2021/22  | All year<br>2021/22 |
|---|----------------|----------------|---------------------|
| <b>Net turnover</b>                                   | <b>420,903</b> | <b>380,407</b> | <b>1,419,353</b>    |
| Production costs                                      | (344,236)      | (304,925)      | (1,161,534)         |
| <b>Gross profit</b>                                   | <b>76,667</b>  | <b>75,482</b>  | <b>257,819</b>      |
| Other operating income                                | 2,115          | 2,433          | 10,802              |
| Sales and distribution costs                          | (63,879)       | (46,397)       | (202,934)           |
| Administrative expenses                               | (16,037)       | (15,854)       | (60,161)            |
| Other operating costs                                 | (1,850)        | (1,156)        | (6,322)             |
| <b>Operating profit (EBIT)</b>                        | <b>(2,984)</b> | <b>14,508</b>  | <b>(796)</b>        |
| Financial income                                      | 53             | 42             | 206                 |
| Financial costs                                       | (1,399)        | (1,159)        | (6,367)             |
| <b>Profit before tax from continuing operations</b>   | <b>(4,330)</b> | <b>13,391</b>  | <b>(6,957)</b>      |
| Tax on profit or loss for the period                  | 918            | (3,695)        | 2,730               |
| <b>The period's profit from continuing activities</b> | <b>(3,412)</b> | <b>9,696</b>   | <b>(4,227)</b>      |
| Net profit or loss for the period                     | (4)            | (161)          | 4,288               |
| <b>Profit/(loss) for the period</b>                   | <b>(3,416)</b> | <b>9,535</b>   | <b>61</b>           |



# BALANCE SHEET, Q1 2022/2023

| ASSETS                         | Q1, 22/23        | Q1, 21/22        | 2021/22          | EQUITY AND LIABILITIES                             | Q1, 22/23        | Q1, 21/22        | 2021/22          |
|--------------------------------|------------------|------------------|------------------|--|------------------|------------------|------------------|
| DKK THOUSANDS                  | 31.07.2022       | 31.07.2021       | 30.04.2022       | DKK THOUSANDS                                      | 31.07.2022       | 31.07.2021       | 30.04.2022       |
| Intangible assets              | 5,984            | 12,671           | 6,218            | Share capital                                      | 60,000           | 60,000           | 60,000           |
| Tangible assets                | 609,110          | 640,758          | 613,578          | Other reserves                                     | (225)            | (1,201)          | (225)            |
| Investment properties          | 30,723           | 33,789           | 31,460           | Transferred total income                           | 617,716          | 630,603          | 621,128          |
| Other equity and securities    | 2,358            | 5,885            | 2,363            |  |                  |                  |                  |
| <b>Non-current assets</b>      | <b>648,176</b>   | <b>693,103</b>   | <b>653,619</b>   | <b>Equity</b>                                      | <b>677,491</b>   | <b>689,402</b>   | <b>680,903</b>   |
|                                |                  |                  |                  | <b>Minority shareholders</b>                       | <b>(40)</b>      | <b>(14)</b>      | <b>(40)</b>      |
| Inventories                    | 183,684          | 139,394          | 164,926          | <b>Equity of parent company's shareholders</b>     | <b>677,451</b>   | <b>689,388</b>   | <b>680,863</b>   |
| Receivables                    | 300,765          | 290,646          | 271,883          | Mortgage debt                                      | 66,425           | 82,340           | 70,318           |
| Prepayments and accrued income | 8,256            | 3,297            | 6,504            | Recognised leasing obligations                     | 36,883           | 37,614           | 33,029           |
| Cash and cash equivalents      | 4,284            | 22,950           | 46,090           | Deferred tax liabilities                           | 45,574           | 44,633           | 46,453           |
| <b>Current assets</b>          | <b>496,989</b>   | <b>456,287</b>   | <b>489,403</b>   | Deferred recognition of income                     | 16,629           | 19,986           | 17,372           |
| <b>Assets</b>                  | <b>1,145,164</b> | <b>1,149,390</b> | <b>1,143,022</b> | <b>Long-term debt obligations</b>                  | <b>165,511</b>   | <b>184,573</b>   | <b>167,172</b>   |
|                                |                  |                  |                  | Bank debt and debt to mortgage credit institutions | 15,927           | 16,141           | 15,990           |
|                                |                  |                  |                  | Recognised leasing obligations                     | 9,647            | 9,861            | 9,683            |
|                                |                  |                  |                  | Trade payables                                     | 154,334          | 111,656          | 158,597          |
|                                |                  |                  |                  | Deferred recognition of income                     | 2,746            | 3,302            | 2,869            |
|                                |                  |                  |                  | Other debt and other liabilities                   | 119,509          | 134,455          | 107,808          |
|                                |                  |                  |                  | <b>Current liabilities</b>                         | <b>302,162</b>   | <b>275,415</b>   | <b>294,947</b>   |
|                                |                  |                  |                  | <b>Commitments</b>                                 | <b>467,673</b>   | <b>459,988</b>   | <b>462,119</b>   |
|                                |                  |                  |                  | <b>Liabilities</b>                                 | <b>1,145,164</b> | <b>1,149,390</b> | <b>1,143,022</b> |

# CASH FLOW STATEMENT, Q1 2022/2023

| CASH FLOW STATEMENT<br>DKK THOUSANDS               | Q1<br>2022/23   | Q1<br>2021/22   | All year<br>2021/22 |
|--|-----------------|-----------------|---------------------|
| <b>Operating profit</b>                            | <b>(2,984)</b>  | <b>14,508</b>   | <b>(796)</b>        |
| Depreciation, amortisation and write-downs         | 21,700          | 24,407          | 99,812              |
| Other adjustments                                  | (942)           | (3)             | 0                   |
| Income-recognised investment grants                | (866)           | (1,009)         | (4,053)             |
| Changes in working capital                         | (41,015)        | (3,874)         | 16,680              |
| Discontinuing activity                             | (177)           | (126)           | 5,569               |
| <b>Cash flows from primary operations</b>          | <b>(24,284)</b> | <b>33,903</b>   | <b>117,212</b>      |
| Financial income                                   | 163             | 42              | 206                 |
| Financial costs                                    | (1,509)         | (1,163)         | (5,359)             |
| Corporate tax paid                                 | (797)           | (9,455)         | (11,925)            |
| <b>Cash flows from operations</b>                  | <b>(26,427)</b> | <b>23,327</b>   | <b>100,134</b>      |
| Purchase of intangible assets                      | 0               | 0               | (1,219)             |
| Purchase of tangible assets                        | (18,712)        | (10,884)        | (49,452)            |
| Sale of tangible assets                            | 3,470           | 378             | 208                 |
| Sale of financial assets                           | 0               | 0               | 3,312               |
| Dividends received from financial assets           | 0               | 0               | 32                  |
| <b>Cash flows from investments</b>                 | <b>(15,242)</b> | <b>(10,506)</b> | <b>(47,119)</b>     |
| Repayments on debt to mortgage-credit institutions | (3,957)         | (4,019)         | (16,193)            |
| Incurrence of lease liabilities                    | 6,571           | 62              | 2,721               |
| Repayment of leasing liabilities                   | (2,754)         | (2,556)         | (9,912)             |
| <b>Cash flows related to financing</b>             | <b>(140)</b>    | <b>(6,513)</b>  | <b>(23,384)</b>     |
| <b>Change in cash and cash equivalents</b>         | <b>(41,809)</b> | <b>6,308</b>    | <b>29,631</b>       |
| Cash and cash equivalents, start of period         | 46,090          | 16,642          | 16,642              |
| Translation adjustment, start of period            | 3               | 0               | (183)               |
| <b>Cash and cash equivalents, end of period</b>    | <b>4,284</b>    | <b>22,950</b>   | <b>46,090</b>       |